DH CORPORATION

Annual Report 2018
Dawood Hercules Corporation Limited

The Dawood Family inspires confidence in investors
and empowers individuals through education.

Founding Chairman Ahmed Dawood (second from left) and
Chairman Hussain Dawood (second from right) visit fertiliser
plant site in Sheikhupura, in 1970.

50
YEARS
OF TRUST

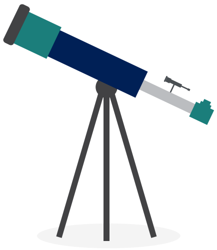
Contents

Vision

The leading investor and wealth creator of value driven businesses

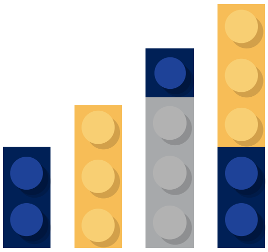
Core Values

Integrity
We conduct ourselves with uncompromising ethics and honesty.



Commitment to Excellence
We pursue the highest standards and maximizing the use of resources.

Teamwork
We are committed to work as a team to achieve common goals.



Diversity
We provide unrestricted opportunity for personal advancement to all employees.

Accountability
We are accountable for our ethical conduct and for compliance with the applicable laws and policies and directives of the management.

PERFORMANCE HIGHLIGHTS (CONSOLIDATED)

Key Figures

Total Revenue 33% ↑	PKR **171,568** Million	2018
	PKR **128,593** Million	2017
Profit After Tax 104% ↑	PKR **33,149** Million	2018
	PKR **16,247** Million	2017
PACRA Rating (Long Term)	**AA**	2018
	AA-	2017

PERFORMANCE HIGHLIGHTS (UNCONSOLIDATED)

Key Figures

Total Income 62% ↑	PKR **9,373** Million	2018
	PKR **5,785** Million	2017
Profit After Tax 57% ↑	PKR **6,054** Million	2018
	PKR **3,852** Million	2017
Dividend to shareholders 150% ↑	**Rs 10/Share**	2018
	Rs 4/Share	2017

Company Information

Board of Directors
Mr. Hussain Dawood - Chairman
Mr. Shahzada Dawood - Vice Chairman
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. Imran Sayeed - Director
Mr. Inam ur Rahman - Chief Executive Officer

Board Audit Committee
Mr. Shabbir Hussain Hashmi - Chairman
Mr. Muneer Kamal - Member
Mr. Hasan Reza Ur Rahim - Member

Human Resource & Remuneration Committee
Mr. Imran Sayeed - Chairman
Mr. Shahzada Dawood - Member
Mr. Parvez Ghias - Member
Mr. Muneer Kamal - Member

Board Investment Committee
Mr. Shahzada Dawood - Chairman
Mr. Hasan Reza Ur Rahim - Member
Mr. Imran Sayeed - Member

Chief Financial Officer
Mr. Mohammad Shamoon Chaudry

Company Secretary
Mr. Asim H. Akhund

Registered Office
Dawood Centre, M.T. Khan Road Karachi-75530
Tel: +92 (21) 35686001
Fax: +92 (21) 35644147
Email: shareholders@dawoodhercules.com
Website: www.dawoodhercules.com

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, Near 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

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

Board of Directors

Hussain Dawood
Chairman

Hussain Dawood joined the Board in April 1974.

Over the last 50 years Mr. Dawood has driven the Dawood Hercules Group and its investments with a vision of purpose – to endeavour to make notable contributions to sectors that are drivers of economy and society. Mr. Dawood also serves as the Chairman of Engro Corporation, focusing on solutions to pressing challenges of the country. Under his stewardship, Engro has emerged as a partner of choice for international companies looking to work in Pakistan.

Committed to human development, Mr. Hussain Dawood chairs the Board of Trustees of The Dawood Foundation (TDF). Established in 1962, TDF focuses on creating collective change by building interactive spaces for formal and informal learning. He is the Founder & Chairman of the Board of Governors of Karachi School of Business & Leadership, a graduate management school focused on inspiring Effective Leaders. Mr. Dawood is also on the Board for Teach the World Foundation, aiming to address the challenge of illiteracy through technology based self-learning.

He is a member of the World Economic Forum since 1992, 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 in 2008.

Mr. Dawood holds an MBA from the Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK.

Shahzada Dawood
Vice Chairman

Shahzada Dawood joined the Board in May 1996.

For the last 22 years, Shahzada Dawood has been involved with corporate governance, turnaround and transformation of industries in Pakistan. He has been instrumental in finding growth and innovation opportunities through mergers & acquisitions in textiles, fertilisers, foods, and energy for diversified public-listed companies. Shahzada also serves as Director on the Boards of Engro Corporation Limited, and Dawood Lawrencepur Limited. He currently serves as Chairman of Inbox Business Technologies, an enterprise technology services firm, and Engro Digital, with a focus on transforming industry through internet of things.

His philanthropic area of interest is in supporting education initiatives in his role as Trustee of The Dawood Foundation. Shahzada Dawood also serves a Member of the Global Advisory Board, Prince's Trust International, contributing towards its vision that every young person should have a chance to succeed.

Shahzada is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK.

Samad Dawood
Director

Abdul Samad Dawood joined the Board in January 2002.

Samad Dawood has 17 years of experience in management and governance. He currently serves as Chairman of Engro Foods Limited, and Vice Chairman of the Board of Engro Corporation. He also serves on the Boards of Dawood Lawrencepur Limited, Engro Fertilizer Limited, Reon Private Limited, Pakistan Business Council and is a Trustee on the Board of The Dawood Foundation. He was previously CEO of Dawood Hercules Corporation Limited and Cyan Limited. Samad has previously been appointed as Independent Director by International Industries Ltd. and Independent Non-Executive Director by Sui Northern Gas Pipelines Ltd. He has also served in governance roles at Engro EXIMP Pvt. Ltd., Inbox Business Technologies Pvt. Ltd., The Hub Power Company, Tenaga Generasi, Pebbles (Private) Limited, Dawood Industries Limited and World Wild-Life Fund for Nature-Pakistan. Additionally, he is a member of the Young Presidents' Organization.

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

Parvez Ghias
Director

Parvez Ghias joined the Board in March 2010.

Parvez Ghias is the Chief Executive Officer and Director at the Habib University Foundation (HUF) since January 2017 and Vice Chairman – Automotive at the House of Habib. Prior to joining HUF, Parvez Ghias was CEO of Indus Motor Co., Limited from August 2005 to December 2016.

He also serves as non-executive director at Indus Motor and as independent director on the board of Shell Pakistan Limited.

Parvez Ghias is a fellow of the Institute of Chartered Accountants in England and Wales and holds a Bachelor's degree in Economics and Statistics.

Imran Sayeed
Director

Imran Sayeed joined the Board in April 2018.

Imran Sayeed teaches as part of the Entrepreneurship and Innovation faculty at the MIT Sloan School of Management. Working with the MIT Enterprise Forum he has started and developed entrepreneurial ecosystems in Central America and South Asia.

Imran Sayeed is the co-founder of Teach The World Foundation, a global literacy non-profit that is using technology to radically transform how children across the world learn to read, write and do math. He is also the founding global President of OPEN, the largest Pakistani entrepreneurship and leadership organization in the world.

Previously Imran Sayeed started and led the Digital practice for NTT Data. Sayeed came to NTT through its acquisition of Keane, where he led a 7,000 person technology consulting organization. Prior to Keane, Imran Sayeed was an entrepreneur for 13 years, having founded 2 successful software product and services companies, Open Environment (grown to IPO), and later NetNumina (sold to Keane in 2005). He holds a patent on Internet security technology he jointly developed with Citibank. He was named by Computerworld as one of the Premier 100 IT Leaders for 2013.

In governance roles in Pakistan, Imran Sayeed currently serves on the board of Karachi Education Initiative, and previously as a Director on the Board of Engro Corporation.

Shabbir Hussain Hashmi

Director

Shabbir Hashmi joined the Board in September 2015.

Shabbir Hashmi has more than 30 years of project finance and private equity experience. Currently, he serves as an independent director on the boards of Dawood Lawrencepur Limited and Engro Powergen Qadirpur Limited. He also invests his time on the Board of Governors of The Help Care Society which operates K-12 schools in Lahore for underprivileged children.

In his previous experience in corporate governance, Shabbir Hashmi has held more than 24 board directorships as a nominee of CDC/Actis and 11 directorships as an independent.

In executive roles, Shabbir Hashmi has led the Pakistan operations at Actis Capital, one of the largest private equity investors in the emerging markets. 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.

Shabbir Hashmi is an engineer from Dawood College of Engineering & Technology, Pakistan and holds an MBA degree from J.F. Kennedy University, USA.

Muneer Kamal

Director

Muneer Kamal joined the Board in August 2017.

Muneer Kamal's diverse corporate governance experience includes having previously served as Chairman of Pakistan Stock Exchange, Chairman of National Bank of Pakistan, Trustee of Shaukat Khanum Memorial Cancer Hospital, Director of Engro Corporation, Director of New Horizon Exploration & Production Ltd., Director of Government Holdings Private Ltd., and Vice Chairman of KASB Group.

Muneer Kamal's career in banking & financial services sector spanning over 35 years started with Citibank Pakistan where he served in various local and international positions, including Head of Country Public Sector & Financial Institutions. Subsequently, Muneer Kamal went on to executive roles, appointed in President/ CEO position at Faysal Bank Ltd, Union Bank Ltd. and KASB Bank Limited, successively.

An advisor to the Dawood Hercules Group, Muneer Kamal's current area of responsibility is to develop the next generation of business leaders, in his role as CEO of Karachi Education Initiative, which funds the graduate management school Karachi School of Business & Leadership.

Mr. Kamal has an MBA degree from the University of Karachi.

Hasan Reza Ur Rahim
Director

Hasan Reza Ur Rahim joined the Board in April 2014.

Mr. Rahim is an accomplished professional who has over 35 years of domestic and international experience in the Banking and Financial Services industry. Currently, he is the Chairman of Cyan Limited and he also serves on the Boards of Dawood Lawrencepur Limited, Atlas Insurance Limited and Hum Network Limited. Previously, he was Executive Director of Chairman's Corporate Office at the Dawood Hercules Group.

Furthermore, Mr. Rahim spent 15 years at JP Morgan where he held several senior positions both in Pakistan and abroad. His accomplishments include assisting in establishing and heading the Global Corporate Bank in Bahrain, Qatar and Saudi Arabia, was Senior Country Officer of Pakistan and and was an integral part of the Regional Corporate Finance team based in Singapore. He has originated, led and executed large complex M&A transactions and Privatizations totaling USD 5.0 billion, Sovereign Debt and Bond issues of over USD 2.0 billion in the Telecom, Airlines, Banking, Oil & Gas and Petrochemical industries.

Earlier in his career Mr. Rahim, was also with Mashreq Bank PSC, ANZ Grindlays Bank PLC with whom he was transferred to and lived in Zurich, Singapore, Bahrain and Dubai. He received his Bachelor's degree from the University of Delaware in USA.

Sabrina Dawood
Director

Sabrina Dawood joined the Board in April 2014.

Sabrina Dawood is the CEO of the Dawood Foundation, a philanthropic organisation for the promotion of education and creation of informal learning spaces and opportunities.

Sabrina has been involved in the field of education through her contributions in several educational initiatives such as Dawood Public School, an education institution providing O and A level education to over 2,500 female students for the past 3 decades. She is also a member of Board of Governors of National Management Foundation (NMF) of Lahore University of Management Sciences (LUMS) and 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.

Inam ur Rahman

Chief Executive Officer

Inam ur Rahman joined the Board in December 2016.

Bringing more than 27 years of experience across diversified industries including energy & renewables, education, enterprise technology, foods, textiles, fashion & apparel, lifestyle, and business consulting, Inam ur Rahman currently serves in corporate governance roles across various public-listed firms associated with the Dawood Hercules Group. He was appointed as Chief Executive Officer of the group's parent investment company, Dawood Hercules Corporation, on 1st December 2016.

An environmentalist at heart, Inam launched Reon Energy, an enterprise solar power EPC, and continues to serve as Chief Executive of Tenaga Generasi Limited, a 50 megawatt wind power plant.

Inam ur Rahman's passion is to develop and grow people. He has taught at the undergraduate level, and at present devotes his time in governance roles at Karachi School of Business & Leadership.

Inam holds an MBA degree from Lahore University of Management Sciences (LUMS), in addition to an engineering degree from UET Lahore.

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. The Chairman of the Committee is an Independent director.

Mr. Shabbir Hussain Hashmi	Chairman
Mr. Muneer Kamal	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 Listed Companies (Code of Corporate Governance) Regulations, 2017.

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

Human Resource & Remuneration Committee:

The Human Resource & Remuneration Committee consists of four directors. Presently, three of whom are non-executive directors and one is an independent director. The Chairman of the Committee is an Independent director.

Mr. Imran Sayeed	Chairman
Mr. Shahzada Dawood	Member
Mr. Parvez Ghias	Member
Mr. Muneer Kamal	Member

The Chief Executive Officer attends the meetings by invitation.

Human Resource & Remuneration 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.

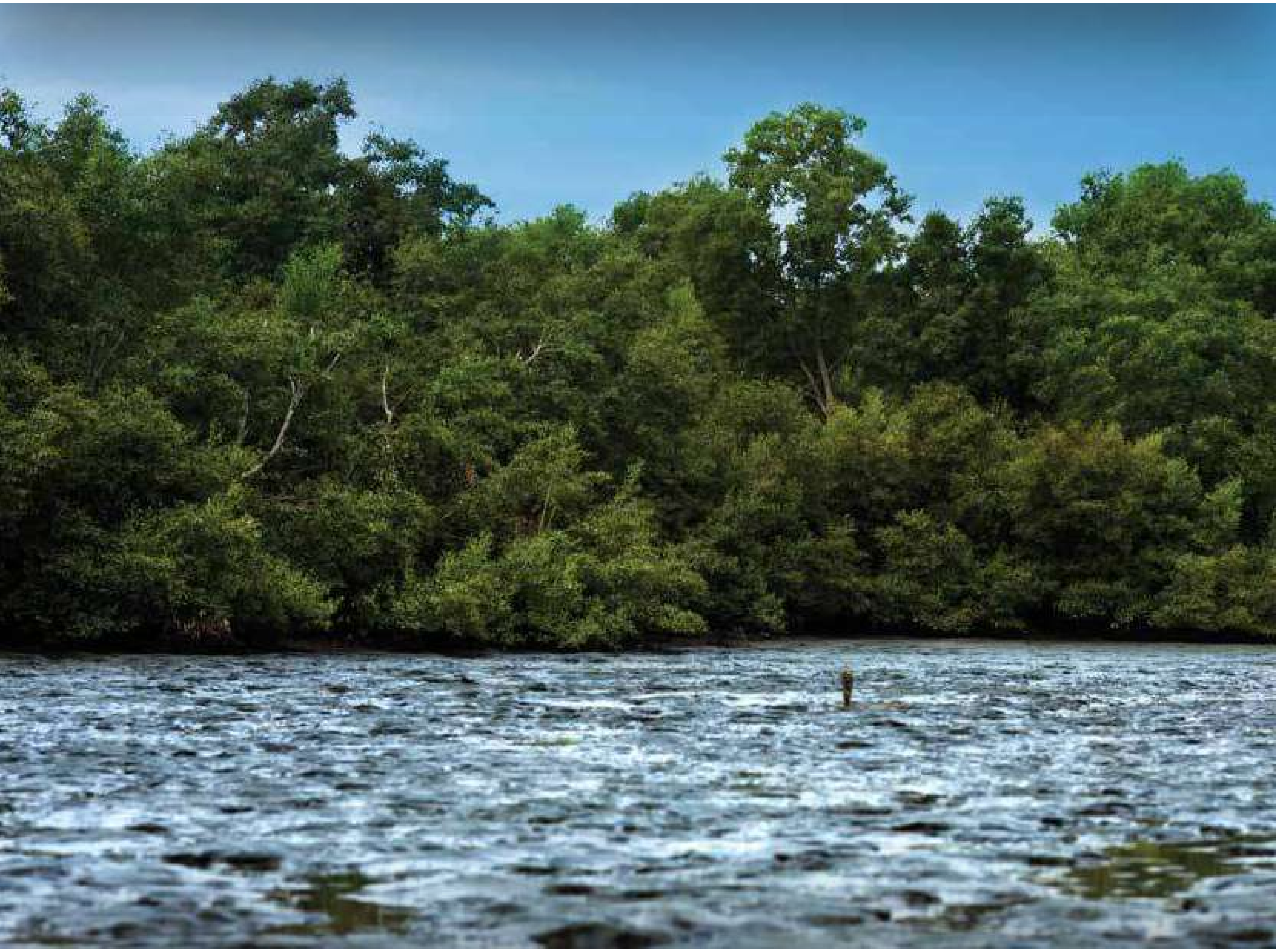
The Head of HR acts as Secretary of the Committee.

Board Investment Committee:

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

Mr. Shahzada Dawood	Chairman
Mr. Hasan Reza Ur Rahim	Member
Mr. Imran Sayeed	Member

The Chief Financial Officer acts as Secretary of the Committee.



The Dawood Foundation

Nature Series

TDF Nature series documentary,
'Mangroves Custodians of the Coast'

OPERATING HIGHLIGHTS

SIX YEARS AT A GLANCE

Sr.#	PARTICULARS	UNIT	2013
A)	INCOME STATEMENT		
1	Sales Value	Rs. in Million	4,840
2	Gross Profit	Rs. in Million	789
3	Operating Profit	Rs. in Million	294
4	EBITDA	Rs. in Million	4,950
5	Profit Before Taxation	Rs. in Million	3,893
6	Profit After Taxation	Rs. in Million	3,452
B)	DIVIDEND		
1	Cash Dividend	%	10
2	Stock Dividend	%	-
C)	BALANCE SHEET		
1	Fixed assets	Rs. in Million	140,002
2	Long term investments	Rs. in Million	7,616
3	Current Assets	Rs. in Million	72,481
4	Current Liabilities	Rs. in Million	68,872
5	Paid Up Capital	Rs. in Million	4,813
6	Reserves	Rs. in Million	18,972
7	Non Controlling Interest	Rs. in Million	37,606
8	No. of Ordinary Shares	Million	481.29
D)	RATIO ANALYSIS		
1	Gross Profit	%	16.31
2	Net Profit to Sales	%	71.32
3	Operating Profit Margin	%	6.08
4	EBITDA margin	%	102.27
5	Earnings Per Share	Rs.	7.17
6	Inventory Turnover	Time	0.39
7	Age of Inventory	Days	938.17
8	Debtors Turnover	Time	3.15
9	Average Collection Period	Days	115.88
10	Operating Cycle	Days	1,054.05
11	Total Assets Turnover	Time	0.02
12	Fixed Assets Turnover	Time	0.03
13	Break-up Value of Share	Rs.	49.42
14	Dividend Yield	%	1.78
15	Dividend Payout Ratio	%	13.94
16	Return on Equity	%	14.51
17	Debt Equity Ratio	Time	1.90
18	Current Ratio	Time	1.05
19	Quick Ratio	Time	0.75
20	Total Debt Ratio	Time	0.72
21	Interest Cover Ratio	Time	5.58
22	Dividend Cover Ratio	Time	7.17
23	Return on capital employed	%	14.51
24	Market Value per Share	Rs.	56.12
25	Market Capitalization	Rs. in Million	27,010
26	Price Earning Ratio	Times	7.83
E)	PRODUCTION		
1	Urea	Metric Tons	1,622,345
2	NPK	Metric Tons	92,839
3	PVC - Resin	Metric Tons	146,000
4	EDC	Metric Tons	117,000
5	Caustic Soda	Metric Tons	115,000
6	VCM	Metric Tons	170,000
7	Power	Mega watts	1,333,664
8	Dairy and bevrages	Thousand Litres	422,818
9	Milling/Drying unit of rice processing plant	Metric Tons	196,478
10	Ice Cream	Thousand Litres	14,500
F)	OTHERS		
1	Employees	Nos.	465
2	Capital Expenditure	Rs. in Million	6.82

	2014	2015	2016	2017	2018
	179,628	181,980	157,208	128,592	**171,568**
	36,490	45,221	35,843	34,806	**51,108**
	22,234	36,696	85,939	31,289	**53,572**
	33,243	48,953	98,280	41,523	**61,368**
	10,868	30,385	82,543	28,354	**47,365**
	7,455	21,365	73,438	16,246	**33,149**
	10	160	155	40	**100**
	-	-	-	-	**-**
	142,105	134,336	136,257	162,265	**209,364**
	8,610	9,598	40,688	32,196	**31,590**
	77,829	59,639	113,944	134,240	**176,182**
	89,775	65,840	55,436	65,312	**80,600**
	4,813	4,813	4,813	4,813	**4,813**
	22,903	28,152	48,872	50,504	**62,073**
	46,743	59,901	119,278	122,148	**134,857**
	481.29	481.29	481.29	481.29	**481.29**
	20.31	24.85	22.80	27.07	**29.79**
	4.15	11.74	46.71	12.63	**19.32**
	12.38	20.16	54.67	24.33	**31.22**
	18.51	26.90	62.52	32.29	**35.77**
	4.70	19.17	53.12	7.19	**29.60**
	8.84	10.64	9.79	7.89	**7.95**
	41.31	34.32	37.28	46.25	**45.90**
	46.73	32.07	15.36	9.39	**10.63**
	7.81	11.38	23.76	38.85	**34.33**
	49.12	45.70	61.04	85.11	**80.22**
	0.79	0.89	0.54	0.39	**0.41**
	1.26	1.35	1.15	0.79	**0.82**
	57.59	68.49	111.54	114.93	**138.97**
	1.18	13.43	10.74	3.58	**9.00**
	6.46	36.04	10.16	11.85	**14.52**
	26.90	64.81	136.79	29.37	**49.56**
	1.32	0.93	0.52	0.61	**0.77**
	0.87	0.91	2.06	2.06	**2.19**
	0.74	0.69	1.86	1.86	**1.97**
	0.68	0.55	0.43	0.47	**0.52**
	1.82	4.41	13.84	6.04	**8.48**
	15.49	2.77	9.84	8.44	**6.89**
	26.90	64.81	136.79	29.37	**49.56**
	84.51	119.14	144.33	111.88	**111.15**
	40,674	57,341	69,465	53,847	**53,494**
	17.98	6.21	2.72	15.56	**3.76**
	1,860,867	1,964,034	1,881,016	1,806,977	**1,928,080**
	117,193	126,074	94,610	109,059	**132,970**
	153,000	162,000	172,000	187,000	**202,000**
	118,000	100,000	106,000	107,000	**107,000**
	114,000	98,000	103,000	105,000	**105,000**
	168,000	162,000	174,000	180,000	**195,000**
	1,721,959	1,424,015	1,264,667	1,737,394	**1,526,309**
	472,735	552,532	-	-	**-**
	166,801	45,982	28,474	59,371	**77,008**
	16,726	19,364	-	-	**-**
	4,113	3,975	2,037	2,071	**2,343**
	9,579.81	8,917	23,721	29,947	**36,606**

HORIZONTAL ANALYSIS

BALANCE SHEET

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

Particulars	2013	2014	2015	2016	2017	2018
Share Capital and Reserves						
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,813	4,813	4,813
Capital reserve	-	-	-	-	-	-
Revenue reserves	18,972	22,903	28,152	48,872	50,504	62,073
Fair value reserve	-	-	-	-	-	-
Non-Controlling interest	37,606	46,743	59,901	119,278	122,148	134,857
Share holder's equity with FVR	61,391	74,459	92,866	172,963	177,465	201,743
Non Current Liabilities	91,815	66,710	49,758	72,918	94,411	139,270
Sub Total	153,206	141,169	142,624	245,881	271,876	341,013
Current Liabilities						
Current portion - long term loan	16,797	19,316	22,791	13,374	12,392	11,956
Short term financing - secured	7,285	12,201	6,608	8,405	11,327	6,641
Trade and other payables	41,097	54,669	34,619	32,107	39,311	51,119
Markup payable on secured loans	2,306	2,124	1,428	1,238	1,553	2,363
Provision for taxation	-	-	-	62	220	8,300
Others	1,387	1,465	394	250	509	221
Sub Total	68,872	89,775	65,840	55,436	65,312	80,600
Total	222,078	230,944	208,464	301,317	337,188	421,613

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

Particulars	2013	2014	2015	2016	2017	2018
Assets						
Property, plant and equipment (Incl intangibles and biological asset)	140,002	142,105	134,336	136,257	162,265	209,364
Long term investments	7,616	8,610	9,598	40,688	32,196	31,590
Long term loans and advances	307	1,184	3,758	9,851	6,810	4,093
Others	1,672	1,216	1,133	577	1,677	384
Sub Total	149,597	153,115	148,825	187,373	202,948	245,431
Current Assets						
Stores, spares and loose tools	7,806	8,276	7,679	7,148	7,639	7,688
Stock in trade	20,772	11,628	14,089	10,704	13,066	17,228
Trade debts	3,073	4,615	6,734	13,734	13,641	18,630
Loans, advances, deposit, prepayments and other receivables including Accrued Income	6,519	7,082	9,599	11,445	13,601	16,987
Others	4,569	4,693	2,368	-	-	-
Short term investments	22,700	29,163	14,050	64,726	69,895	103,533
Investment - Held for sale	-	-	-	-	6,611	-
Cash and bank balances	7,042	12,372	5,120	6,187	9,787	12,116
Sub Total	72,481	77,829	59,639	113,944	134,240	176,182
Total Assets Employed	222,078	230,944	208,464	301,317	337,188	421,613

--Percentage Change--

13 Over 12	14 Over 13	15 over 14	16 over 15	17 over 16	18 over 17
-	-	-	-	-	-
-9%	21%	23%	74%	3%	23%
-100%	-	-	-	-	-
100%	24%	28%	99%	2%	10%
139%	21%	25%	86%	3%	14%
1074%	-27%	-25%	47%	29%	48%
357%	-8%	1%	72%	11%	25%
7680%	15%	18%	-41%	-7%	-4%
22455%	67%	-46%	27%	35%	-41%
13510%	33%	-37%	-7%	22%	30%
7043%	-8%	-33%	-13%	25%	52%
-	-	-	100%	255%	3673%
100%	6%	-73%	-37%	104%	-57%
11725%	30%	-27%	-16%	18%	23%
551%	4%	-10%	45%	12%	25%

--Percentage Change--

13 Over 12	14 Over 13	15 over 14	16 over 15	17 over 16	18 over 17
6181%	2%	-5%	1%	19%	29%
-75%	13%	11%	324%	-21%	-2%
22098%	286%	217%	162%	-31%	-40%
100%	-27%	-7%	-49%	191%	-77%
353%	2%	-3%	26%	8%	21%
1054%	6%	-7%	-7%	7%	1%
39769%	-44%	21%	-24%	22%	32%
933943%	50%	46%	104%	-1%	37%
2089%	9%	36%	19%	19%	25%
100%	3%	-50%	-100%	-	-
867969%	28%	-52%	361%	8%	48%
	-	-	-	100%	-100%
19719%	76%	-59%	21%	58%	24%
6708%	7%	-23%	91%	18%	31%
551%	4%	-10%	45%	12%	25%

VERTICAL ANALYSIS

BALANCE SHEET

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

Particulars	2013	2014	2015	2016	2017	2018
Share Capital and Reserves						
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,813	4,813	4,813
Revenue reserves	18,972	22,903	28,152	48,872	50,504	62,073
Non-Controlling interest	37,606	46,743	59,901	119,278	122,148	134,857
Share holder's Equity with FVR	61,391	74,459	92,866	172,963	177,465	201,743
Non Current Liabilities	91,815	66,710	49,758	72,918	94,411	139,270
Sub Total	153,206	141,169	142,624	245,881	271,876	341,013
Current Liabilities						
Current portion - long term loan	16,797	19,316	22,791	13,374	12,392	11,956
Short term financing - secured	7,285	12,201	6,608	8,405	11,327	6,641
Trade and other payables	41,097	54,669	34,619	32,107	39,311	51,119
Markup payable on secured loans	2,306	2,124	1,428	1,238	1,553	2,363
Provision for taxation	-	-	-	62	220	8,300
Others	1,387	1,465	394	250	509	221
Sub Total	68,872	89,775	65,840	55,436	65,312	80,600
Total	222,078	230,944	208,464	301,317	337,188	421,613

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

Particulars	2013	2014	2015	2016	2017	2018
Assets						
Property, plant and equipment (Incl intangibles and biological asset)	140,002	142,105	134,336	136,257	162,265	209,364
Long term investments	7,616	8,610	9,598	40,688	32,196	31,590
Long term loans and advances	307	1,184	3,758	9,851	6,810	4,093
Others	1,672	1,216	1,133	577	1,677	384
Sub Total	149,597	153,115	148,825	187,373	202,948	245,431
Current Assets						
Stores, spares and loose tools	7,806	8,276	7,679	7,148	7,639	7,688
Stock in trade	20,772	11,628	14,089	10,704	13,066	17,228
Trade debts	3,073	4,615	6,734	13,734	13,641	18,630
Loans, advances, deposit, prepayments and other receivables including advance income tax	6,519	7,082	9,599	11,445	13,601	16,987
Others	4,569	4,693	2,368	-	-	-
Short term investments	22,700	29,163	14,050	64,726	69,895	103,533
Investment - Held for sale	-	-	-	-	6,611	-
Cash and bank balances	7,042	12,372	5,120	6,187	9,787	12,116
Sub Total	72,481	77,829	59,639	113,944	134,240	176,182
Total Assets Employed	222,078	230,944	208,464	301,317	337,188	421,613

---------------------------Percentage---------------------------

2013	2014	2015	2016	2017	2018
2%	2%	2%	2%	1%	**1%**
9%	10%	14%	16%	15%	**15%**
17%	20%	29%	40%	36%	**32%**
28%	32%	45%	57%	53%	**48%**
41%	29%	24%	24%	28%	**33%**
69%	61%	68%	82%	81%	**81%**
8%	8%	11%	4%	4%	**3%**
3%	5%	3%	3%	3%	**2%**
19%	24%	17%	11%	12%	**12%**
1%	1%	1%	0%	0%	**1%**
0%	0%	0%	0%	0%	**2%**
1%	1%	0%	0%	0%	**0%**
31%	39%	32%	18%	19%	**19%**
100%	100%	100%	100%	100%	**100%**

---------------------------Percentage---------------------------

2013	2014	2015	2016	2017	2018
63%	62%	64%	45%	48%	**50%**
3%	4%	5%	14%	10%	**7%**
-	1%	2%	3%	2%	**1%**
1%	1%	1%	0%	0%	**-**
67%	66%	71%	62%	60%	**58%**
4%	4%	4%	2%	2%	**2%**
9%	5%	7%	4%	4%	**4%**
1%	2%	3%	5%	4%	**4%**
3%	3%	5%	4%	4%	**4%**
2%	2%	1%	0%	0%	**0%**
10%	13%	7%	21%	21%	**25%**
0%	0%	0%	0%	2%	**0%**
3%	5%	2%	2%	3%	**3%**
33%	34%	29%	38%	40%	**42%**
100%	100%	100%	100%	100%	**100%**

HORIZONTAL ANALYSIS
PROFIT AND LOSS

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

Particulars	2013	2014	2015	2016	2017	2018
Net sales	4,840	179,628	181,980	157,208	128,592	171,568
Cost of sales	4,051	143,138	136,759	121,365	93,786	120,460
Gross profit	789	36,490	45,221	35,843	34,806	51,108
Selling and distribution expenses	96	10,932	10,766	12,053	7,850	8,488
Administrative expenses	641	4,577	5,209	4,352	4,282	6,605
Impairment loss	-	43	-	-	-	-
Other operating expenses	39	2,509	3,236	2,351	2,570	4,427
Other income	280	3,805	10,686	68,852	11,185	21,984
Operating profit	294	22,234	36,696	85,939	31,289	53,572
Finance cost	850	13,234	8,919	6,431	5,624	6,336
Share of profit of associates & Joint Ventures	4,449	1,868	2,608	3,035	2,689	129
Profit before taxation	3,893	10,868	30,385	82,543	28,354	47,365
Taxation	442	3,413	9,020	9,105	12,108	14,216
Profit after taxation	3,452	7,455	21,365	73,438	16,246	33,149

VERTICAL ANALYSIS
PROFIT AND LOSS

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

Particulars	2013	2014	2015	2016	2017	2018
Net sales	4,840	179,628	181,980	157,208	128,592	171,568
Cost of sales	4,051	143,138	136,759	121,365	93,786	120,460
Gross profit	789	36,490	45,221	35,843	34,806	51,108
Selling and distribution expenses	96	10,932	10,766	12,053	7,850	8,488
Administrative expenses	641	4,577	5,209	4,352	4,282	6,605
Impairment loss	-	43	-	-	-	-
Other operating expenses	39	2,509	3,236	2,351	2,570	4,427
Other income	280	3,805	10,686	68,852	11,185	21,984
Operating profit	294	22,234	36,696	85,939	31,289	53,572
Finance cost	850	13,234	8,919	6,431	5,624	6,336
Share of profit of associates	4,449	1,868	2,608	3,035	2,689	129
Profit before taxation	3,893	10,868	30,385	82,543	28,354	47,365
Taxation	442	3,413	9,020	9,105	12,108	14,216
Profit after taxation	3,452	7,455	21,365	73,438	16,246	33,149

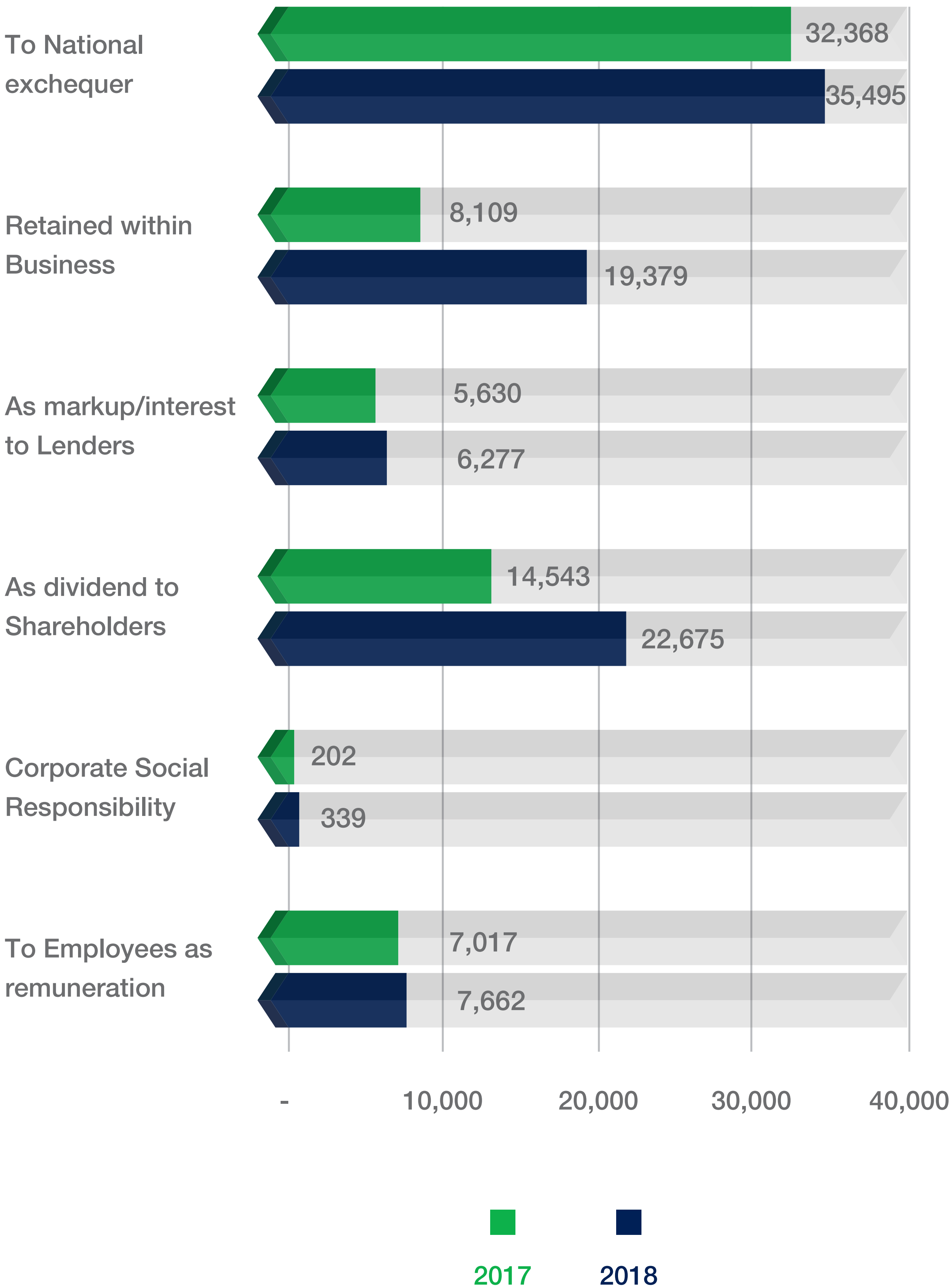
13 Over 12	14 Over 13	15 Over 14	16 Over 15	17 Over 16	18 Over 17
			Percentage Change		
5%	3611%	1%	-14%	-18%	**33%**
6%	3434%	-4%	-11%	-23%	**28%**
0%	4523%	24%	-21%	-3%	**47%**
26%	11341%	-2%	12%	-35%	**8%**
45%	614%	14%	-16%	-2%	**54%**
-	100%	-100%	-	-	**-**
319%	6341%	29%	-27%	9%	**72%**
-43%	1259%	181%	544%	-84%	**97%**
-61%	7458%	65%	134%	-64%	**71%**
-7%	1457%	-33%	-28%	-13%	**13%**
249%	-58%	40%	16%	-11%	**-95%**
252%	179%	180%	172%	-66%	**67%**
260%	673%	164%	1%	33%	**17%**
251%	116%	187%	244%	-78%	**104%**

2013	2014	2015	2016	2017	2018
			Percentage		
100%	100%	100%	100%	100%	**100%**
84%	80%	75%	77%	73%	**70%**
16%	20%	25%	23%	27%	**30%**
2%	6%	6%	8%	6%	**5%**
13%	3%	3%	3%	3%	**4%**
0%	0	-	-	-	**-**
1%	1%	2%	1%	2%	**3%**
6%	2%	6%	44%	9%	**13%**
6%	12%	20%	55%	24%	**31%**
18%	7%	5%	4%	4%	**4%**
92%	1%	1%	2%	2%	**0%**
80%	6%	17%	53%	22%	**28%**
9%	2%	5%	6%	9%	**8%**
71%	4%	12%	47%	13%	**19%**

STATEMENT OF VALUE ADDITION

CONSOLIDATED

	2018 PKR 'million'	2018 %age	2017 PKR 'million'	2017 %age
Wealth generated				
Total gross revenue & other income	206,414		152,737	
Brought in materials and services	(114,587)		(84,868)	
Total value addition	91,827		67,869	
Wealth distribution				
To employees (Salaries, wages & benefits)	7,662	8%	7,017	11%
To government (Income Tax, sales tax & wwf)	35,495	39%	32,368	48%
To Society				
Donation toward eductaion,health, environment and natural disaster	339	0%	202	0%
To providers of capital:				
Dividend to Shareholders	22,675	25%	14,543	21%
Markup/interest expenses on borrowed money	6,277	7%	5,630	8%
Retained for investment and future growth, depreciation and retained profits	19,379	21%	8,109	12%
Total value distribution	91,827		67,869	


To National exchequer
32,368
35,495
Retained within Business
8,109
19,379
As markup/interest to Lenders
5,630
6,277
As dividend to Shareholders
14,543
22,675
Corporate Social Responsibility
202
339
To Employees as remuneration
7,017
7,662
-
10,000
20,000
30,000
40,000
2017
2018

NOTICE OF 51st ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-First Annual General Meeting of Dawood Hercules Corporation Limited (the "Company") will be held on Saturday, April 27, 2019 at 10:00 a.m. at the Dawood Foundation, Business Hub, Ground Floor, Dawood Center, M.T. Khan Road, Karachi to transact the following businesses:

ORDINARY BUSINESS

(1) To receive, consider and adopt the annual unconsolidated and consolidated Audited Financial Statements of the Company for the year ended December 31, 2018, together with Auditors' and Directors' Reports thereon and Chairman's Review Report.

(2) To approve the payment of final cash dividend at the rate of PKR 4 per share i.e. (40%) as recommended by the Board of Directors. This is in addition to the interim cash dividend at the rate of PKR 6 i.e. (60%) already paid to the shareholders, thus making a total cash dividend of PKR 10 per share i.e. (100%) for the year ended December 31, 2018.

(3) To appoint Auditors for the year ending December 31, 2019 and fix their remuneration. The Audit Committee and the Board of Directors have recommended the name of A.F. Fergusons & Co., for reappointment as auditors of the Company.

SPECIAL BUSINESS

(4) To consider and, if deemed appropriate, to pass, with or without modifications, Special Resolutions, as proposed in the statement of material facts, to provide short term funded and unfunded financing facilities to associated companies.

(5) To consider and, if deemed appropriate, to pass, with or without modifications, Special Resolutions, as proposed in the statement of material facts, for alteration in the Memorandum of Association of the Company.

Statement under Section 134(3) of the Companies Act, 2017, setting forth all the material facts including proposed Special Resolutions, concerning the above Special Businesses, to be transacted at the Fifty-First Annual General Meeting (the "Meeting") will be sent to the shareholders annexed to the Notice of the Meeting.

By Order of the Board

Asim H. Akhund
Company Secretary

Karachi,
Dated: February 20, 2019

Notes:

(1) The Share Transfer Books of the Company will be closed from Saturday, April 20, 2019 to Saturday, April 27, 2019 (both days inclusive). Transfers received in order at the office of our Registrar, FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi, PABX No. (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m) Friday, April 19, 2019, 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.

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

(3) 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 FAMCO Associates (Private) Limited, 8-F, Near 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.

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

(5) The deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S. No.	Nature of Shareholders	Rate of deduction
1	Filers	15%
2	Non- Filers	20%

Tax deduction will be made on the basis of Active Tax Payers List provided on the website of Federal Board of Revenue.

The members seeking exemption from deduction of tax on dividend payment or are eligible for deduction at a reduced rate, are requested to submit a valid withholding tax exemption certificate or necessary documentary evidence, as the case may be.

The members who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the AGM date.

Folio/CDC Account No.	Name of Shareholder	CNIC	Shareholding	Total Shares	Principal/Joint Shareholder

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

(6) Members can also avail video conference facility under the provision of Section 134(1)(b) of Companies Act, 2017 to participate in the 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 the 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 member

(7) The members may exercise their right to demand a poll subject to the requirements of applicable provisions of the Companies Act, 2017 and the Companies (Postal Ballot) Regulations, 2018.

(8) The Company has placed a copy of the Notice of the Meeting, Unconsolidated and Consolidated Financial Statements for the year ended 31 December 2018 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company:www.dawoodhercules.com

(9) Pursuant to Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it becomes due and payable shall vest with the Federal Government after compliance of procedures prescribed under the Companies Act, 2017. Section 244(1)(a) of the Act requires the Company to give a 90 days' notice to the Members to file their claims with the Company. Further, SECP vide Direction No. 16 of 2017, issued on July 7, 2017 directed all listed companies to issue such notices to the members and submit statements of unclaimed shares or dividend or any other instrument which remain unclaimed or unpaid for a period of three years from the date it is due and payable as of May 30, 2017. Accordingly, the Company issued notices to the Shareholders and submitted statements of unclaimed shares or dividend or any other instrument with SECP.

Statements under Section 134(3) of the Companies Act 2017

This Statement is annexed to the Notice of the Fifty-First Annual General Meeting of Dawood Hercules Corporation Limited to be held on Saturday, April 27, 2019, at which certain Special Businesses are to be transacted. This Statement is to set forth all the material facts concerning such Special Businesses.

ITEM (4) OF THE AGENDA

Investment in Associated Companies

The Company is seeking approval of its members by passing Special Resolutions proposed herein to enable it to lend and make available to associated companies, undertakings or subsidiary listed below, short term funded and unfunded financing facilities. This is being proposed only for short term liquidity management, where the Company has surplus liquidity from own or borrowed funds and the associated companies require liquidity.

> **"RESOLVED THAT** approval of the members of Dawood Hercules Corporation Limited (the "Company") be and is hereby accorded in terms of Section 199 and other applicable provisions of the Companies Act, 2017 and the Company be and is hereby authorized to provide short term funded and unfunded financial assistance to the following associated companies upto the amount stated below in respect of each company for a period of one year starting from the date the funds are provided, at mark up rate which shall not be less than the 3 month Karachi Inter Bank Offererd Rate (3M KIBOR) + 100bps for the relevant period or the borrowing cost of the Company, whichever is higher, and as per terms and conditions of agreement and as disclosed to the members.

Name	Amount
Dawood Lawrencepur Limited	PKR 5bn
Tenaga Generasi Limited	PKR 1bn
Cyan Limited	PKR 2bn
Engro Corporation Limited	PKR 6bn
Engro Fertilizers Limited	PKR 2bn
Engro Polymers & Chemicals Limited	PKR 2bn
Engro Energy Limited	PKR 2bn
Engro EXIMP Agriproducts (Private) Limited	PKR 1bn

> **RESOLVED FURTHER THAT** approval be and is hereby granted for annual renewal of the above short term funded and unfunded assistance for further periods of four (4) years if required by the associated companies on the same terms and conditions.

> **RESOLVED FURTHER THAT** this Special Resolution shall be valid for a period of Five (5) years starting from the date of approval by members and the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby jointly empowered and authorized to do all acts, matters, deeds and things, take any or all necessary actions including signing and execution of agreement(s) and to complete all legal formalities as may be necessary or incidental expedient for the purpose of implementing the aforesaid resolutions".

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

(A) Regarding associated company or associated undertaking:-

(i) name of associated company or associated undertaking;

S. No.	Name
1	Dawood Lawrencepur Limited
2	Tenaga Generasi Limited
3	Cyan Limited
4	Engro Corporation Limited
5	Engro Fertilizers Limited
6	Engro Polymers & Chemicals Limited
7	Engro Energy Limited
8	Engro EXIMP Agriproducts (Private) Limited

(ii) basis of relationship;

Name	Relationship	Holding: Direct and/or indirect
Dawood Lawrencepur Limited	Common Directorship	-
Tenaga Generasi Limited	Common Directorship	-
Cyan Limited	Common Directorship	-
Engro Corporation Limited	Subsidiary	37.2%
Engro Fertilizers Limited	Indirect Shareholding	20.9%
Engro Polymers & Chemicals Limited	Indirect Shareholding	20.9%
Engro Energy Limited	Indirect Shareholding	37.2%
Engro EXIMP Agriproducts (Private) Limited	Indirect Shareholding	37.2%

(iii) earnings per share for the last three years;

Earnings Per Share	2018	2017	2016
Dawood Lawrencepur Limited	9.6	2.4	18.9
Tenaga Generasi Limited	1.6	1.5	(0.6)
Cyan Limited	(3.7)	(9.2)	12.1
Engro Corporation Limited	24.3	21.7	118.1
Engro Fertilizers Limited	12.5	7.6	6.8
Engro Polymers & Chemicals Limited	5.4	3.1	1.0
Engro Energy Limited*	43.8	47.0	40.1
Engro EXIMP Agriproducts (Private) Limited	1.7	(1.5)	(2.5)

*consolidated (previously Engro Powergen)

(iv) break-up value per share, based on latest audited financial statements;

Break-up Value Per Share	December 31, 2018
Dawood Lawrencepur Limited	52.3
Tenaga Generasi Limited	12.1
Cyan Limited	31.3
Engro Corporation Limited	162.5
Engro Fertilizers Limited	32.2
Engro Polymers & Chemicals Limited	18.4
Engro Energy Limited	842.2
Engro EXIMP Agriproducts (Private) Limited	7.0

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

Full year ended December 31, 2018, audited accounts of **Dawood Lawrencepur Limited:**

BALANCE SHEET	**PKR '000**
ASSETS	
Non-current assets	
Property, plant and equipment	31,494
Intangible assets	19
Long term investments	3,201,795
Long term loan	195,000
Long term deposits	2,778
	3,431,086
Current assets	
Stores and spares	892
Stock	47,380
Trade debts	4,411
Loans and advances	2,811
Taxes recoverable	5,121
Deposits, prepayments and other receivables	68,995
Interest accrued	21,229
Cash and bank balances	19,788
	170,627
TOTAL ASSETS	**3,601,713**
EQUITY AND LIABILITIES	
Equity	
Share capital	590,578
Capital reserves	206,666
Unappropriated profit	2,283,583
Unrealized gain on remeasurement of available for sale investments	10,238
	3,091,065
Current liabilities	
Trade and other payables	57,655
Unclaimed dividend	44,635
Unpaid dividend	3,589
Short term borrowings	388,269
Provision	5,816
Accrued markup	10,684
	510,648
TOTAL EQUITY AND LIABILITIES	**3,601,713**

INCOME STATEMENT	**PKR '000**
Revenue	7,840
Profit before tax	595,486
Profit after tax	477,208

Full year ended December 31, 2018, audited accounts of **Tenaga Generasi Limited**

BALANCE SHEET	**PKR '000**
ASSETS	
Non-current assets	
Property, plant and equipment	12,191,860
Current assets	
Stores, spares and loose tools	21,384
Trade debts	988,909
Loans, advances, deposits, prepayments and receivables	135,247
Accrued interest	6,917
Cash and bank balances	585,697
TOTAL ASSETS	**13,930,288**
EQUITY AND LIABILITIES	
Equity	
Share capital	3,027,034
Accumulated profit	650,054
	3,677,089
Non-current liabilities	
Borrowings	8,693,130
Deferred liability – staff retirement benefits	819
Current liabilities	
Current portion of long term borrowings	952,829
Creditors, accrued and other liabilities	169,522
Accrued markup	228,577
Sales tax payable	12,963
Income tax provisions less payments	357
TOTAL EQUITY AND LIABILITIES	**13,930,288**

INCOME STATEMENT	**PKR '000**
Revenue	2,294,459
Profit before tax	487,447
Profit after tax	487,967

Full year ended December 31, 2018, audited accounts of **Cyan Limited**

BALANCE SHEET	**PKR '000**
ASSETS	
Non-current assets	
Property, plant and equipment	13,405
Intangible assets	66
Long term loans	6,154
Long term deposits	2,500
Deferred taxation	74,051
	96,176
Current assets	
Short term investments	2,108,946
Long term loans – current portion	2,330
Trade and other receivables	43,772
Advances and short term prepayments	3,291
Cash and bank balances	9,570
	2,167,909
TOTAL ASSETS	**2,264,085**
EQUITY AND LIABILITIES	
Equity	
Share capital	586,277
Unappropriated profit	659,843
Reserves	133,088
Remeasurement on post-retirement benefit obligations	(1,855)
Surplus on revaluation of available-for-sale investments	456,777
	1,834,130
Non-current liabilities	
Deferred liability - gratuity	15,281
Current liabilities	
Trade and other payables	38,549
Unclaimed dividend	32,599
Short term borrowings	218,146
Taxation	125,380
	414,674
TOTAL EQUITY AND LIABILITIES	**2,264,085**

INCOME STATEMENT	**PKR '000**
Return on investments	96,899
Loss before tax	(211,002)
Loss after tax	(218,086)

Full year ended December 31, 2018, audited accounts of **Engro Corporation Limited**

BALANCE SHEET	**PKR '000**
ASSETS	
Non-current assets	
Property, plant and equipment	514,837
Intangible assets	58,246
Long term investments	24,652,289
Long term loans and advances	49,796
	25,275,170
Current assets	
Loans, advances and prepayments	350,121
Receivables	499,462
Accrued interest	353,503
Short term investments	64,488,556
Cash and bank balances	1,609,160
	67,300,802
TOTAL ASSETS	**92,575,972**
EQUITY AND LIABILITIES	
Equity	
Share capital	5,237,848
Share premium	13,068,232
Reserves	4,429,240
Remeasurement of post employment benefits	(12,721)
Unappropriated profit	62,380,565
	85,103,164
Non-current liabilities	
Deferred taxation	249
Retirement and other service benefit obligations	50,366
Current liabilities	
Trade and other payables	1,386,693
Provisions	3,243,130
Taxes payable	1,431,589
Borrowings	998,164
Accrued markup	64,357
Unclaimed dividend	298,260
	7,422,193
TOTAL EQUITY AND LIABILITIES	**92,575,972**

INCOME STATEMENT	**PKR '000**
Revenue	10,263,698
Profit before tax	16,675,911
Profit after tax	12,719,875

Full year ended December 31, 2018, audited accounts of **Engro Fertilizers Limited**

BALANCE SHEET	**PKR '000**
ASSETS	
Non-current assets	
Property, plant and equipment	68,203,956
Intangible assets	4,487,771
Investment in subsidiaries	560,416
Long term loans and advances	140,784
	73,392,927
Current assets	
Stores, spares and loose tools	5,325,287
Stock in trade	2,959,696
Trade debts	2,374,797
Subordinated loan to subsidiary	13,677,700
Loans, advances, deposits and prepayments	702,171
Other receivables	8,299,348
Accrued income	439,345
Short term investments	6,334,613
Cash and bank balances	642,060
	40,755,017
TOTAL ASSETS	**114,147,944**
EQUITY AND LIABILITIES	
Equity	
Share capital	13,352,993
Share premium	3,384,904
Reserve on amalgamation	(304,027)
Remeasurement of post employment benefits	(45,083)
Unappropriated profit	26,606,961
	42,995,748
Non-current liabilities	
Borrowings	25,715,015
Deferred Liabilities	7,161,541
Service benefits obligations	190,531
	33,067,117
Current liabilities	
Trade and other payables	28,626,619
Short-term borrowings	636,878
Accrued markup	405,620
Taxes payable	3,203,439
Current portion of borrowings	5,095,584
Current portion of service benefit obligations	51,267
Unclaimed dividend	65,672
	38,085,079
TOTAL EQUITY AND LIABILITIES	**114,147,944**

INCOME STATEMENT	**PKR '000**
Revenue	66,141,478
Profit before tax	21,399,827
Profit after tax	16,668,684

Full year ended December 31, 2018, audited accounts of **Engro Polymer and Chemicals Limited**

BALANCE SHEET	**PKR '000**
ASSETS	
Non-current assets	
Property, plant and equipment	19,397,763
Intangible assets	106,773
Long term investment - at cost	50,000
Long term loans and advances	84,465
	19,639,001
Current assets	
Stores, spares and loose tools	1,562,767
Stock in trade	3,581,387
Trade debts	430,400
Loans, advances, deposits and prepayments	1,694,483
Short term investments	7,703,059
Cash and bank balances	1,359,208
	16,331,304
TOTAL ASSETS	**35,970,305**
EQUITY AND LIABILITIES	
Equity	
Share capital	9,089,233
Share premium	3,874,953
Unappropriated profit	3,779,400
	16,743,586
Non-current liabilities	
Borrowings	7,500,000
Deferred tax	390,146
Current liabilities	
Service benefit obligations	55,354
Trade and other payables	6,435,073
Accrued markup	64,911
Provisions	4,638,827
Income tax provisions less payments	89,227
Unclaimed and unpaid dividend	53,181
	11,336,573
TOTAL EQUITY AND LIABILITIES	**35,970,305**

INCOME STATEMENT	**PKR '000**
Revenue	35,271,635
Profit before tax	6,448,735
Profit after tax	4,917,297

Full year ended December 31, 2018, audited accounts of **Engro Energy Limited (consolidated)**

BALANCE SHEET	PKR '000
ASSETS	
Non-current assets	
Property, plant and equipment	105,603,610
Intangible assets	125,897
Investments	3,410,907
Long term deposits	5,016
Deferred tax asset	381,981
Long term loans and advances	1,833,128
	111,360,539
Current assets	
Inventories	379,474
Stores and spares	515,675
Markup receivable	101,640
Trade debts	7,821,790
Loans, advances, deposits, prepayments and other receivables	1,806,144
Taxes recoverable	145,334
Short term investments	5,977,431
Cheques in hand and balances with banks	5,064,430
	21,811,918
TOTAL ASSETS	**133,172,457**
EQUITY AND LIABILITIES	
Equity	
Share capital	364,760
Share premium	2,740,529
Maintenance reserve	156,301
Hedging reserve	9,823
Share issuance cost	(57,678)
Exchange translation reserve	158,294
Unappropriated profit	7,992,659
Non-controlling interest	19,355,766
	30,720,454
Non-current liabilities	
Borrowings	83,103,222
Current liabilities	
Creditors, accrued and other liabilities	6,766,285
Unclaimed dividend	23,933
Accrued markup	2,283,551
Current portion of borrowings	2,804,531
Deferred tax liability	151,986
Short term borrowings	7,318,495
	102,452,003
TOTAL EQUITY AND LIABILITIES	**133,172,457**

INCOME STATEMENT	PKR '000
Revenue	11,954,606
Profit before tax	2,407,735
Profit after tax	1,596,856

Full year ended December 31, 2018, audited accounts of **Engro Eximp Agriproducts (Private) Limited**

BALANCE SHEET	PKR '000
ASSETS	
Non-current assets	
Property, plant and equipment	1,224,776
Intangible assets	971
	1,225,747
Current assets	
Stores and spares	61,216
Stock in trade	1,729,108
Trade debts	10,024
Taxes recoverable	45,479
Advances, deposits, prepayments and other receivables	302,871
Cash and bank balances	5,253
	2,153,951
TOTAL ASSETS	**3,379,698**
EQUITY AND LIABILITIES	
Equity	
Share capital	2,008,609
Share premium	10,500,391
Accumulated loss	(11,177,881)
	1,331,119
Current liabilities	
Trade and other payables	143,259
Accrued markup	32,576
Short term finances	1,872,744
	2,048,579
TOTAL EQUITY AND LIABILITIES	3,379,698

INCOME STATEMENT	PKR '000
Revenue	2,537,970
Profit before tax	356,294
Profit after tax	332,863

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

None

B) General disclosures:-

(i) maximum amount of investment to be made;

Name	Amount
Dawood Lawrencepur Limited	PKR 5bn
Tenaga Generasi Limited	PKR 1bn
Cyan Limited	PKR 2bn
Engro Corporation Limited	PKR 6bn
Engro Fertilizers Limited	PKR 2bn
Engro Polymers & Chemicals Limited	PKR 2bn
Engro Energy Limited	PKR 2bn
Engro EXIMP Agriproducts (Private) Limited	PKR 1bn

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

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

(iii) sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds: (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;

There may be circumstances where the Company may lend to its associated companies, undertakings or subsidiary by utilizing borrowed funds and (I) it will be justified by earning a profit or mark up rate better than the rate payable by the Company and (II) Company secures its borrowed funds by pledging shares of its investments in listed companies and (III) the Company will charge the borrowing company mark up or profit rate which will improve the profitability of the Company

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

The company will enter into agreement after approval of the shareholders. The significant conditions are as under:

1. Mark up due shall be paid on quarterly basis within thirty (30) days of the end of quarter.

2. The delayed payment shall be charged an additional sum equal to 20% on unpaid amount for the period for which payment is delayed.

3. Associated companies shall provide corporate guarantee to secure the loans.

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

The Directors of the Company have no personal interest in the matter, however some directors of the Company are also directors of the associated companies, undertakings and/or subsidiary and own shares in these companies as follows:

Associated Company	Common Directorships
Dawood Lawrencepur Limited	Mr. Shahzada Dawood, Mr. Samad Dawood, Mr. Hasan Reza Ur Rahim and Mr. Shabbir Hashmi
Tenaga Generasi Limited	Mr. Inam ur Rahman
Cyan Limited	Mr. Hasan Reza Ur Rahim and Mr. Inam ur Rahman
Engro Corporation Limited	Mr. Hussain Dawood, Mr. Shahzada Dawood and Mr. Samad Dawood
Engro Fertilizers Limited	Mr. Samad Dawood
Engro Polymers & Chemicals Limited	-
Engro Energy Limited	-
Engro EXIMP Agriproducts (Private) Limited	-

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

Engro Corporation Limited	Investment value PKR 23.3 bn	No impairment or write-offs have been recorded

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

None

(C) In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-

(i) category-wise amount of investment;

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

Name	Amount
Dawood Lawrencepur Limited	PKR 5bn
Tenaga Generasi Limited	PKR 1bn
Cyan Limited	PKR 2bn
Engro Corporation Limited	PKR 6bn
Engro Fertilizers Limited	PKR 2bn
Engro Polymers & Chemicals Limited	PKR 2bn
Engro Energy Limited	PKR 2bn
Engro EXIMP Agriproducts (Private) Limited	PKR 1bn

(ii) average borrowing cost of the investing company;

The Company had borrowings as at December 31, 2018 at a rate of 3 month KIBOR plus 100bps. The 3 month KIBOR as at 19/02/2019 was 10.72%.

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

The Company shall charge minimum of the 3 month Karachi Inter Bank Offererd Rate (3M KIBOR) + 100bps for the relevant period or the borrowing cost of the Company, whichever is higher. The mark up shall be paid within 30 days of the end of every quarter.

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

Normally no security is to be obtained since the Company has full oversight and is very well versed with the operations and plans of the borrowing company. The Company and its associated companies, undertakings and subsidiary are confident that any financing arrangement will be repaid. However, Corporate Guarantees shall be obtained to secure the loans.

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

No Conversion feature.

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

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

ITEM (5) OF THE AGENDA

Alteration in Memorandum of Association

The proposed alteration in the Memorandum of Association are necessitated by the Companies Act, 2017, which brings the Memorandum of Association in conformity with the Companies Act, 2017.

Accordingly, the Board of Directors of the Company have recommended the alteration in Memorandum of Association by replacing its existing object Clause III with the new Clause III. The following resolutions are proposed to be passed as special resolutions, with or without any modification:

"RESOLVED that subject to confirmation of the Securities and Exchange Commission of Pakistan ("SECP") the existing Clause III of the Memorandum of Association of the Company be and is hereby substituted to read as follows:

a) To carry on in Pakistan or elsewhere the business of general trading, investments (in including but not limited to its subsidiaries and/or associated companies), and to sell, purchase, advance, exchange, subscribe, acquire, undertake, underwrite, hold, auction, convert or other wise to deal in all types of assets including but not limited to real estate, shares, securities, stocks, bonds, fully convertible debentures, partly convertible debentures, non-convertible debentures, debentures stocks, warrants, certificate, premium notes, mortgages, obligations, inter corporate deposits, call money deposits, public deposits, commercial paper and other similar instruments whether issued by government, semi government, local authorities, public sector undertakings, companies, corporations, co-operative societies, trusts, societies, foundations, partnerships, and other similar originations at national and international levels and to do all incidental acts and things necessary for the attainment of the above objects.

b) Except for the businesses mentioned in sub-clause (d) hereunder, the Company shall engage in all lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.

c) Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-Banking Finance Company (Mutual Fund, Leasing, Investment Company, Investment Advisor, Real Estate Investment Trust Management Company, Housing Finance Company, Venture Capital Company, Discounting Services, Microfinance or Microcredit business), Insurance Business, Modaraba management company, stock brokerage business, forex, managing agency, business of providing the services of security guards or any other business restricted under any law for the time being in force or as may be specified by the SECP.

d) It is hereby undertaken that the Company shall not:

i. engage in any of the business mentioned in sub-clause (c) above or any unlawful operation;

ii. launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;

iii. engage in any of the permissible business unless the requisite approval, permission, consent or license is obtained from competent authority as may be required under any law for the time being in force.

RESOLVED FURTHER that the Chief Executive Officer and / or Company Secretary be and are hereby authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal and corporate formalities, make amendments, modification addition or deletion and file all requisite documents / application with the Registrar / SECP to effectuate and implement this special resolution.

RESOLVED FURTHER that the aforesaid alteration in the Memorandum of Association of the Company shall be subject to any amendment, modification, addition or deletion as may be deemed appropriate by the authorized person or as may be suggested, directed and advised by the SECP which suggestion, direction and advise shall be deemed to be have been approved as part of the passed Special Resolution without the need of the members to pass a fresh special resolution".

Statement by the Board of Directors:

The proposed alterations are in line with the applicable provisions of the law and the regulatory framework. Further the proposed changes will not be detrimental to the interest of the Company or its members as a whole.

No directors or Chief Executive of the Company or their relatives have any interest in the proposed alterations of the Memorandum of Association of the Company except in their capacities as directors/Chief Executive/shareholders.

Inspection:

A copy of the existing Memorandum and Articles of Association along with copy of Memorandum and Articles of Association as will appear after alterations have been kept at the Registered Office of the Company and may be inspected during business hours (9am-5pm) on any working day from the date of publication / issue of this notice till the conclusion of the meeting.

UPDATE UNDER RULE 4(2) OF S.R.O. 1240/1/2017

Note relating to EDOTCO Pakistan (Private) Limited

The shareholders of the Company passed a Special Resolution at the Extraordinary General Meeting held on March 6, 2018, with respect to the total investment of PKR 17,430 million to EDOTCO Pakistan (Private) Limited. The Share Subscription Agreement entered into for this purpose amongst Dawood Hercules Corporation Limited, Edotco Investments (Labuan) Limited and Edotco Pakistan (Private) Limited (the Agreement) prescribed various conditions that needed to be satisfied before consummating the transaction. Certain material conditions were not satisfied prior to the longstop date prescribed in the Agreement. Therefore, the Company exercised its right to terminate the Agreement and the same was notified to the shareholders, the Pakistan Stock Exchange and the Securities and Exchange Commission of Pakistan on September 17, 2018 along with necessary disclosures under the Securities Act 2015.

The Dawood Foundation's
Magnifi Science
Children's Studio

Through hands-on science, problem-solving and learning through educational activities, TDF Magnifiscience enables the next generation of creative thinkers. TDF MagnifiScience Children's Studio is a specially curated space for children to explore science, mathematics, technology and engineering, illusion with fun and hands-on activities and exhibits.

Chairman's Review

Chairman's Review

Dear Shareholders,

On behalf of the Board of Directors, I am humbled to present to you the Annual Report of Dawood Hercules Corporation Limited (DH Corp) for the year ended 31st December 2018.

The results for year 2018 are attributed to the successful divestment of our complete shareholding in the independent power producer Hub Power Company (Hubco) in the first quarter of 2018 to focus on other growing sectors. DH Corp 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. Our investment in Engro Corporation Limited continues to deliver sustainable growth for shareholders by continuously investing in projects, infrastructure and human development initiatives that endeavour to serve the country by solving pressing problems in Pakistan and exploring newer opportunities to create value for all 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. I am pleased to share Shahzada Dawood has assumed the role of Vice Chairman of the Board.

The expertise of members of the Board includes competence in leadership development and entrepreneurship, strategic deal-making, innovation in disruptive technologies, private equity, investment banking, corporate banking, and human development. 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 Board 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, accurate and balanced. On behalf of the Board, I express our gratitude to you, my fellow shareholders, for your continued confidence and trust in DH Corp.

Hussain Dawood
Chairman

Directors' Report

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 December 31, 2018.

A. Principal Activity

The Principal Activity of the Company is to undertake and manage investments in, but not limited to, its subsidiaries and/or associated companies, at national and international levels and to do all incidental acts and things necessary for the attainment of this objective.

Business Overview:

The Company portfolio performed very well in an otherwise challenging year for the Pakistan economy. Our major investment, Engro Corporation Limited (Engro) showed strong performance with record profits in almost all of its subsidiary and associate businesses. We successfully exited our other investment in Hub Power Company (Hubco) in the first quarter of 2018 to focus on other growing sectors.

Multi-year lows of interest rate and inflation helped the economy grow 5.8% in FY18 led by both services and manufacturing sector. In the first half of fiscal year 2019, the large current account deficit led to a sharp decline of the rupee value against the dollar resulting in a 25% devaluation by the end of the calendar year 2018. A low direct exposure to foreign exchange fluctuation has protected our businesses against the devaluation shock.

The central bank raised the policy rate from 6.5% to 10.0% during the first half FY19, in order to manage exchange rate variation and higher oil prices. It also dropped its GDP growth forecast for FY19 from 5.5% (July 2018 Monetary Policy Statement) to just 4.0% (December Monetary Policy Statement) citing a drop of 0.9% in manufacturing activity for Jul-Nov 2018. Our investments remained largely unaffected by these changes. However, the stock exchange performance reflected this trend and the KSE-100 index fell 8.4% in the calendar year to 37,066 points. Within the Company, the Board of Directors proposed to divest complete shareholding from Hub Power Company Limited (HUBCO) in a bid to realign part of the portfolio for a longer-term view.

The divestment of HUBCO resulted in sales proceeds of PKR 18,142 million, when our entire portfolio of 172.582 million shares was sold at PKR 105.12 per share. A capital gain of PKR 3,972 million was recognized on this divestment in the unconsolidated financial statements.

The Board of Directors also agreed to deploy the resultant capital from this divestment in a telecom tower infrastructure asset through a significant minority in a company, edotco Pakistan Private Limited (EPPL), in partnership with a leading Malaysian company 'edotco International Limited' (EIL). The same decisions were put before the Shareholders as special business and were approved in an EGM on March 6, 2018.

The proposed investment in EPPL could not go through because the majority shareholder was unable to obtain the necessary regulatory permissions required for the transaction to be completed by the longstop date as agreed with the seller. The shareholder agreement with EIL was then accordingly terminated by the Company because of EIL's inability to complete its commitments on said regulatory permissions. The Company is no longer bound by the said agreement.

Subsequent to the termination of the EPPL transaction, the excess liquidity is being managed prudently through investment in government securities and bank term deposits, while the Company actively seeks and analyses other investment opportunities. With rising interest rates, the funds are placed in short-term liquid government securities and term deposits of short tenure so as to take advantage of any increase in policy rates. This also allows us to efficiently manage and hedge the floating interest rate on our borrowings.

With the equities market near its lowest in more than 2 years, the Board of Directors approved to invest a limited amount in shares of blue-chip listed companies on the Pakistan Stock Exchange. In line with this decision, the Company has started to evaluate and invest in listed equites prudently.

We view our investment in Engro as a long-term strategic play with high growth potential. We continue to monitor the progress of that company and its subsidiaries, and some highlights are shared in the subsequent sections.

Engro Corporation Limited:

The Company's subsidiary Engro Corporation Limited (ECL) posted a consolidated profit of PKR 23,625 million as compared to PKR 16,290 million for the similar period last year, an increase of 45%. ECL subsidiaries, fertilizer and petrochemical businesses performed well due to higher offtake and prices for fertilizer and record PVC production while maintaining market share. Its other businesses segments such as terminal services and energy business also showed a steady performance. Earnings per share (EPS) was PKR 24.25 per share compared to PKR 17.96 per share for 2017. ECL declared a total dividend of PKR 21 per share for 2018 resulting in a post tax inflow of PKR 3,480 million for the Company.

Fertilizers:

ECL's subsidiary Engro Fertilizers Limited's (EFL) revenues and profits increased by 42% and 56% respectively, over the last year due to both higher fertilizer offtake and prices, coupled with one-off tax effects emanating from reduction in the corporate tax rate from 30% to 25% in a phased manner. EFL earned a revenue of PKR 109,197 million as compared to PKR 77,129 million for the year 2017. Profit after tax was PKR 17,414 million as against PKR 11,156 million in 2017. The domestic fertilizer industry continues to face challenges of prior subsidy receivables and long lead time in its disbursements. ECL expanded its footprint in the Crop Sciences business (seeds and pesticides) and continues to explore opportunities within the agriculture sector in Pakistan, to improve farmer productivity while also creating value for its stakeholders.

Polymer and Chemicals:

Engro Polymer and Chemicals Limited (EPQL) has performed exceptionally with record PVC production, and witnessing a 27% increase in revenue while posting a PAT of PKR 4,930 million, a 140% increase over 2017. The business maintained its market share and completed the initial ground work for expansion projects. While completing de-bottlenecking of PVC and VCM, it maintained smooth plant operations while developing a strong balance sheet that will enable it to capitalize on opportunities.

Energy and Energy Infrastructure:

Engro's consolidated energy assets' performance remained steady compared to last with a 3% increase in revenue.

The Qadirpur Power Plant continued to perform at a billable availability factor of 100%. However, net electrical output to the national grid was lower compared to 2017 due to depletion of permeate gas from the gas field, resulting in lower earnings.

The development of the Thar Coal Mine continued at full pace and remains on schedule with coal from the first seam of the open-pit mine extracted from a depth of 140 meters below the surface during June 2018. The development of Thar Power Generation Plant continues at a steady pace. It was successfully connected with the national grid to receive back-feed required for plant start-up. In partnership with the Government, both projects are expected to remain on track for completion by mid-2019.

The availability factor for Elengy Terminal remained at 97.3% during 2018. The Terminal processed 74 cargoes during the year as compared to 70 cargoes in 2017 and delivered 223.8 bcf re-gasified LNG into the SSGC network.

Due to lower LPG imports because of availability of locally produced LPG and imports through the road network, Engro Vopak Terminal handled 11% less volume of chemicals and LPG compred to last year.

Foods:

Engro Foods Limited – an associated company continued to face challenges and tough competition in the market. The revenue decreased 4% to PKR 34,977 million during 2018 as compared to PKR 36,403 million in 2017. Net profit also decreased by 17%, posting PKR 82 million as against PKR 99 million last year. The main reason behind the decline was the continuous regulatory challenges arising primarily from misalignment between federal and provincial food laws, faced by the entire dairy sector. These issues created an incorrect negative perception in the minds of consumers and as a result, the dairy industry witnessed a decline in overall volumes compared to previous year. The sharp increase in commodity costs along with Rupee devaluation and rising interest rates have also put pressure on overall industry profitability.

ISLAMIC SUKUK CERTIFICATES:

During the year, the Company issued another Rated, Over the Counter Listed and Secured Islamic Certificates ("Sukuks") to target secondary markets to re-profile existing debt and for business operations.

The Sukuks have a tenor 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 points payable quarterly from the date of issue.

The Company was able to raise PKR 6,000 million by March 1st, 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 171.57 billion as compared to PKR 128.59 billion for the similar period last year with major contribution from Fertilizers and Petrochemicals businesses due to improved market fundamentals. The consolidated gross profit of the Group for 2018 was PKR 51.11 billion as against PKR 34.81 billion last year. Strong operational performance of all businesses coupled with one-off tax effects translated into consolidated profit-after-tax of PKR 33.16 billion higher by PKR 16.92 billion over 2017.

On an unconsolidated basis, revenue of the Company was PKR 4,353 million as against PKR 5,779 million for the similar period last year i.e. lower by PKR 1,425 million mainly on account of lower dividend from HUBCO over last year due to its divestment during the first half of the year.

II. Earnings Per Share

The unconsolidated earnings per share for the year 2018 was PKR 12.58 per share as compared to PKR 8.00 per share for the year 2017. Consolidated earnings per share for the year were PKR 29.60 (2017: PKR 7.19) 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 2019, and the Board has endorsed this recommendation.

IV. Shares Traded, Average Prices and PSX

During the year 21.483 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 119.36, while the 52 weeks low-high during 2018 was PKR 94 – PKR 139.8 per share respectively.

V. Pattern of Shareholding

The pattern of shareholding of the Company as at 31 December 2018, 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. 53,495 million (2017: 53,846 million) with a market value of Rs. 111.15 per share (2017: Rs. 111.88) and the breakup value of Rs. 72.65 per share (2017: Rs. 68.08 per share).

VII. Appropriation

The Board is pleased to propose a final cash dividend of Rs. 4.00 per share (40%) for approval by the shareholders in the 51st Annual General Meeting. The total dividend attributable to the year is PKR 10 per share (100%) including the interim dividends of PKR 6 per share (60%) during the year.

VIII. Entity Rating

During the year, PACRA upgraded the long-term credit rating to AA from AA- and the short term rating from A1 to A1+ with a stable outlook.

IX. 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 63.52 million (2017: PKR 50.74 million).

Fair value of the assets of the funded defined benefit gratuity plan was PKR 16.47 million as at December 31, 2018 (2017: PKR 14.48 million).

X. Social Contribution

During the year, the Company contributed Rupees 30.7 Million in Corporate Social Responsibility (CSR) funds towards unique projects by The Dawood Foundation (TDF). Through hands-on science, problem-solving and learning through educational activities, TDF MagnifiScience enables the next generation of creative thinkers. TDF MagnifiScience Children's Studio is a specially curated space for children to explore science, mathematics, technology and engineering, illusion with fun and hands-on activities and exhibits.

The Dawood Foundation Nature Series is a set of video documentaries that projects the natural treasures of Pakistan. The documentaries are a mobile cinematic experience and are free for public and are screened at national and international level. In September 2018 "Mangroves - Custodians of the Coast" documentary had its premiere screening at Mangroves for the Future conference in Bali, Indonesia.

XI. Corporate Governance:

The Company remains committed to the high standards of corporate governance, conducting its business in line with the best practices of the Code of Corporate Governance and the Listing Regulations of the Pakistan Stock Exchange Limited, which specify the roles and responsibilities of the Board of Directors and Company's management. For further details, please refer to the 'Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations 2017.

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 Directors	2
Non-Executive Directors	
• Male	6
• Female	1
Executive Director	1

XIV. Board Meetings

Eight meetings of the Board were held during the year 2018, all were presided over by the Chairman. The Company Secretary and Chief Financial Officer also attended the meetings as required by the Code of Corporate Governance. Attendance by each Director was as follows:

Name of the Director	Meetings attended		
	Board Meetings	Board Audit Committee	Human Resource and Remuneration Committee
Mr. Hussain Dawood	8/8	-	-
Mr. Shahzada Dawood	7/8	-	2/3
Mr. Samad Dawood	6/8	-	1/1
Ms. Sabrina Dawood	4/8	-	-
Mr. Parvez Ghias	8/8	-	4/4
Mr. Shabbir Hussain Hashmi	7/8	5/5	-
Mr. Muneer Kamal	8/8	2/3	3/3
Mr. Hasan Reza ur Rahim	6/8	5/5	-
Mr. Imran Sayeed**	2/4	-	-
Mr. Inam ur Rahman	8/8	-	-
Mr. M. Abdul Aleem*	3/4	2/2	1/1

* Mr. M. Abdul Aleem has resigned on 25 April 2018

** Mr. Imran Sayeed has been appointed as a director in place of Mr. M. Abdul Aleem with effect from 25 April 2018

XV. Directors' Remuneration

The Company has a formal and transparent policy for remuneration of directors in accordance with the Articles of Association of the Company and the Companies Act 2017.

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

XVII. Directors Training Program:

Out of ten directors, six directors are duly certified under the Directors' Training Program, and the remaining directors will be certified as per the prescribed timelines under Listed Companies (Code of Corporate Governance) Regulations, 2017.

XVIII. 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.

XIX. Future Outlook:

The successful disinvestment of HUBCO and the subsequent termination of the EPPL transaction has resulted in a significant amount of cash including the amounts raised through Sukuks. Whilst the Company continues to assess investment opportunities for effective deployment of this capital, the funds will be managed through a prudent portfolio of government securities and term deposits, and blue-chip market securities.

The members will appreciate the effective role played by the Company in its investment in HUBCO and that was brought about through careful consideration of the investment going in and our ability to engineer a profitable turnaround over there. For future large investments, the Board is highly cognizant of its role in providing direction to management and will continue to drive the Company towards value investments.

We also are carefully monitoring the priorities of the new government and are fully committed to playing our role for the economy of our country - Pakistan. We are regularly engaged with the Government in dialogue and discussions on the role that the business sector can play in bringing prosperity to the country.

The Company also continues to explore new business opportunities through its subsidiary Engro Corporation Limited. The main focus would be to enhance long term shareholder value, whilst also addressing significant challenges faced by our economy and country.

O. 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.

Muneer Kamal	Inam ur Rahman
Director	Chief Executive

Statement of Compliance
with:
Listed Companies (Code of Corporate Governance) Regulations, 2017

Sukuk (Privately Placed) Regulations, 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DAWOOD HERCULES CORPORATION LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Dawood Hercules Company Limited for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

Further, we highlight the status of non-compliance as mentioned in the paragraph 12 of the Statement of Compliance relating to the Human Resource and Remuneration Committee, which has been complied with subsequent to the year end.

Afferguson &Co

A. F. Ferguson & Co.,
Chartered Accountants
Dated: March 29, 2019
Karachi

Engagement Partner: Salman Hussain

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Dawood Hercules Corporation Limited
Year ended December 31, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are ten (10) as per the following:
   a. Male: Nine
   b. Female: One

2. The composition of Board is as follows:

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

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

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

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

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. All meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Out of ten directors, six directors are duly certified the Directors' Training Program, and the remaining directors will be certified as per the prescribed timelines under these Regulations.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of these Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

12. The Board has formed committees comprising of members given below:

Name of Committees	Names of members and Chairman	
Board Audit Committee	Mr. Shabbir Hussain Hashmi	- Chairman
	Mr. Muneer Kamal	- Member
	Mr. Hasan Reza Ur Rahim	- Member
Human Resource and Remuneration Committee*	Mr. Imran Sayeed	- Chairman
	Mr. Parvez Ghias	- Member
	Mr. Shahzada Dawood	- Member
	Mr. Muneer Kamal	- Member

* The Human Resource and Remuneration Committee has been reconstituted and effective February 20, 2019, Mr. Imran Sayeed, an independent director, has been appointed Chairperson of the Committee.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:
   - Board Audit Committee: 15th March 2018; 20th April 2018; 17th August 2018; 6th September 2018; 26th October 2018
   - Human Resource and Remuneration Committee: 11th April 2018; 17th August 2018; 7th December 2018; 20th December 2018

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

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

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Inam ur Rahman
Chief Executive

Hussain Dawood
Chairman

Karachi: February 20, 2019

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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF COMPLIANCE WITH THE SUKUK (PRIVATELY PLACED) REGULATIONS, 2017

Scope of our work

We have performed an independent assurance engagement of Dawood Hercules Corporation Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) for the year ended December 31, 2018 with the requirements of the Sukuk (Privately Placed) Regulations, 2017 (the Regulations) as notified by the Securities and Exchange Commission of Pakistan.

Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2018) is assessed comprise of compliance with the features and Shariah requirements of Sukuks in accordance with the requirements of the Regulations. Therefore, the underlying subject matter may not be suitable for another purpose. Our engagement was carried out as required under regulation No. 12 of the Regulations.

Responsibility of Company's Management

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

Our Independence and Quality Control

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement for the year ended December 31, 2018 based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the annexed Statement reflects the status of the Company's compliance with the features and Shariah requirements of Sukuks in accordance with the requirements of the Regulations and is free from material misstatement.

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

Our procedures applied to the selected data primarily comprised of:

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

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

Conclusion

Based on our independent assurance engagement, in our opinion, the annexed Statement for the year ended December 31, 2018 has been prepared, in all material respects, in compliance with the features and Shariah requirements of Sukuks in accordance with the Regulations.

Afferguson & Co

A. F. Ferguson & Co.,
Chartered Accountants
Karachi
Date: March 29, 2019

Engagement Partner: Salman Hussain

Statement of Compliance with the Sukuk (Privately Placed) Regulations, 2017

Dawood Hercules Corporation Limited
Year ended December 31, 2018

This statement is being presented to comply with the requirements of the Sukuk (Privately Placed) Regulations, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP). This Statement of Compliance (the Statement) is for the year ended December 31, 2018.

Dawood Hercules Corporation Limited (the Company) entered into arrangements for issue of Sukuk-1 and Sukuk-2 amounting to Rs 5,200 million on November 16, 2017 and Rs 6,000 million on March 1, 2018 for a period of five years each (here-in-after collectively referred to as 'Sukuk'). We state that the Company is in compliance with the features and Shariah requirements of Sukuks in accordance with Sukuk (Privately Placed) Regulations, 2017.

We specifically confirm that:

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

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

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

The features and Shariah requirements of Sukuk in accordance with the Sukuk (Privately Placed) Regulations, 2017 comprise of the following:

a) Requirements of Shariah Structure and the following Transaction Documents as stated in the approval of the Shariah Board of Dubai Islamic Bank Pakistan Limited, with respect to issuance of Sukuk-1 and Sukuk-2:

   (i) Trust Deed
   (ii) Master Sale and Purchase Agreement
   (iii) Sale and Purchase Agreement
   (iv) Purchase Undertaking
   (v) Sale Undertaking
   (vi) Deed of Floating Charge
   (vii) Service Agency Agreement
   (viii) Letter of Confirmation of Pledge and Lien for Pledged Shares

b) Guidelines of the relevant Shariah Standards, issued by the Accounting and Auditing Organization of the Islamic Financial Institutions, as notified by the SECP;

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

d) Other compliances specified in the Sukuk (Privately Placed) Regulations, 2017 issued by the SECP.

Inam ur Rahman
Chief Executive

Hussain Dawood
Chairman

Date: March 29, 2019

Unconsolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAWOOD HERCULES CORPORATION LIMITED

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Dawood Hercules Corporation Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
(i) First time application of the Fourth Schedule to the Companies Act, 2017 (Refer note 3.2.2 to the unconsolidated financial statements) The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of annexed unconsolidated financial statements. As part of this transition to the requirements, management performed a gap analysis to identify differences between the previous and the current Fourth Schedules and as a result certain amendments relating to presentation and disclosures were made in the annexed unconsolidated financial statements. In view of the various additional disclosures prepared and presented in the annexed unconsolidated financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this a key audit matter.	We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following: • considered the management's process to identify the additional disclosures required in the annexed unconsolidated financial statements; • obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for sufficient audit evidence; and • verified on test basis supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.
(ii) The Company's exposure to certain contingencies (Refer notes 18.1 to the annexed unconsolidated financial statements) In relation to the corporate guarantee issued by the Company in favor of its ex-subsidiary, the Company is exposed to the ex-subsidiary's potential tax liabilities in respect of periods ended on or before June 30, 2015. At present, the ex-subsidiary is contesting the orders of the tax authorities on account of levy of income tax on sale of brand, taxability of capital gain, levy of super tax and applicability of alternate corporate tax. Further, in respect of the Company's tax year 2016 the tax authorities have also expressed intentions to raise demand on intercorporate dividend and levy super tax.	Our audit procedures amongst others, included the following: • obtained and reviewed details of the pending litigations and discussing the same with the Company's management; • obtained confirmations from the Company's external legal counsel for views on the status of each case and on the open tax assessments of the Company; • reviewed correspondence of the Company with the relevant authorities and tax advisors;

The above mentioned matters have been disclosed as contingencies in the annexed unconsolidated financial statements as management is confident of favorable outcome.

These matters require management to make judgements and estimates in relation to the interpretation of law and the probability of outcome of pending matters and financial impact, if any, on the Company.

Due to the significance of amounts involved, inherent uncertainty with respect to the outcome of these matters, the time period such matters may take to resolve, and use of significant management judgement and estimates to assess the same including related financial impacts, we considered contingent liabilities relating to the said income tax matters a key audit matter.

- involved internal tax experts to assess and review management's conclusions on ongoing tax matters and to evaluate the consistency of such conclusions with the views of the management and external tax advisors engaged by the Company; and

- reviewed and evaluated the disclosures made in the annexed unconsolidated financial statements in respect of such matters.

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

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

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

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

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

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

A. F. Ferguson & Co.,
Chartered Accountants

Karachi

Date: March 29, 2019

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KARACHI ▪ LAHORE ▪ ISLAMABAD

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Note	2018	2017
		------- (Rupees in '000) -------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	**137,107**	156,898
Long term investments	6	**23,308,927**	23,308,927
Advance against investment	7	**-**	1,653,750
		23,446,034	25,119,575
CURRENT ASSETS			
Advances, deposits and prepayments	8	**17,656**	44,453
Other receivables	9	**1,892,707**	23,696
Short term investment	10	**21,742,180**	15,000
Cash and bank balances	11	**235,170**	229,064
		23,887,713	312,213
Investment - Held for sale	12	**-**	14,169,098
TOTAL ASSETS		**47,333,747**	39,600,886
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	13	**10,000,000**	10,000,000
Issued, subscribed and paid up share capital	13	**4,812,871**	4,812,871
Revenue reserves		**30,151,555**	27,953,301
		34,964,426	32,766,172
NON CURRENT LIABILITIES			
Long term financing	14	**9,465,891**	5,139,511
Defined benefit liability	15	**5,749**	3,567
		9,471,640	5,143,078
CURRENT LIABILITIES			
Current portion of long term financing	14	**1,640,000**	-
Short term running finance	16	**-**	1,241,776
Trade and other payables	17	**372,751**	49,429
Unclaimed dividend		**107,385**	89,294
Accrued mark-up		**120,627**	91,550
Taxation - net		**656,918**	219,587
		2,897,681	1,691,636
		12,369,321	6,834,714
TOTAL EQUITY AND LIABILITIES		**47,333,747**	39,600,886
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Muneer Kamal**
Chief Financial Officer	Chief Executive	Director

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2018

	Note	2018	2017
		------- (Rupees in '000) -------	
Dividend income	19	**4,353,297**	5,778,734
Administrative expenses	20	**(1,010,389)**	(491,840)
		3,342,908	5,286,894
Other operating expenses	21	**(5,700)**	(4,539)
Other income	22	**5,020,402**	6,240
Operating profit		**8,357,610**	5,288,595
Finance cost	23	**(883,003)**	(493,048)
Profit before taxation		**7,474,607**	4,795,547
Taxation	24	**(1,420,657)**	(943,195)
Profit after taxation		**6,053,950**	3,852,352
		--------------Rupees-------------	
Earnings per share – basic and diluted	25	**12.58**	8.00

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry
Chief Financial Officer

Inam ur Rahman
Chief Executive

Muneer Kamal
Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

	2018	2017
	------- (Rupees in ‘000) -------	
Profit after taxation	**6,053,950**	3,852,352
Other comprehensive income for the year		
Item that will not be reclassified to profit and loss account		
Remeasurement of staff retirement benefit obligation	**(5,399)**	112
Total comprehensive income for the year	**6,048,551**	3,852,464

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry
Chief Financial Officer

Inam ur Rahman
Chief Executive

Muneer Kamal
Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Issued, subscribed and paid up share capital	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Revenue reserves: Sub-total	Total
	(Rupees in '000)				
Balance as at January 1, 2017	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)
			(1,925,148)	(1,925,148)	(1,925,148)
Balance as at December 31, 2017	4,812,871	700,000	27,253,301	27,953,301	32,766,172
Total comprehensive income					
Profit for the year	-	-	6,053,950	6,053,950	6,053,950
Other comprehensive income	-	-	(5,399)	(5,399)	(5,399)
	-	-	6,048,551	6,048,551	6,048,551
Transactions with owners					
Final cash dividend @ 20% for the year ended December 31, 2017	-	-	(962,574)	(962,574)	(962,574)
Interim cash dividend @ 60% for the year ended December 31, 2018	-	-	(2,887,723)	(2,887,723)	(2,887,723)
	-	-	(3,850,297)	(3,850,297)	(3,850,297)
Balance as at December 31, 2018	4,812,871	700,000	29,451,555	30,151,555	34,964,426

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry
Chief Financial Officer

Inam ur Rahman
Chief Executive

Muneer Kamal
Director

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Note	2018	2017
		------- (Rupees in ‘000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	28	**(1,140,135)**	(567,073)
Finance cost paid		**(823,578)**	(499,149)
Taxes paid		**(983,326)**	(729,413)
Defined benefit liabilities paid		**(8,256)**	(3,885)
Net cash utilised in operating activities		**(2,955,295)**	(1,799,520)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(26,140)**	(63,476)
Sale proceeds from disposal of property, plant and equipment		**4,672**	2,918
Sale proceeds from investment - Held for Sale		**18,141,819**	-
Advance paid under share purchase agreement of EPPL		**-**	(1,653,750)
Interest received on bank deposits and investments		**1,318,159**	803
Short term investments made		**(195,961)**	(15,000)
Dividend received		**4,353,297**	5,778,734
Net cash generated from/(utilised in) financing activities		**23,595,846**	4,050,229
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing obtained - net of transaction cost		**5,936,033**	5,140,122
Long term financing repaid		**-**	(3,889,143)
Dividends paid		**(3,832,206)**	(1,931,756)
Net cash generated from/(utilised in) financing activities		**2,103,827**	(680,777)
NNet increase in cash and cash equivalents		**22,744,378**	1,569,932
Cash and cash equivalents at the beginning of the year		**(1,012,712)**	(2,582,644)
Cash and cash equivalents at the end of the year	29	**21,731,666**	(1,012,712)

The annexed notes 1 to 34 form an integral part of these unconsolidated financial statements.

Mohammad Shamoon Chaudry
Chief Financial Officer

Inam ur Rahman
Chief Executive

Muneer Kamal
Director

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. THE COMPANY AND ITS OPERATIONS

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 the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange (PSX). The principal activity of the Company is to manage investments including in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.

1.2 Based on the concept of 'control' as stipulated in the International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', the Company continues to conclude that although the Company has less than 50% voting rights in Engro Corporation Limited (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 of Directors, the Company has the ability to exercise control over ECL. Accordingly, the Company is deemed to be the Holding Company of ECL.

1.3 These unconsolidated financial statements are the separate financial statements of the Company in which investments in subsidiary has been accounted for at cost less accumulated impairment losses, if any.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

Following is the summary of significant transactions and events that have affected the Company's financial position and performance during the year:

- Divestment transaction of the Company's 14.91% shareholding in The Hub Power Company Limited (HUBCO) was completed during the year (note 12).

- Sukuk certificates II amounting to Rs 6,000 million were issued by the Company during the year (note 14).

- The Company decided during that year that it is no longer pursuing the transaction to invest upto Rs 17.430 million in edotco Pakistan (Private) Limited (note 7).

3. 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.

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention, unless otherwise stated.

3.2 Statement of compliance

3.2.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

3.2.2 Initial application of the new standards; and amendments and interpretations to the existing approved accounting and reporting standards

a) Amendments to approved accounting and reporting standards and interpretations which became effective during the year

The following amendments and an interpretation to the accounting and reporting standards as applicable in Pakistan were effective for the first time for the year ended December 31, 2018.

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

- The fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these unconsolidated financial statements. The Companies Act, 2017 (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of these unconsolidated financial statements. Additional disclosures, in this respect, include but are not limited to comparison of tax provision (note 24), change in threshold for identification of executives (note 26), additional disclosures for related parties (note 27), etc.

The other amendments to the published standards and interpretations (that were mandatory for the Company's financial year ended December 31, 2018) are considered not to be relevant or does have any significant effect on the Company's financial reporting process and are therefore not disclosed in these unconsolidated financial statements.

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

The following new standards, amendments and interpretations are not effective for the financial year that began on January 1, 2018 and have not been early adopted by the Company:

- IFRS 9 'Financial instruments' (effective for the Company's annual period beginning on January 1, 2019). 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 other comprehensive income (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 or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The management expects that IFRS 9 will not have significant impact on the future unconsolidated financial statements of the Company.

- IFRS 15 'Revenue from contracts with customers' (effective for the Company's annual period beginning on January 1, 2019). 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 management expects that IFRS 15 will not have significant impact on the future unconsolidated financial statement of the Company.

- IFRS 16 'Leases' (effective for the Company's annual period beginning on or after January 1, 2019). 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 and an operating lease. 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. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The management expects that IFRS 16 will not have significant impact on the future unconsolidated financial statement of the Company.

- IFRIC 23, 'Uncertainty over income tax treatments' (effective for the Company's annual period beginning on January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The interpretation applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The management expects that IFRIC 23 will not have significant impact on the future unconsolidated financial statement of the Company.

There are other amendments to the accounting and reporting standards that are not yet effective and are also not relevant to the Company's financial reporting process and therefore, have not been presented in these unconsolidated financial statements.

3.3 Property, plant and equipment

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

Assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other costs are charged to profit or loss in the year in which such 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 repairs and maintenance are charged to profit or loss during the financial period in which such 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.

Disposal of assets is recognised when significant risk and rewards incidental to ownership have been transferred to buyer. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation is charged to profit or 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 5 to these unconsolidated 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.

3.4 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.

3.5 Investment in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Further, 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 subsidiaries are stated at cost less accumulated impairment losses, if any.

3.6 Investment in associates

Associates are all entities over which the Company has significant influence but not control. Investments in associates are carried at cost. The Company determines at each reporting date whether there is any objective evidence that the investment in 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 or loss.

3.7 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 or loss.

3.8 Financial instruments

3.8.1 Financial assets

The Company classifies its financial assets in the following categories. 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) 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.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

d) Available for sale

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

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 cost 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 cost are expensed in the profit or loss 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 or loss while in case of 'available for sale investments' such are recorded in OCI. 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 OCI and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through the profit or loss. 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 unconsolidated profit or loss.

3.8.2 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 or loss.

3.8.3 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 statement of financial position 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.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried 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 accounts, 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.

3.10 Staff retirement and other benefits

3.10.1 Defined benefit plans

The Company operates defined benefit plans i.e. funded and unfunded gratuity schemes for all its permanent employees who have completed minimum service of prescribed period.

Actuarial valuation for funded gratuity scheme is carried out using the projected unit credit method. Remeasurements (actuarial gains / losses) in respect of defined benefit plans are recognised in OCI.

3.10.2 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.

3.10.3 Employee compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company. The provision for compensated absences is made at actual amount as these are not material in the overall context of these unconsolidated financial statements.

3.11 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.

3.12 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.

3.13 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which dividend is approved.

3.14 Income tax

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

3.15 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.

3.16 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 and losses arising on disposal of investments are included in income in the year in which these are disposed of.

- Unrealised gains and losses arising on revaluation of securities classified as 'available for sale' and 'at fair value through profit or loss' are included in OCI and in profit or loss in the period in which these arise respectively. When securities classified as 'available for sale' are sold or impaired, the accumulated fair value adjustments recognised in OCI, are included in profit or loss in the period in which disposal takes place.

3.17 Foreign currency transactions

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

3.18 Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these unconsolidated financial statements in conformity with approved accounting and reporting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. Estimates and judgements 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 judgements which are significant to these unconsolidated financial statements:

4.1 Provision for staff retirement and other benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. The changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in note 15 to these unconsolidated financial statements.

4.2 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.

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

The 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% (approximately) with the remaining shares having a widely dispersed shareholding pattern, which enables the Company to exercise control over ECL.

4.4 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.

4.5 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 analysis 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 5) will have a corresponding effect on the depreciation charge and impairment loss incurred during the year.

	Note	**2018**	2017
		------- (Rupees in '000) -------	
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets (CWIP)	5.1	**137,107**	156,898
Capital work in progressr	5.2	**-**	-
		137,107	156,898

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

5.1 The following is the 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, 2017							
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
Year ended December 31, 2017							
Additions	-	-	172	267	3,303	35,340	39,082
Transfers from CWIP (note 5.2)	-	-	-	-	24,394	29,300	53,694
Disposals							
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
Year ended December 31, 2018							
Additions	-	-	-	2,609	14,970	8,561	26,140
Transfers from CWIP (note 5.2)	-	-	-	-	-	-	-
Disposals (note 5.1.3)							
Cost	-	-	-	(209)	(1,797)	(21,000)	(23,006)
Accumulated depreciation	-	-	-	121	1,647	15,504	17,272
Net book value	-	-	-	(88)	(150)	(5,496)	(5,734)
Depreciation charge for the year	-	-	(2,215)	(1,875)	(12,840)	(23,267)	(40,197)
Net book value as at December 31, 2018	22,716	74	14,296	11,061	30,717	58,243	137,107
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
At December 31, 2018							
Cost	22,716	7,500	22,150	26,710	64,083	120,948	264,107
Accumulated depreciation	-	(7,426)	(7,854)	(15,649)	(33,366)	(62,705)	(127,000)
Net book value	22,716	74	14,296	11,061	30,717	58,243	137,107
Annual rate of depreciation (%)	-	5	10	10 to 12.5	33.3 to 50	20	

5.1.1 Cost of property, plant and equipment that are fully depreciated as at December 31, 2018 amounts to Rs 37.514 million (2017: Rs 44.155 million).

5.1.2 The Company's leasehold land is situated at 68, Margalla Road, F-6/2, Islamabad having a total area of 2,000 square yards.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

5.1.3 Details of operating fixed assets disposed of during the year are as follows:

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							
Vehicle	As per the Company policy	13,000	7,583	5,417	-	(5,417)	Mr. Shahid Malik (Ex-member of Key management personel)
Items having net book value of greater than Rs 50,000 each							
Data processing equipment	As per the Company policy	256	93	163	13	(150)	Various
Vehicle	Negotiation	8,000	7,921	79	4,550	4,471	E C L (Subsidiary)
Various	Various	1,750	1,675	75	109	34	Various
2018		23,006	17,272	5,734	4,672	(1,062)	
2017		9,470	9,186	284	2,918	2,634	

5.2 Reconciliation of the carrying amount of capital work in progress is as follows:

	Data	Vehicles	Total
	(Rupees in '000)		
At January 1, 2017	-	29,300	29,300
Year ended December 31, 2017			
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	-	-	-

	Note	2018	2017
		(Rupees in '000)	
6. LONG TERM INVESTMENTS			
Investment in subsidiary	6.1	**23,308,927**	23,308,927
Other investment - available for sale	6.2	**-**	-
		23,308,927	23,308,927

6.1 Investment in a subsidiary - at cost

	2018	2017
Engro Corporation Limited (ECL) - quoted		
194,972,555 (2017: 194,972,555) ordinary shares of Rs 10 each. Percentage of holding 37.22% (2017: 37.22%)	**23,308,927**	**23,308,927**

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

6.1.1 The market value of investment in ECL as at December 31, 2018 was Rs 56,752.611 million (2017: Rs 53,568.709 million).

6.1.2 The details of shares of ECL pledged as security are as follows:

	As at December 31, 2018			As at December 31, 2017		
	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)	10,491,764	104,918	3,053,943	15,130,800	151,308	4,157,187
Pledged in favour of JS Bank Limited against the issuance of Sukuks						
JS Bank Limited (note 14.1 AND 14.2)	81,375,,698	813,757	23,686,838	38,518,519	385,185	10,582,963

6.1.3 This investment was made in accordance with the requirements of the Companies Act, 2017.

		2018	2017
		------- (Rupees in '000) -------	
6.2	Other investment - available for sale		
	e2e Business Enterprises (Private) Limited - unquoted [11,664,633 ordinary shares of Rs 10 each Percentage of holding19.14% (2017: 19.14%)]		
	Cost	**116,646**	116,646
	Less: Accumulated impairment	**(116,646)**	(116,646)
		-	-

6.2.1 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 year 2014.

However, due to certain issues it has not been able to start the commercial operations of the project till date. Further, due to 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 2015. However, the said disposal has not been recorded by e2eBE in its register of members. The Company has informed the SECP in this respect through its letters dated May 12, 2016 and January 22, 2018. Further, the Company has 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 is considered remote.

	2018	2017
	------- (Rupees in '000) -------	
7. ADVANCE AGAINST INVESTMENT	**-**	1,653,750

Based on the approval of the Board of Directors, on August 29, 2017, the Company signed Shareholders' Agreement and Shares Subscription Agreement (SSA) with edotco Investments (Labuan) Limited (i.e. Edotco Labuan) for the Company's equity investment of Rs 17,430 million in edotco Pakistan (Private) Limited (i.e. Edotco Pakistan). Upon completion of the said investment by the Company, Edotco Lubuan and the Company were to hold 55% and 45% shares of Edotco Pakistan respectively.

Edotco Lubuan in partnership with the Company had announced proposed acquisition of Deodar (Private) Limited which owns and operates approximately 13,000 towers of Pakistan Mobile Communications Limited (PMCL) through Edotco Pakistan. In this respect, the Company in year 2017 deposited its initial investment of Rs 1,653.750 million in an Escrow Account maintained with Habib Bank Limited.

During the year, the Company exercised its right to terminate SSA. The Company's decision was based on the fact that SSA prescribed various conditions that needed to be satisfied before consummating the transaction. Out of the said conditions, certain material conditions were not satisfied prior to the longstop date prescribed in SSA.

The advance of Rs 1,653.750 million which is currently deposited in an Escrow Account will be released once the legal formalities have been completed.

Upon exercising the right to terminate SSA, the advance against investment amounting to Rs 1,653.750 million has been classified under 'other receivable' (note 9).

	Note	**2018**	2017
		------- (Rupees in '000) -------	
8. ADVANCES, DEPOSITS AND PREPAYMENTS			
Considered good - unsecured			
Advances			
- to employees	8.1	**162**	604
- associated undertakings	8.2	**4,147**	4,251
- to suppliers		**760**	2,922
		5,069	7,777
Deposits		**5,500**	30,856
Prepayments		**7,087**	5,820
		17,656	44,453

8.1 These include Rs 0.012 million (2017: Rs 0.524 million) due from Mr. Inam-Ur-Rahman (i.e. member of key management personnel of the Company). The maximum amount due at the end of any month during the year was Rs 0.013 million (2017: Rs 0.504 million).

8.2 These include Rs 0.998 million (2017: Rs 1.098 million) and Rs 3.017 million (2017: Rs 3.017 million) due from Inbox Business Technologies (Private) Limited and The Dawood Foundation. The maximum amount due at the end of any month during the year was Rs 3.017 million (2017: Rs 3.017 million).

	Note	2018	2017
		------- (Rupees in '000) -------	
9 OTHER RECEIVABLES			
Receivable from related parties	9.1 & 9.2	**75,803**	16,030
Interest accrued on investment		**131,519**	313
Amount receivable on termination of SSA	7	**1,653,750**	-
Others		**68,426**	7,353
		1,929,498	23,696
Provision for doubtful receivables		**(36,791)**	-
		1,892,707	23,696

9.1 The details of amount due from related parties are as follows:

	2018	2017
Dawood Corporation (Private) Limited	**3,350**	743
Dawood Lawrencepur Limited	**224**	5,292
The Dawood Foundation	**1,451**	4,957
Inbox Business Technologies (Private) Limited	**623**	1,024
Sach International (Private) Limited	**1,082**	1,488
Tenaga Generasi Limited	**649**	484
Reon Energy Limited	**975**	1,285
Engro Corporation Limited	**65,552**	757
Patek (Private) Limited	**1,897**	-
	75,803	16,030

9.2 The ageing analysis is as follows:

	2018	2017
upto 30 days	**72,576**	10,043
31 to 180 days	**3,227**	5,987
	75,803	16,030

9.3 The maximum aggregate amount of 'other receivables' due from related parties at the end of any month during the year was Rs 75.803 million (2017: Rs 16.030 million). Receivables upto 30 days is not considered past due and none of these are impaired.

	Note	2018	2017
		------- (Rupees in '000) -------	
10 SHORT TERM INVESTMENTS			
Held to maturity			
- Market Treasury bills (T-Bills)	10.1	**15,517,319**	-
Loans and receivable			
- Term Deposit Receipts (TDRs)	10.2	**6,018,000**	15,000
At fair value through profit or loss upon initial recognition			
- Quoted shares	10.3	**206,861**	-
		21,742,180	15,000

10.1 These carry profit at the rate of 10.29% per annum (2017: Nil). The Company under agreed terms invested in Market T-Bills which matured on January 4, 2019.

10.2 These carry profit at rates ranging from 6.5% to 11% per annum (2017:5% per annum).

10.3 Particulars regarding quoted shares are as follows:

	As at January 1, 2018	Purchased during the year	Sold during the year	As at December 31, 2018	Cost as at December 31, 2018	Fair Value as at December 31, 2018	Unrealized gain as at December 31, 2018
	--------------------Number of shares--------------------				------------(Rupees in '000) ------------		
	As at January 1, 2018	Purchased during the year	Sold during the year	As at December 31, 2018	Cost as at December 31, 2018	Fair Value as at December 31, 2018	Unrealized gain as at December 31, 2018
Meezan Bank Limited	-	2,239,000	-	2,239,000	192,961	206,861	13,900

	Note	2018	2017
		------- (Rupees in '000) -------	
11. CASH AND BANK BALANCES			
Cash in hand		**502**	559
With banks in:			
- Current accounts		**226,976**	223,261
- Savings accounts	11.1	**7,692**	5,244
		234,668	228,505
		235,170	229,064

11.1 These carry markup at the rates ranging from 5% to 8% (2017: 5% to 5.65%) per annum.

		2018	2017
		------- (Rupees in ‘000) -------	
12	**INVESTMENT - HELD FOR SALE**		
	Investment in an associated company		
12.1	The Hub Power Company Limited - quoted [172,582,000 ordinary shares of Rs 10 each (percentage of holding 14.91%)]	-	14,169,098

12.2 During the year, the Company's Board of Directors 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 The Hub Power Company Limited (HUBCO) at Rs 106.5 per share aggregating Rs 18,379.983 million. The price was later reduced to Rs 105.12 per share after adjustment of Rs 1.38 per share (i.e. post tax impact) on account of dividend of Rs 1.5 per share received after February 1, 2018 (note 19). The shareholders' approval in this respect was obtained in the Extra Ordinary General Meeting held on March 6, 2018. The shares were transferred on March 16, 2018 after the completion of all regulatory requirements.

13. SHARE CAPITAL

13.1 Authorised share capital

2018	2017		2018	2017
------ Number of shares ------			------- (Rupees in ‘000) -------	
1,000,000,000	1,000,000,000	Oridanay shars of Rs 10 each	10,000,000	10,000,000

13.2 Issued subscribed and paid up share capital

2018	2017		2018	2017
------ Number of shares ------			------- (Rupees in ‘000) -------	
13,900,000	13,900,000	Oridanay shars of Rs 10 each fully paid in cash	139,000	139,000
467,387,116	467,387,116	Oridanay shars 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	2018	2017
		------- Number of shares -------	
13.3 Shares held by related parties			
Dawood Lawrencepur Limited Percentage of holding 16.19% (2017: 16.19%)		**77,931,896**	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2017: 3.95%)		**18,991,988**	18,991,988
Cyan Limited Percentage of holding 0.17% (2017: 0.17%)		**794,380**	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2017: 0.001%)		**6,996**	6,996
Directors, Chief Executive Officer and their spouse and minor children Percentage of holding 12.85% (2017: 13.65%)		**61,860,244**	65,672,656

	Note	2018	2017
		--------- (Rupees in '000) --------	
14 LONG TERM FINANCINGS			
Islamic mode			
Sukuk certificates - I	14.1	5,154,777	5,139,511
Sukuk certificates - II	14.2	5,951,114	-
		11,105,891	5,139,511
Less: Current portion			
Sukuk certificates - I		(1,040,000)	-
Sukuk certificates - II		(600,000)	-
		(1,640,000)	-
		9,465,891	5,139,511

14.1 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuks - I), amounting to Rs 5,200 million issued by the Company to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuks - I are secured against the Company's investment in ECL shares with 50% margin as disclosed in note 6.1.2 and charge over all the assets of the Company with a 25% margin. The Sukuks - I carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuks - I are for a period of 5 years and are payable semiannually with the first principal repayment to be made in May 2019.

14.2 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuks - II), amounting to Rs 6,000 million, issued by the Company on March 1, 2018, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuks - II are secured against the Company's investment in ECL shares with 50% margin as disclosed in note 6.1.2 and charge over all the assets of the Company with a 25% margin. The Sukuks - II carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuks - II are for a period of 5 years and are payable semiannually with the first principal repayment to be made in September 2019.

		Note	2018	2017
			------- Number of shares -------	
14.3	Opening balance		**5,139,511**	3,889,143
	Issuance of Sukuk I - net of transaction cost		**-**	5,137,522
	Issuance of Sukuk II - net of transaction cost		**5,936,033**	-
	Amortisation during the year		**30,347**	1,989
	Amount repaid		**-**	(3,889,143)
			11,105,891	5,139,511

15 DEFINED BENEFIT LIABILITIES

	Note	2018	2017
Defined benefit plan - Funded gratuity	15.1 to 15.16	**5,749**	1,008
- Unfunded gratuity	15.17	**-**	2,559
		5,749	3,567

15.1 As stated in note 3.10, 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, 2018.

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 plan assets.

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:

	2018	2017
	----- Per annum ------	
- Discount rate used for year end obligation	13.25%	8.25%
- Expected rate of increase in salary levels	12.25%	7.25%

15.4 Mortality rate

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

15.5 The net liability carried in the statement of financial position comprise of the following:

	Note	2018	2017
		------- (Rupees in '000) -------	
Present value of defined benefit obligation	15.6	**22,216**	15,486
Fair value of plan assets	15.7	**(16,467)**	(14,478)
Net liability as at December 31		**5,749**	1,008

15.6 Movement in present value of defined benefit obligation

	2018	2017
Obligation as at January 1	**15,486**	17,398
Current service cost	**5,227**	5,213
Interest cost	**1,169**	1,038
Benefits due but not paid	**(911)**	-
Benefits paid	**(1,730)**	(1,742)
Remeasurment loss / (gain) on obligation	**2,975**	(6,421)
Obligation as at December 31	**22,216**	15,486

15.7 Movement in fair value of plan assets

	2018	2017
Fair value as at January 1	**14,478**	16,880
Interest income	**1,358**	1,222
Contributions made	**5,696**	4,427
Benefits paid	**(1,730)**	(1,742)
Benefits due but not paid	**(911)**	-
Remeasurement loss on plan assets	**(2,424)**	(6,309)
Fair value as at December 31	**16,467**	14,478

15.8 Movement in net liability

	Note	2018	2017
Opening balance of net liability		**1,008**	518
Charge for the year	15.9	**5,038**	5,029
Contributions made by the Company		**(5,696)**	(4,427)
Net remeasurement loss/(gain) for the year	15.10	**5,399**	(112)
Closing balance of net liability		**5,749**	1,008

15.9 Amounts recognised in the profit or loss

	2018	2017
Current service cost	**5,227**	5,213
Net interest income	**(189)**	(184)
	5,038	5,029

		2018	2017
		------- (Rupees in '000) -------	
15.10	Remeasurement recognised in other comprehensive income		
	Remeasurement (loss) / gain on defined benefit liability due to experience adjustments	**(2,763)**	6,421
	Actuarial loss from changes in financial assumptions	**(212)**	-
	Remeasurement loss on plan assets	**(2,424)**	(6,309)
	Net remeasurement (loss) / gain	**(5,399)**	112
15.11	Actual return on plan assets		
	Expected return on plan assets	**1,358**	1,222
	Remeasurement loss on plan assets	**(2,424)**	(6,309)
	Actual loss on plan assets	**(1,066)**	(5,087)

		2018	2017	2018	2017
		(Rs in '000)	Percentage	(Rs in '000)	Percentage
15.12	Major categories / composition of plan assets				
	Cash and cash equivalents	**3,809**	23%	**3,349**	23%
	Mutual fund units	**12,658**	77%	**11,129**	77%
		16,467	100%	**14,478**	100%

15.13 Expected contribution to the funded gratuity for the year ending December 31, 2019 is Rs 7.836 million (2018: Rs 4.070 million).

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

15.15 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%	(20,559)	24,093
Salary growth rate	1%	24,120	(20,507)

15.16 The above sensitivity analyses are 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 statement of financial position.

15.17 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 Rs Nil (2017: Rs 1.028 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

16.1 The Company had obtained a short-term running finance facility under mark-up arrangement aggregating to Rs 1,500 million from Bank Al-Habib Limited. The entire facility remained unutilised as at December 31, 2017. The facility expired on April 30, 2018.

16.2 The Company had obtained a short-term running finance facility under mark-up arrangement aggregating to Rs 1,000 million from United Bank Limited. The facility amounting to Rs 100 million was unutilised as at December 31, 2017. The facility expired on June 30, 2018.

16.3 The Company had obtained a short-term running finance facility under Shariah approved arrangement (Running Musharakah arrangement) aggregating Rs 1,000 million from MCB Islamic Bank Limited. The facility amounting to Rs 914.196 million was unutilised as at December 31, 2017. The facility expired on May 31, 2018.

16.4 The Company had obtained a short-term running finance facility under mark-up arrangement aggregating Rs 2,000 million from Habib Metropolitan Bank Limited. The facility amounting to Rs 1,743.802 million was unutilised as at December 31, 2017. The facility expired on June 30, 2018.

		2018	2017
		------- (Rupees in ‘000) -------	
17. TRADE AND OTHER PAYABLES			
Creditors		**13,915**	4,051
Accrued expenses	17.1	**357,943**	45,163
Others		**893**	215
		372,751	49,429

17.1 These include the following amounts accrued in respect of related parties:

	2018	2017
The Dawood Foundation	**90**	90
Key management personnel	**76,436**	14,788
	76,526	14,878

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 The Company had 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 6.1.2 to these unconsolidated financial statements as collateral against guarantee given in favour of DH Fertilizer Limited (DHFL) - ex subsidiary (now FFCL) against potential tax liabilities, WPPF liabilities and WWF liabilities in respect of periods ending on or prior to June 30, 2015. These pledged shares are to 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, in case no demand / notice is received from respective authorities.

During the year, out of 15.131 million shares of ECL, 4.639 million shares were released upon expiration of the period stated in the agreement relating to the WPPF liabilities.

The Company had also issued a corporate guarantee which 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 ended December 31, 2017, the Company's ex-subsidiary was served with an order from the Additional Commissioner of Inland Revenue (CIR) – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend the original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of Rs 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 Deputy CIR served the ex-subsidiary with an appeal effect order on January 11, 2018, under which the tax liability (primarily on account of Alternate Corporate Tax) was worked out to be Rs 1,051.140 million.

The CIR filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIRA, which is currently pending. The ex-subsidiary, on the basis of advice of its tax consultant, filed an appeal with CIRA on February 12, 2018, considering the demand to be still prejudicial to its interests. CIRA in its order dated April 26, 2018 decided the matter against the ex-subsidiary. The ex-subsidiary has filed an appeal with the ATIR on May 9, 2018, against the order passed by CIRA and for grant of stay in respect thereof. The appeal against the order of CIRA is still pending. Meanwhile, the ex-subsidiary has also obtained stay from the Lahore High Court against the recovery of demand. The tax advisor of the ex-subsidiary is of the view that the appeal effect order passed on January 11, 2018 and the subsequent order of CIRA dated April 26, 2018, are either based on a misinterpretation of the provisions of law or are in violation of the directions given by CIRA in its order dated August 7, 2017. Based on these views, the management of the Company is confident that the matter will eventually be decided in favour of the ex-subsidiary. Hence, no provision has been recorded in this respect in these unconsolidated financial statements.

18.1.3 During the year ended December 31, 2017, the Company received a show cause notice dated May 11, 2017 from the Additional CIR – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. In the notice, the Additional CIR 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 a Constitutional Petition before the High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a Constitutional Petition was filed with the High Court of Sindh against the levy of super tax. The High Court of Sindh issued stay orders in respect of the aforementioned matters with the instruction to the taxation authorities to not finalise the proceedings until the cases were disposed of.

	Note	**2018**	2017
		------- (Rupees in ‘000) -------	
18.2 Commitments			
Commitment in respect of operating lease			
Not later than one year	18.2.1	**9,399**	4,222

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.

	Note	**2018**	2017
		------- (Rupees in ‘000) -------	
19. DIVIDEND INCOME			
Subsidiary - Engro Corporation Limited		**4,094,424**	4,484,369
Held for sale investment - The Hub Power Company Limited		**258,873**	1,294,365
		4,353,297	5,778,734
20. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	20.1 & 26.5	**565,424**	255,843
Directors' fee		**16,250**	17,750
Rent, rates and taxes		**39,902**	33,046
Insurance		**4,921**	4,200
Repairs and maintenance		**38,969**	8,397
Communication, stationery and office supplies		**19,039**	19,693
Subscription and periodicals		**21,369**	25,726
Travelling and conveyance		**74,411**	32,409
Depreciation	5.1	**40,197**	32,055
Legal and professional charges		**134,516**	41,893
Other expenses	20.2	**55,391**	20,828
		1,010,389	491,840

20.1 Salaries, wages and other benefits include Rs 5.038 million (2017: Rs 6.057 million) charge for the year in respect of staff gratuity fund and Rs 8.760 million (2017: Rs 6.996 million) in respect of staff provident fund.

20.2 These include donation made during the year to The Dawood Foundation (an associated undertaking) amounting to Rs 30.706 million in which the Company's directors Hussain Dawood, Shahzada Dawood, Samad Dawood and Sabrina Dawood are trustees.

	Note	2018	2017
		------- (Rupees in '000) -------	
21. OTHER OPERATING EXPENSES			
Auditor's remuneration	21.1	**4,638**	4,539
Loss on disposal of property, plant and equipment		**1,062**	-
		5,700	4,539
21.1 Auditor's remuneration			
As statutory auditors			
Audit fee		**405**	319
Half year review		**179**	170
Others		**627**	-
		1,211	489
Others			
Tax and other services		**3,181**	3,911
		4,392	4,400
Out of pocket expenses		**246**	139
		4,638	4,539

21.1.1 In addition to tax services these mainly include non-audit assurance services in relation to the Company's issuance of sukuk certificates.

	2018	2017
22. OTHER INCOME		
Income from financial assets		
Profit on saving accounts, TDRs and T- Bills	**1,434,051**	803
Unrealised profit on quoted shares	**13,900**	-
Interest income received upon settlement of purchase consideration relating to sale of shareholding in HUBCO	**29,328**	-
	1,477,279	803
Income from non-financial instruments		
Profit on disposal of held for sale investment - (net of transaction costs of Rs 430.250 million)	**3,542,471**	-
Gain on disposal of property, plant and equipment	**-**	2,634
Others	**652**	2,803
	3,543,123	5,437
	5,020,402	6,240

	Note	**2018**	2017
		------- (Rupees in '000) -------	

23. FINANCE COST

	Note	**2018**	2017
Mark-up on:			
- Long term financing	23.1	**870,326**	283,263
- Short term running finance		**11,690**	207,480
Bank charges		**987**	2,305
		883,003	493,048

23.1 This includes amortisation relating to Sukuks amounting to Rs 30.347 million (2017: Rs 1.989 million).

24. TAXATION

	2018	2017
Current		
- for the year	**1,247,142**	725,871
- for prior years	**173,515**	217,324
	1,420,657	943,195

24.1 Relationship between tax expense and accounting profit

	2018	2017
Profit before taxation	**7,474,607**	4,795,547
Tax calculated at the rate of 29% (2017: 30%)	**2,167,636**	1,438,664
Effect of applicability of lower tax rate (Final Tax Regime)	**(1,115,460)**	(711,248)
Effect of prior year charges	**173,515**	217,324
Super tax	**195,788**	-
Others	**(822)**	(1,545)
	1,420,657	943,195

24.2 As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	--------------------- Tex years----------------------		
	2018	2017	2016
	----------------- (Rupees in '000) -----------------		
Provision as per unconsolidated financial statement	**899,386**	1,039,307	476,211
Tex assessment	**726,743**	823,099	427,518

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

	2018	2017
	------- (Rupees in '000) -------	
25. EARNINGS PER SHARE		
Profit after taxation	**6,053,950**	3,852,352
		-
	2018	2017
	------Number of shares ------	
Weighted average number of ordinary shares outstanding during the year	**481,287,116**	481,287,116
	-------------- Rupees -------------	
Earnings per share – basic and diluted	**12.58**	8.00

25.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2018 and 2017.

26 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	--------------2018--------------			---------------2017---------------		
	Chief Executive Officer	**Directors**	**Exectives (note 26.4)**	Chief Executive Officer	Directors	Executives (note 26.4)
	------------------------------(Rupees in '000)----------------------------					
Managerial remuneration	**15,216**	**65,007**	**43,537**	13,932	49,548	44,091
Remuneration to					54,768	-
non-executive director	**-**	**119,003**	**-**	-		-
Retirement benefits						-
including ex-gratia	**3,549**	**-**	**10,157**	3,250	-	8,754
Rent and utilities	**8,513**	**43,600**	**23,945**	7,807	32,240	20,638
Compensated absences	**1,251**	**417**	**2,902**	-	1,750	2,113
Medical	**1,268**	**6,383**	**2,728**	1,161	822	2,234
Other benefits	**338**	**8,042**	**1,179**		3,859	450
	30,135	**242,452**	**84,448**	26,150	142,987	78,280
Number of persons including those who worked part of the year	**1**	**4**	**21**	1	3	12

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

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 16.250 million (2017: Rs 17.750 million) were paid to 7 directors (2017: 7 directors).

26.3 The Company considers its Chief Executive and the Executive Director as its key management personnel.

26.4 In accordance with the Fourth Schedule to the Companies Act, 2017, an executive means, an employee other than the chief executive and directors, whose basic salary exceeds Rs 1.2 million in a financial year. Accordingly, for comparison purpose corresponding figures have been changed.

26.5 In addition, the Company has made an accrual of Rs 245 million in respect of special bonus. Allocation of bonus to various personnel has not been determined so far. The allocation of this amount, if any, to chief executive, directors and executives will be reflected in future unconsolidated financial statements on payment basis, once allocation of bonus has been finalised.

27. RELATED PARTY TRANSACTIONS AND BALANCES

27.1 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 on mutually agreed terms.

27.2 Following are the details of associated companies, related parties and associated undertakings with whom the Company had entered into transactions or had agreements and arrangements in place during the year:

Name of relate party	Basic of relationship	Percentage of shareholding in the company	Common directorship
Engro Corporation Limited	Subsidiary	N/A	Common directorship
Dawood Lawrencepur Limited	Associated company	16.19%	Common directorship
Cyan Limited	Associated company	0.16%	Common directorship
Inbox Business Technologies Limited	Associated company	N/A	Common directorship
The Dawood Foundation	Associated company	3.94%	Common directorship
Dawood Corporation (Private) Limited	Associated company	N/A	Common directorship
Sach International (Private) Limited	Associated company	0.00%	Common directorship
Tenaga Generasi Limited	Associated company	N/A	Common directorship
Reon Energy Limited	Associated company	N/A	Common directorship
Patek (Private) Limited	Associated company	N/A	Common directorship
The Hub Power Company Limited	Associated company	N/A	Common directorship
Karachi School of Business & Leadership	Associated undertaking	N/A	Common directorship
Shell Pakistan Limited	Associated company	N/A	Common directorship
Indus Motor Company Limited	Associated company	N/A	Common directorship
Mr. Shabbir Hussain Hashmi	Key management personnel	N/A	N/A
Mr. Muhammad Imran Sayeed	Key management personnel	N/A	N/A
Mr. Hussain Dawood	Key management personnel	N/A	N/A
Mr. Shahzada Dawood	Key management personnel	N/A	N/A
Ms. Sabrina Dawood	Key management personnel	N/A	N/A
Mr. Parvez Ghias	Key management personnel	N/A	N/A
Mr. Muneer Kamal	Key management personnel	N/A	N/A
Mr. Hasan Reza Ur Rahim	Key management personnel	N/A	N/A
Mr. Samad Dawood	Key management personnel	N/A	N/A
Mr. Inam ur Rehman	Key management personnel	N/A	N/A
Staff Provident Fund	Key management personnel	N/A	N/A
Staff Gratuity Fund	Key management personnel	N/A	N/A

		2018	2017
		------- (Rupees in '000) -------	
27.3	Transactions with related parties are as follows:		
	Subsidiary		
	Reimbursement of expenses made to the Company	**798**	256
	Reimbursement of expenses made by the Company	**73,257**	248
	Dividend income	**4,094,424**	4,484,369
	Sale of goods & services	**4,550**	2,018
	Associated companies		
	Sale of goods & services	**10,585**	13,964
	Purchases of services	**29,006**	27,908
	Reimbursement of expenses made to associated companies	**33,494**	6,991
	Reimbursement of expenses made by the Company	**28,614**	26,031
	Dividend income (investment for sale)	**258,873**	1,294,365
	Dividend paid	**781,802**	390,901
	Advances and deposits	**3,530**	27,411
	Other related parties		
	Expense in relation to staff retirement gratuity fund	**4,936**	4,487
	Membership fee and other subscription	**851**	1,578
	Advances & Deposits	**500**	-
	Purchase of goods & services	**9,377**	-
	Expense in relation to staff provident fund	**8,761**	6,996
	Key management personnel		
	Sale of property, plant and equipment	**-**	150
	Sales, employee benefits and directors' fee	**305,829**	183,637
	Post retirement benefits plans	**5,957**	4,771

27.4 The amounts payable to and receivable from the related parties have been disclosed in notes 8, 9 and 17 to these unconsolidated financial statements.

	Note	2018	2017
		------- (Rupees in '000) -------	
28. CASH UTILISED IN OPERATIONS			
Profit before taxation		**7,474,607**	4,795,547
Adjustment for non cash and other items:			
Depreciation		**40,197**	32,055
Finance cost		**883,003**	493,048
Loss/(gain) on disposal of property, plant and equipment		**1,062**	(2,634)
Gain on disposal of investment - Held for sale		**(3,972,721)**	-
Dividend income		**(4,353,297)**	(5,778,734)
Charge in respect of defined benefit liabilities		**5,038**	5,515
Profit on savings accounts and investments		**(1,477,279)**	(803)
Provision for doubtful other receivables		**36,791**	
Working capital changes	28.1	**222,464**	(111,067)
		(8,614,742)	(5,362,620)
Cash utilised in operations		**(1,140,135)**	(567,073)

28.1 Working capital changes

	Note	2018	2017
(Increase) / decrease in current assets:			
Advances, deposits and prepayments		**26,797**	151
Other receivables		**(127,655)**	(7,961)
		(100,858)	(7,810)
(Decrease) / Increase in trade and other payables		**323,322**	(103,257)
		222,464	(111,067)

29. CASH AND CASH EQUIVALENTS

	Note	2018	2017
Cash and bank balances	11	**235,170**	229,064
Short term investments	10	**21,496,496**	-
Short term running finance	16	**-**	(1,241,776)
		21,731,666	(1,012,712)

	2018	2017
	------- (Rupees in '000) -------	
30. FINANCIAL INSTRUMENTS BY CATEGORY		
FINANCIAL ASSETS		
Loans and receivables		
Advances and deposits	**10,105**	8,200
Short term deposits	**-**	-
Other receivables	**1,892,707**	23,696
Cash and bank balances	**235,170**	229,064
Short term investments	**6,018,000**	15,000
	8,155,982	275,960
Held to maturity		
Short term investment	**15,517,319**	-
At fair value through profit or loss upon initial recognition		
Short term investment	**206,861**	-
	23,880,162	275,960
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Long term financings	**11,105,891**	5,139,511
Short term running finance	**-**	1,241,776
Trade and other payables	**372,751**	49,429
Unclaimed dividend	**107,385**	89,294
Accrued mark-up	**120,627**	91,550
	11,706,654	6,611,560

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, 2018, 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, 2018, 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 111.781 million (2017: Rs 63.813 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 maximum exposure to credit risk at the reporting date is set forth below:

	2018	2017
	------- (Rupees in '000) -------	
Advances and deposits	**10,105**	8,200
Other receivables	**1,892,707**	23,696
Bank balances	**234,668**	228,505
Short term investments	**21,742,180**	15,000
	23,879,660	275,401

The credit quality of the Company's balances with banks (including short term investments) can be assessed with reference to the fact that the minimum credit rating of the banks with which such financial assets are placed is 'A1', which denotes obligations supported by a strong capacity for timely repayment. Further, included in 'other receivables' is an amount of Rs 1,653.750 million representing the Company's initial investment placed in an Escrow Account (note 7).

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 reporting date:

	Carrying Amount	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)				
2018					
Financial liabilities					
Long term financing	**11,200,000**	**520,000**	**1,120,000**	**4,480,000**	**5,080,000**
Trade and other payables	**372,751**	**372,751**	**-**	**-**	**-**
Unclaimed dividend	**107,385**	**107,385**	**-**	**-**	**-**
Accrued mark-up	**120,627**	**120,627**	**-**	**-**	**-**
	11,800,763	**1,120,763**	**1,120,000**	**4,480,000**	**5,080,000**
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	-	-	-
Unclaimed dividend	89,294	89,294	-	-	-
Accrued mark-up	91,550	91,550	-	-	-
	6,672,049	1,472,049	-	1,040,000	4,160,000

31.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 short term investments carried at fair value as disclosed in note 10 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 due to the underlying short term / current nature of assets.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

32. 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.

33. NUMBER OF EMPLOYEES

The total and average number of employees during the years ended December 31, 2017 and 2018 are as follows:

	2018	2017
Average number of employees during the year	**38**	37
Number of employees as at the end of the financial year	**43**	33

34. GENERAL

34.1 The Board of Directors in its meeting held on February 20, 2019 has proposed a cash dividend of 4 per share (2017: Rs 2 per share) for the year ended December 31, 2018 subject to approval of members at the annual general meeting to be held on April 27, 2019. This is in addition to the interim cash dividend of Rs 6 per share (2017: Rs 2 per share) resulting in a total dividend for the year of Rs 10 per share (2017: Rs 4 per share). These unconsolidated financial statements do not recognise the proposed dividend as deduction from unappropriated profit as it has been proposed subsequent to the reporting date.

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

34.3 The investments by the Company's provident fund have been made in accordance with the provision of Section 218 of the Companies Act, 2017 and the conditions specified thereunder.

34.4 These unconsolidated financial statements have been authorised for issue on February 20, 2019 by the Board of Directors of the Company.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Muneer Kamal**
Chief Financial Officer	Chief Executive	Director

Consolidated
Financial Statements

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAWOOD HERCULES CORPORATION LIMITED

Opinion

We have audited the annexed consolidated financial statements of Dawood Hercules Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Following are the Key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
(i)	**First time application of Fourth Schedule to the Companies Act, 2017** (Refer note 3.1.5 to the consolidated financial statements)	
	The Fourth Schedule to the Companies Act, 2017 became applicable to the Group for the first time for the preparation of annexed consolidated financial statements.	We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following:
	As part of this transition to the requirements, management performed a gap analysis to identify differences between the previous and the current Fourth Schedules and as a result certain amendments relating to presentation and disclosures were made in the annexed consolidated financial statements.	- considered the management's process to identify the additional disclosures required in the annexed consolidated financial statements; - obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for sufficient audit evidence; and

In view of the various additional disclosures prepared and presented in the annexed consolidated financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this a key audit matter.

- verified on test basis supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.

(ii) Income tax and sales tax matters

(Refer note 26.1 to the consolidated financial statements).

The Group has recognized provisions and has disclosed contingent liabilities in respect of certain income tax and sales tax matters, which are pending adjudication before various appellate and legal forums.

Provisions and contingencies require management of the Group to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Group in respect of such provisions and contingencies.

Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax a key audit matter.

Our audit procedures amongst others included the following:

- obtaining and reviewing details of the pending tax matters and discussed the same with the Group's management;

- circularizing confirmations to the Group's external legal and tax counsels for their views on matters being handled by them;

- involving internal tax professionals to assess management's conclusions on contingent tax matters and evaluating the consistency of such conclusions with the views of management and external tax advisors engaged by the Group;

- reviewing correspondence of the Group with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved;

- checking mathematical accuracy of the calculations underlying the provisions, if any; and

- reviewing the adequacy of the disclosures made by the Group with regard to the applicable accounting and reporting standards.

Key audit matters	How the matter was addressed in our audit
(iii) Accural in respect of Gas Infrastructure Development Cess (Refer note 23 to the consolidated financial statements). The Group maintains an accrual in respect of Gas Infrastructure Development Cess (GIDC) amounting to Rs. 16,697,839 thousand as at December 31, 2018. The Group has obtained ad-interim stay orders against the GIDC Act, 2015 from the High Court of Sindh which has restrained the gas supplying companies from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. In a separate case Peshawar High Court passed a judgment on May 31, 2012 validating the new GIDC Act, against which the Group has filed a petition in the Supreme Court of Pakistan. The management believes that the provision recorded as at December 31, 2018 in respect of GIDC represents the management's current best estimate of the amounts. Given the nature and significance of the amounts involved in the aforementioned case and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the consolidated financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge and the legal case progresses. Therefore, we have considered this as a key audit matter.	Our audit procedures amongst others included the following: - obtaining an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of the minutes of the meetings of those charged with governance; - reading correspondence of the Group with the regulatory authorities and the Group's external legal counsel; - obtaining confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; and - assessing the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the consolidated financial statements in accordance with the accounting and reporting standards.
(iv) Capitalization of Property, plant and equipment (Refer notes 5 and 43.2 to the consolidated financial statements). During the year ended December 31, 2018, the Group's Polymer segment has incurred a significant amount of capital expenditure in respect of various expansion projects in order to enhance the production capacity. The incurrence of capital expenditure involves the	Our audit procedures included the following: - obtaining an understanding of the Group's process with respect to capital expenditure incurred and testing controls relevant to such process;

assessment of appropriateness of costs capitalised in this respect and the determination of costs that meet the criteria for capitalisation under the accounting and reporting standards.

As capital expenditure incurred during the year constitutes a significant amount and involves significant judgemental areas such as the capitalization of elements of eligible cost components as per applicable accounting and reporting standards, we considered this a key audit matter.

- testing the cost capitalized with the relevant underlying documentation;

- assessing the nature of capitalized costs to ensure whether assets capitalized meet the recognition criteria set out in IAS 16 'Property, Plant and Equipment';

- assessing the useful lives assigned by the management including testing the calculation of related depreciation;

- validating the existence of capitalized assets through physical verification on a sample basis; and

- reviewing adequacy of the disclosures made by the Group with regard to applicable accounting and reporting standard.

(v) Deferred tax asset

(Refer note 8 to the consolidated financial statements).

The Group holds a deferred tax asset of Rs. 5,400,815 thousand on recoupable carry forward losses, minimum turnover taxes and Alternative Corporate Tax.

The recognition of deferred tax asset is dependent on management's best estimate of availability of sufficient future taxable profits against which carried forward losses and tax credits can be utilized. This process relies on the assessment of the Group's profitability forecast, which in turn is based on assumptions concerning future economic conditions and business performance. As preparing of profitability forecast and assessment of realisability of recognized deferred tax asset requires significant management judgement, we considered this a key audit matter.

Our audit procedures amongst others included the following:

- obtained understanding of management's process of preparation of forecast profitability, tax liability and deferred tax calculation;

- discussed with the management, significant underlying assumptions used in preparing the profitability forecast and assessed the same for reasonableness;

- checked appropriateness of tax rates applied in view of the local tax legislation;

- checked mathematical accuracy of calculations; and

- reviewed and evaluated related disclosures in the financial statements.

(vi) Provision against investment in Engro Vopak Terminal Limited

(Refer note 7.3 to the consolidated financial statements)

Cases, of EVTL, from tax year 2003 to tax year 2011 to determine as to whether its income is liable to be taxed under the Normal Tax Regime or the Final Tax Regime are pending in the Supreme Court and the High Court of Sindh. The potential financial exposure of EVTL in this respect amounts to approximately Rs. 4,462,108 thousand, as at December 31, 2018.

On the basis of prudence, based on the legal advice and after taking into consideration the judgement of the courts in similar cases for certain other companies, the Group has recognized its share of provision for aforementioned potential taxation liability against carrying value of Rs. 1,355,679 thousand of its investment in EVTL in the consolidated financial statements to the extent of it being 'Nil' and the balance amount of Rs. 875,375 thousand has been recognized as a provision depicting constructive obligation of the Group to bear the potential exposure.

Due to the significance of the amounts involved and involvement of significant management judgement in the determination of provision for the potential tax liability we have considered this a key audit matter.

Our audit procedures amongst others included the following:

- obtaining understanding of and assessing the rationale behind the accounting treatment of the potential tax liability in the consolidated financial statements of the Group;
- obtaining confirmation from external legal counsel of the Group in respect of the current developments in the case including their assessment of the potential outcome of the matter;
- reviewing minutes of the meetings of the Board of Directors of EVTL and that of Engro Corporation Limited, to determine the rationale of decisions taken therein in respect of this matter and to determine the basis of the constructive obligation; and
- assessing the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the financial statements in accordance with the accounting and reporting standards.

Information Other than the Financial Statements and Auditor's Report Thereon

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Afferguson & Co

A. F. Ferguson & Co.,
Chartered Accountants

Karachi

Date: March 29, 2019

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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KARACHI LAHORE ISLAMABAD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

(Amounts in thousand)

	Note	2018	2017
		------------ (Rupees) ------------	
ASSETS			
Non - Current Assets			
Property, plant and equipment	5	**204,545,985**	157,512,017
Intangible assets	6	**4,817,940**	4,753,253
Long term investments	7	**31,590,380**	32,195,681
Deferred taxation	8	**384,612**	23,765
Long term loans, advances and other receivables	9	**4,092,566**	6,809,735
Advance against investment		**-**	1,653,750
		245,431,483	202,948,201
Current Assets			
Stores, spares and loose tools	10	**7,687,869**	7,638,801
Stock-in-trade	11	**17,228,278**	13,065,877
Trade debts	12	**18,629,468**	13,641,538
Loans, advances, deposits and prepayments	13	**3,188,326**	2,057,035
Other receivables	14	**13,273,925**	10,922,891
Accrued income		**524,809**	528,242
Tax recoverable		**-**	92,881
Short term investments	15	**103,533,500**	69,893,637
Cash and bank balances	16	**12,115,981**	9,786,651
		176,182,156	127,627,553
Investment held for sale	17	**-**	6,611,468
TOTAL ASSETS		**421,613,639**	337,187,222

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

(Amounts in thousand)

	Note	2018	2017
		------------ (Rupees) ------------	
EQUITY & LIABILITIES			
Equity			
Share capital	18	**4,812,871**	4,812,871
Revaluation reserve on business combination		**9,261**	13,059
Maintenance reserve	19	**60,117**	60,117
Exchange revaluation reserve		**147,583**	30,888
Hedging reserve		**(10,980)**	(27,341)
General reserve		**700,000**	700,000
Unappropriated profit		**61,197,392**	49,756,284
Share of income of associate		**-**	-
Remeasurement of post-employment benefits		**(30,023)**	(29,265)
		62,073,350	50,503,742
		66,886,221	55,316,613
Non-Controlling Interest		**134,856,918**	122,148,275
Total Equity		**201,743,139**	177,464,888
Liabilities			
Non-Current Liabilities			
Borrowings	20	**130,576,362**	83,490,369
Deferred taxation	8	**8,428,363**	10,692,321
Deferred liabilities	22	**265,535**	227,830
		139,270,260	94,410,520
Current Liabilities			
Trade and other payables	23	**51,118,725**	37,272,974
Accrued interest / mark-up	24	**2,363,313**	1,552,664
Current portion of:			
- borrowings	20	**11,955,924**	12,392,265
- deferred liabilities	22	**113,852**	103,235
Taxes payable		**8,299,834**	2,574,224
Short term borrowings	25	**6,641,207**	11,327,158
Unclaimed dividends		**107,385**	89,294
		80,600,240	65,311,814
Total Liabilities		**219,870,500**	159,722,334
Contingencies and Commitments	26		
TOTAL EQUITY & LIABILITIES		**421,613,639**	337,187,222

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Muneer Kamal**
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2018

(Amounts in thousand except for earnings per share)

	Note	2018	2017
		------------ (Rupees)	------------
Revenue	27	**171,568,238**	128,592,511
Cost of revenue	28	**(120,459,766)**	(93,786,270)
Gross profit		**51,108,472**	34,806,241
Selling and distribution expenses	29	**(8,488,256)**	(7,850,236)
Administrative expenses	30	**(6,604,715)**	(4,446,220)
Other income	31	**21,984,273**	11,185,463
Other operating expenses	32	**(4,427,332)**	(2,405,793)
Operating profit		**53,572,442**	31,289,455
Finance cost	33	**(6,336,224)**	(5,623,683)
Share of income from joint venture and associates	34	**128,647**	2,689,331
Profit before taxation		**47,364,865**	28,355,103
Taxation	35	**(14,215,976)**	(12,107,942)
Profit for the year		**33,148,889**	16,247,161
Profit attributable to:			
- Owners of the Holding Company		**14,246,897**	3,459,088
- Non Controlling Interest		**18,901,992**	12,788,073
		33,148,889	16,247,161
Earnings per share - basic and diluted	36	**29.60**	7.19

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Muneer Kamal**
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

(Amounts in thousand)

	2018	2017
	------------ (Rupees)	------------
Profit for the year	**33,148,889**	16,247,161
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
Profit arising during the year	**63,028**	16,964
Less: Reclassification adjustments for loss / (profit) included in statement of profit or loss	**(874)**	4,953
	62,154	21,917
Share of other comprehensive income of associate	**-**	2,120
Revaluation reserve on business combination	**(21,004)**	(21,004)
Exchange differences on translation of foreign operations	**456,610**	98,001
	497,760	101,034
Less: Income tax relating to:		
Hedging reserve - cash flow hedges	**-**	(632)
Revaluation reserve on business combination	**6,721**	6,721
Share of other comprehensive income of associate	**-**	(122)
	6,721	5,967
Items that will not be reclassified to profit or loss		
- Remeasurement of post employment benefits obligation - Actuarial gain / (loss)	**2,582**	(40,657)
Less: Income tax relating to remeasurement of post employment benefits obligation	**(749)**	9,706
	1,833	(30,951)
Other comprehensive income for the year, net of tax	**506,314**	76,050
Total comprehensive income for the year	**33,655,203**	16,323,211
Total comprehensive income attributable to:		
- Owners of the Holding Company	**14,376,748**	3,475,922
- Non Controlling Interest	**19,278,455**	12,847,289
	33,655,203	16,323,211

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry	Inam ur Rahman	Muneer Kamal
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018
(Amounts in thousand)

	Share capital	Revaluation reserve on business combination	Maintenance reserve (note 19)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Share of other comprehensive income of associate	Remeasurement of post employment benefits - Actuarial (loss) / income	Sub total	Non Controlling Interest	Total
	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY											
				Revenue reserves								
	Rupees											
Balance as at January 1, 2017	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
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												
Share issued to IFC by subsidiary company of ECL	-	-	-	-	-	-	82,488	-	-	82,488	213,905	296,393
Dividend by ECL's subsidiaries allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-		(13,362,910)	(13,362,910)
Shares issued by Group Company during the period and shares issuance cost accounted for as a deduction from equity	-	-	-	-	-	-	(1,071)	-	-	(1,071)	561,218	560,147
Advance against issue of share capital by Group Company	-	-	-	-	-	-	-	-	-	-	2,111,264	2,111,264
Preference shares issued by Group Company	-	-	-	-	-	-	-	-	-	-	499,510	499,510
Final cash dividend for the year ended December 31, 2016 @ Rs.2.00 per share	-	-	-	-	-	-	(962,574)	-	-	(962,574)	-	(962,574)
Interim cash dividends for the year ended December 31, 2017 @ Rs.2.00 per share	-	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

(Amounts in thousand)

	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY											
					Revenue reserves							
	Share capital	Revaluation reserve on business combination	Maintenance reserve (note 19)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Share of other comprehensive income of associate	Remeasurement of post employment benefits - " Actuarial (loss) / income "	Sub total	Non Controlling Interest	Total
	Rupees											
Total comprehensive income for the year ended December 31, 2018												
Profit for the year	-	-	-	-	-	-	14,246,897		-	14,246,897	18,901,992	33,148,889
Other comprehensive income	-	(3,798)	-	116,695	16,361	-	(345)		938	129,851	376,463	506,314
	-	(3,798)	-	116,695	16,361	-	14,246,552	-	938	14,376,748	19,278,455	33,655,203
Transactions with owners												
Issuance of rights shares of Group Company of subsidairy company	-	-	-	-	-	-	-	-	-	-	2,331,153	2,331,153
Share issuance cost of Group Company	-	-	-	-	-	-	(4,904)	-	-	(4,904)	(8,270)	(13,174)
Advance against issue of share capital of Group Company	-	-	-	-	-	-	-	-	-	-	1,997,646	1,997,646
Reclassification of acturial gain on withdrawal of gratuity scheme	-	-	-	-	-	-	1,696	-	(1,696)	-	-	-
Disposal of subsidiary company of ECL	-	-	-	-	-	-	1,048,062	-	-	1,048,062	3,287,721	4,335,783
Dividend by ECL's subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(14,178,062)	(14,178,062)
Final cash dividend for the year ended December 31, 2017 @ Rs. 2.00 per share	-	-	-	-	-	-	(962,574)	-	-	(962,574)	-	(962,574)
1st Interim cash dividends @ Rs.3.00 per share for the year ended December 31, 2018	-	-	-	-	-	-	(1,443,862)	-	-	(1,443,862)	-	(1,443,862)
2nd Interim cash dividends @ Rs.3.00 per share for the year ended December 31, 2018	-	-	-	-	-	-	(1,443,862)	-	-	(1,443,862)	-	(1,443,862)
	-	-	-	-	-	-	(2,805,444)	-	(1,696)	(2,807,140)	(6,569,812)	(9,376,952)
Balance as at December 31, 2018	4,812,871	9,261	60,117	147,583	(10,980)	700,000	61,197,392	-	(30,023)	66,886,221	134,856,918	201,743,139

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry
Chief Financial Officer

Inam ur Rahman
Chief Executive

Muneer Kamal
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

(Amounts in thousand)

	Note	2018	2017
		------------ (Rupees) ------------	
Cash flows from operating activities			
Cash generated from operations	39	**32,049,916**	18,153,177
Retirement and other service benefits paid		**(267,724)**	(226,446)
Financial charges paid		**(9,411,803)**	(6,388,827)
Taxes paid		**(10,776,479)**	(7,386,817)
Long term loans and advances - net		**(99,207)**	5,515
Net cash generated from operating activities		**11,494,703**	4,156,602
Cash flows from investing activities			
Purchases of property, plant & equipment and intangible assets		**(36,605,685)**	(29,946,520)
Sale proceeds on disposal of property, plant & equipment		**45,501**	745,932
Sale proceeds from sale of shares of associated company		**18,141,819**	-
Investment in associated company		**(226,640)**	(299,657)
Advance paid against share purchase agreement of EPPL		**-**	(1,653,750)
Investments made during the year - net		**16,147,859**	12,248,757
Income on deposits / other financial assets		**10,590,024**	3,907,624
Deposit in respect of bank guarantees		**(1,223,401)**	-
Dividends received		**1,292,430**	5,570,124
Net cash received / utilized in investing activities		**8,161,907**	(9,427,490)
Cash flows from financing activities			
Proceeds / Repayments of borrowings - net		**34,676,394**	19,461,625
Proceeds from issuance of shares		**-**	1,067,874
Issuance of right shares to Non-controlling interest, net of share issuance cost		**4,315,625**	2,103,047
Repayments of short term finance		**-**	(1,100,000)
Dividends paid		**(3,832,206)**	(1,931,756)
Net cash generated from financing activities		**35,159,813**	19,600,790
Net increase in cash and cash equivalents		**54,816,423**	14,329,902
Cash and cash equivalents at beginning of the year		**37,839,339**	23,397,741
Effects of exchange rate changes on cash and cash equivalents		**715,542**	111,696
Cash and cash equivalents at end of the year	40	**93,371,304**	37,839,339

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Muneer Kamal**
Chief Financial Officer	Chief Executive	Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

(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 the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange (PSX). The principal activity of the Holding Company is to manage investments including in its subsidiary and associated companies.

1.2 Based on the concept of 'control' as stipulated in the International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', the Holding Company continues to conclude that although the Holding Company has less than 50% voting rights in Engro Corporation Limited (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 of Directors, the Holding Company has the ability to exercise control over ECL. Accordingly, the Holding Company is deemed to be the Holding Company of ECL.

1.3 The business units of the Group include the following:

Business Unit	Geographical Location
Head / Registered offices	
- The Holding Company	Dawood Center, M.T. Khan Road, Karachi.
- Engro Corporation Limited	7th and 8th Floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi
- Engro Fertilizers Limited	7th and 8th Floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi
- Engro Polymer and Chemicals Limited	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi
- Elengy Terminal Pakistan Limited	4th Floor, Corporate Offices Block, Dolmen City, Plot Number HC-3, Block 4, Clifton, Karachi
- Engro Energy Limited	16th Floor, Harbour Front Building, Plot Number HC-3, Marine Drive, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Eximp Agriproducts (Private) Limited	8th Floor, Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi.
- Engro Infiniti (Private) Limited	8th Floor, the Harbour Front Building, HC-3, Block 4, Clifton, Karachi

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

(Amounts in thousand)

Regional offices

- ECL	22 Floor, Ufone Tower Jinnah Avenue, Blue Area, Islamabad
- Engro Polymer and Chemicals Limited	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore

Manufacturing plants

- Engro Fertilizers Limited	- Distric Ghotki, Sindh - EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi
- Engro Polymer and Chemicals Limited	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi
- Engro Eximp Agriproducts (Private) Limited	13-Km Muridke Sheikhupura Road, Muridke, 54800

Power Plants

- Engro Energy Limited	- Thar Block II, Islamkot District, Sindh - Deh Belo Sanghari, Ghotki, Sindh
- Elengy Terminal Pakistan Limited	Plot No. OZ-I-P-81, South Western Zone, Berth No. 13, Port Qasim, Karachi

2. **The "Group" consists of:**

Holding Company: Dawood Hercules Corporation Limited.

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

	Percentage of shareholding of the Holding Company	
	2018	2017
Engro Corporation Limited (note 2.1)	**37.22**	37.22

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

	Percentage of shareholding of the Holding Company	
	2018	2017
The Hub Power Company Limited (note 2.2) Investment held for sale	**-**	14.91

(Amounts in thousand)

2.1 Subsidiary - Engro Corporation Limited

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

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

	Percentage of shareholding of ECL	
	2018	2017
- Engro Energy Limited (note 2.1.1)	**100**	100
- Engro Eximp Agriproducts (Private) Limited (note 2.1.2)	**100**	100
- Engro Infiniti (Private) Limited (note 2.1.3)	**100**	100
- Elengy Terminal Pakistan Limited (note 2.1.4)	**56**	80
- Engro Fertilizers Limited (note 2.1.5)	**56.27**	56.27
- Engro Polymer and Chemicals Limited (note 2.1.6)	**56.19**	56.19
Joint Venture Company of ECL:		
- Engro Vopak Terminal Limited (note 2.1.7)	**50**	50
Associated Company of ECL:		
- Engro Foods Limited (note 2.1.8)	**39.9**	39.9

2.1.1 Engro Energy Limited

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

Following are the companies in which EEL owns 50% or more of the voting rights or are directly controlled by EEL:

	Percentage of shareholding of EEL	
	2018	2017
- Kolachi Portgen (Private) Limited (note 2.1.1.1)	**100**	100
- Engro Power International Holding B.V. (EPIH B.V.) (note 2.1.1.2)	**100**	100
- Engro Power Services Limited (note 2.1.1.3)	**100**	100
- Engro Energy Services Limited (note 2.1.1.4)	**100**	-
- Engro Powergen Qadirpur Limited (note 2.1.1.5)	**68.89**	68.89
- Engro Powergen Thar (Private) Limited (note 2.1.1.6)	**50.10**	50.10

Following are associated companies of EEL in which it holds direct shareholding:

	Percentage of shareholding of EEL	
	2018	2017
- GEL Utility Limited (note 2.1.1.7)	**45**	45
- Sindh Engro Coal Mining Company Limited (note 2.1.1.8)	**11.91**	11.91
- Pakistan Energy Gateway Limited (note 2.1.1.9)	**33.33**	-
- Siddiqsons Energy Limited (note 2.1.1.10)	**19**	-

(Amounts in thousand)

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

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

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

2.1.1.4 Engro Energy Services Limited (EESL) was established as a wholly owned subsidiary of EEL on June 1, 2018 with the objective to undertake the business of rendering services to power plants.

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

2.1.1.6 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 at December 31, 2018, EEL held 50.10% (2017: 50.10%) of the issued capital of EPTL while the balance shares are held by CMEC Thar Power Investment Limited (35%), Habib Bank Limited (9.5%) and Liberty Mills Limited (5.4%).

2.1.1.7 GEL Utility Limited (GEL) is a private limited company in Nigeria with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which commenced commercial operations from November 21, 2014. EEL holds 12,272,727 ordinary shares of Naira 1 each in GEL representing a 45% (2017: 45%) equity stake.

2.1.1.8 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), EEL and ECL. The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project). During the year, EEL acquired an additional 40,829,133 ordinary shares (2017: 9,773,413) of SECMC while maintaining its percentage of Holding in SECMC as at December 31, 2018 at 11.91% (2017: 11.91%).

2.1.1.9 During the year, EEL together with certain other entities incorporated "Pakistan Energy Gateway Limited (PEGL)" for the purpose of developing a private integrated LNG terminal for import, storage and regasification of LNG in which EEL held a 33.33% shareholding as at December 31, 2018.

2.1.1.10 During the year, EEL entered into a Joint Venture Agreement (JVA), with two other companies for the joint development of approximately 330 MW coal - fired power generation facility in Thar Coal Block - II, District Tharparkar, Sindh through a joint venture company, Siddiqsons Energy Limited (SEL). As per the terms of the JVA, EEL was initially required to have a shareholding equal to 19% in its capacity as the subscribing member of SEL. In this respect, EEL has paid Rs. 262,000 against the issuance of 26,267,639 ordinary shares constituting the required 19% of the share capital of SEL.

2.1.2 Engro Eximp Agriproducts (Private) Limited

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

2.1.3 Engro Infiniti (Private) Limited

In 2017, Engro Infiniti (Private) Limited, (EInfiniti) was incorporated as a wholly owned subsidiary. The primary objective of EInfiniti is to analyze potential opportunities inside and outside Pakistan and to make available digital assets and ventures related to intellectual capital, data collection and analytics of every kind and any activities relating to or ancillary thereto. The implementation of the primary objective is carried out through EInfiniti's wholly owned subsidiary Engro Digital Limited (EDigital) also incorporated in 2017. During the year, EInfiniti has also made investment in Enfrashare (Private) Limited which is principally engaged in buying, building, maintaining, operating telecommunication infrastructure, any products, by products and any activities relating to or ancillary thereto.

During the year, ECL has made investments in EInfiniti through:

- subscription of 100,000 ordinary shares of Rs. 10 each at par;

- subscription of 53,140 ordinary shares of Rs. 10 each at a premium of Rs. 9,990 per share; and

- payment of advance against subscription of 40,000,000 ordinary shares of Rs. 10 each, the shares in respect thereof shall be issued after completion of legal formalities.

2.1.4 Elengy Terminal Pakistan Limited

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

During the year, on July 20, 2018, ECL executed a Share Purchase Agreement (SPA) with Vopak LNG Holding B.V. (the buyer) in respect of sale of up to 36.25% of ECL's investment in ETPL. In respect thereof, the shareholders of ECL in its Extra-ordinary General Meeting held on September 25, 2018, unanimously approved the disposal of up to 36.25% of ECL's shareholding in ETPL. Consequently, on December 14, 2018, ECL and the buyer completed the transaction in accordance with the SPA, whereby, the buyer has acquired 24% shareholding of ETPL from ECL for a consideration of US Dollars 31,378. Further, the buyer has acquired a further 5% shareholding of ETPL from International Finance Corporation (IFC), pursuant to IFC's tag along rights under the shareholders agreement that IFC has in place with ECL. ECL as at reporting date held 56% shares of ETPL, while the buyer and IFC held 29% and 15% of the ETPL's shareholding, respectively.

(Amounts in thousand)

2.1.5 Engro Fertilizers Limited

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

Following are the subsidiaries of EFert:

	Percentage of shareholding of EFert	
	2018	2017
- Engro Eximp FZE (note 2.1.5.1)	**100**	100
- EFERT Agritrade (Private) Limited (note 2.1.5.2)	**100**	100

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

2.1.5.2 In 2017, EFert Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of EFert to carry out trading and distribution of imported fertilizers as part of the business reorganization. EFert has transferred its business of trading and distribution of imported fertilizers to EAPL, and holds 10,000 ordinary shares of Rs. 10 each in EAPL.

2.1.6 Engro Polymer and Chemicals Limited

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

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

During the year, EPCL offered 37% of its issued, subscribed and paid-up ordinary shares as right shares at Rs. 22 per ordinary share. ECL fully subscribed to its entitled right shares aggregating to 137,923,461 ordinary shares, amounting to further investment of Rs. 3,034,316.

2.1.7 Engro Vopak Terminal Limited

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

2.1.8 Engro Foods Limited

Engro Foods Limited (EFoods), is a public listed company, incorporated in Pakistan. 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 The Hub Power Company Limited

The Hub Power Company Limited (HUBCO) is a public limited 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 Panjab (Narrowal plant).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation

3.1.1 These consolidated financial statements have been prepared under the historical cost convention unless otherwise stated.

3.1.2 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

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

3.1.4 Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of carrying material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Property, plant and equipment and intangibles

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

(Amounts in thousand)

b) Investments at fair value through profit or loss

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

c) Derivatives

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

d) Stock-in-trade

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

e) Income taxes

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

f) Provision for retirement and other service benefits obligations

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

g) Impairment of financial assets

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

h) Construction revenue and cost

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

i) Trade debts

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

(Amounts in thousand)

j) Stores and spares

The Group regularly reviews the provision for slow moving stores and spares to assess the consumption of stores and spares, thereby ensuring that slow moving items are provided for.

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

a) Standards, amendments to published standards and interpretations that became effective during the year and are relevant to the Group

The following new interpretation and amendments to the accounting and reporting standards were applicable for the financial year ended December 31, 2018:

- IFRIC 22, 'Foreign currency transactions and advance consideration'. This amendment 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 impact of this interpretation is not considered material on these consolidated financial statements.

- The fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these consolidated financial statements. The Companies Act, 2017 (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Holding Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of these consolidated financial statements. Additional disclosures, in this respect, include but are not limited details about business units, change in threshold for identification of executives, additional disclosures for related parties, etc.

  The are other, amendments to published standards and interpretations that were mandatory for the financial year ended December 31, 2018 but were considered not relevant or do not have any significant effect on the Group's financial reporting.

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, interpretations and amendments to published standards are not effective yet and have not been early adopted by the Group:

- IFRS 9 'Financial instruments' (effective for the Group's annual period ending on or after June 30, 2019). 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 other comprehensive income (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 or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Group.

(Amounts in thousand)

- IFRS 15 ‘Revenue from contracts with customers’ (effective for the Group's annual period beginning on January 1, 2019). 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 management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Group.

- IFRS 16 ‘Leases’ (effective for the Group's annual period beginning on January 1, 2019). 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 and an operating lease. 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. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Group.

- IFRIC 23, ‘Uncertainty over income tax treatments’ (effective for the Company's annual period beginning on January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

  The interpretation applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The management expects that IFRIC 23 will not have significant impact on the future unconsolidated financial statement of the Group.

There are of other standard, amendments and interpretations to the published standards that are not yet effective and have not been early adopted by the Group therefore, have not been detailed in these consolidated financial statements.

3.1.6 Basis of consolidation

i) Subsidiaries

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

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

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

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

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

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

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

ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed off the carrying value of net assets of the subsidiary is recorded in equity.

(Amounts in thousand)

iii) Disposal of subsidiaries

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

3.1.7 The consolidated financial statements have been prepared on the basis of unconsolidated financial statements of the Holding Company and the consolidated financial statements of subsidiary.

3.2 Exploration and evaluation assets

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

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

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

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

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

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

3.3 Development properties

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

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

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

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

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 capitalized as part of that equipment.

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

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

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

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

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

3.4.2 Leased assets

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

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

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

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

(Amounts in thousand)

3.4.3 Dredging expenditure

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

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

3.5 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. These are valued at weighted average cost less impairment except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

3.6 Intangible assets

a) Computer software and licenses

i) Acquired

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

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

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

ii) Internally generated

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

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

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

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

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

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

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

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

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

b) Rights for future gas utilization

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

3.7 Impairment of non-financial assets

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

3.8 Investments in Joint ventures and associates

Investment in associates / Joint venture are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investors share of profit or loss of the investee after the date of acquisition. The Group's investment in associates / Joint venture includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the impairment loss as the difference between the recoverable amount of associate / Joint venture and its carrying value and recognizes it in the consolidated profit or loss.

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

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

3.10 Financial instruments

3.10.1 Financial assets

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

(Amounts in thousand)

a) At fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity

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

d) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it off within 12 months of the end of the reporting date.

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

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

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

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

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

3.10.2 Financial liabilities

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

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

3.10.3 Offsetting of financial assets and liabilities

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

3.11 Derivative financial instruments and hedging activities

Derivatives are recognized initially at fair value on the date a derivative contract is entered into; attributable transaction cost are recognized in consolidated profit or loss 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 or loss, 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 instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognized in consolidated profit or loss.

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

(Amounts in thousand)

c) Other non-trading derivatives

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

d) Embedded derivatives

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

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

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

3.12 Stores, spares and loose tools

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

3.13 Stock-in-trade

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

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

3.14 Trade debts and other receivables

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

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

(Amounts in thousand)

3.15 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows includes cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving account, other short term highly liquid investments with original maturities of three months or less and short term borrowings other than term finance.

3.16 Share capital

Ordinary shares are classified as equity and recognized at the 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.

3.17 Borrowings

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

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

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

3.18 Trade and other payables

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

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

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

3.19 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 or loss.

3.20 Provisions

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

3.21 Income tax

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

3.21.1 Current

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

3.21.2 Deferred

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

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

3.22 Retirement and other service benefits

3.22.1 Defined contribution plans

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

The Group operates:

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

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

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

3.22.2 Defined benefit plans

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

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

Contributions require assumptions to be made of future outcomes which mainly include 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 Engro Fertilizers Limited (EFert).

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

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

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

3.22.3 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.

3.22.4 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.

3.23 Foreign currency transactions and translation

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

3.23.2 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

3.24 Revenue recognition

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

- Revenue is recognized when products are dispatched to customers or services are rendered.

- Income on deposits and delayed payment income on overdue trade receivables is recognized on accrual basis.

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

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

- Fee from Operations and Management (O&M) projects is recognized on accrual basis under the terms of the O&M agreements. Recoveries against reimbursable expenses are adjusted against the related expenses and net amount is recognized in the consolidated profit or loss as other income.

- Revenue from sale of electricity is recognized as follows:

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

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

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

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

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

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

(Amounts in thousand)

3.25 Borrowing costs

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

3.26 Research and development costs

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

3.27 Government grant

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

3.28 Earnings per share

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

3.29 Dividend and appropriation to reserves

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

3.30 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. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

4.1 During the year, the following significant transactions / events have occurred in relation to the Group:

- Divestment transaction of the Holding Company's 14.91% shareholding in The Hub Power Company Limited (HUBCO) was completed during the year (note 17).

- Sukuk certificates II amounting to Rs 6,000 million were issued by the Holding Company during the year (note 20).

- The Holding Company decided during that year that it is no longer pursuing the transaction to invest upto Rs 17.430 million in edotco Pakistan (Private) Limited.

(Amounts in thousand)

- The Group has incurred significant amount of capital expenditure in respect of various expansion projects particularly on account of polymer, fertilizer, power generation and mining projects.

- Corporate tax rates for year ended December 31, 2018 and subsequent years were reduced by 1% for each tax year uptil tax year 2023. Due to the reduction in current and future corporate tax rates, decrease in corresponding net deferred tax liability has been recognized in these consolidated financial statements.

- Subsequent to the enactment of Finance Act 2018, the Group has recognized liability for Super Tax under Section 4B of the Income Tax Ordinance, 2001, relating to tax years 2018 and 2019.

- EPTPL made draw downs from foreign currency debt facilities amounting to Rs. 22,190,528 and local currency debt facilities amounting to Rs. 11,689,498.

- EPQL has entered into a mixed mode regime as envisioned under the Implementation Agreement (IA) due to depletion of gas field and reduction in quantity of gas supplied by Sui Northern Gas Pipeline Limited (SNGPL). Under the regime, Capacity Purchase Payments (CPP) are secured for any shortfall in supply of gas by making the plant available on High Speed Diesel.

- In the year 2017, EPCL undertook the reliability enhancement and de-bottlenecking of PVC plants to increase annual capacity to 195,000 tons. The project became fully operational at the end of the current year. As a result, the desired production level has been achieved.

- Rs. 6,368,366 is outstanding as at December 31, 2018 on account of subsidy receivable from Government of Pakistan under the subsidy scheme on sale of certain fertilizers. Further, Rs. 2,227,631 was recovered on account of subsidy. The scheme has been discontinued by the Government of Pakistan in June 2018.

- EFert, during the year, has accrued Rs. 6,365,269 in lieu of Gas Infrastructure Development Cess.

- ECL signed Project Development Agreements (PDAs) on behalf of EDL with General Electric Company ("GE").

- The Group has reversed impairment charge amounting to Rs. 314,846, consequent to the profitability of Rice Processing Plant in the current year and increasing exports for the coming years particularly substantiated by locking export commitments worth USD 8,524 of finished product for the Financial Year 2019.

	2018	2017
	------------ (Rupees) ------------	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value (note 5.1)	**105,275,905**	103,738,191
Capital work in progress - Expansion and other projects (note 5.7)	**98,326,481**	52,994,469
Capital spares and standby equipments	**943,599**	779,357
	204,545,985	157,512,017

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

(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		Owned	Leased	Owned				
	------------------ Rupees ------------------														
As at January 1, 2017															
Cost	306,054	520,318	5,606,721	1,726,250	21,978	2,909,870	137,804,960	2,209,022	1,773,335	21,723	750,630	27,840	5,304,592	2,864,149	161,847,442
Accumulated depreciation	-	(137,122)	(1,679,044)	(562,127)	(3,417)	(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	18,561	2,222,014	91,204,628	327,848	475,749	721	318,162	7,681	4,900,824	2,515,280	106,994,817
Year ended December 31, 2017															
Opening net book value	306,054	248,275	3,927,677	521,344	18,561	2,222,014	91,204,628	327,848	475,749	721	318,162	7,681	4,900,824	2,515,280	106,994,817
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.7)	6,200	-	124,511	91,707	172	-	3,328,195	8,978	339,634	-	242,811	27,697	-	-	4,169,905
Transfers to capital spares	-	-	-	-	-	-	(60,151)	-	-	-	-	-	-	-	(60,151)
Capitalization of exchange gain by Subsidiary Company (note 5.3)	-	-	-	-	-	-	309,944	-	-	-	-	-	-	-	309,944
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 - reversal (note 5.2 & 5.5)	-	-	-	(107,867)	-	-	(539)	-	552	-	-	-	-	-	(107,854)
	-	(105)	72,410	(102,731)	-	(70,378)	52,631	-	(47,719)	-	(11,962)	-	-	-	(107,854)
Disposals / Write offs (note 5.6)															
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 5.4)	-	(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)
Net book value	312,254	206,124	3,902,706	465,845	16,512	1,985,644	88,581,387	223,256	579,542	721	449,847	28,737	4,691,343	2,294,273	103,738,191
As at December 31, 2017															
Cost	312,254	475,326	5,630,598	1,822,306	22,150	3,024,105	141,425,408	1,397,152	2,043,408	21,723	930,131	50,910	5,304,592	2,864,149	165,324,212
Accumulated depreciation	-	(134,281)	(1,727,892)	(605,815)	(5,638)	(1,038,461)	(50,359,664)	(1,173,896)	(1,376,566)	(21,002)	(480,284)	(22,173)	(613,249)	(569,876)	(58,128,797)
Accumulated impairment	-	(134,921)	-	(750,646)	-	-	(2,484,357)	-	(87,300)	-	-	-	-	-	(3,457,224)
	312,254	206,124	3,902,706	465,845	16,512	1,985,644	88,581,387	223,256	579,542	721	449,847	28,737	4,691,343	2,294,273	103,738,191

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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		Owned	Leased	Owned				
	Rupees														
Year ended December 31, 2018															
Opening net book value	312,254	206,124	3,902,706	465,845	16,512	1,985,644	88,581,387	223,256	579,542	721	449,847	28,737	4,691,343	2,294,273	103,738,191
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.7)	26,938	-	148,822	4,926	-	-	6,284,288	213,900	622,721	-	259,665	14,970	6,133	116,758	7,699,121
Transfers to capital spares	-	-	-	-	-	-		-	13,320	-	-	-	-	-	13,320
Capitalization of exchange loss (note 5.3)	-	-	-	-	-	-	1,106,522	-	-	-	-	-	-	-	1,106,522
Adjustments / Reclassifications															
Cost	2,488	-	-	-	-	-	(32,581)	-	-	-	-	-	-	-	(30,093)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Impairment - reversal (note 5.2 & 5.5)	-	13,304	-	155,889	-	-	233,701	-	622	-	-	-	-	-	403,516
	2,488	13,304	-	155,889	-	-	201,120	-	622	-	-	-	-	-	373,423
Disposals / Write offs (note 5.6)															
Cost	-	-	-	-	-	-	(23,870)	-	(26,611)	-	(73,561)	(1,797)	-	-	(125,839)
Accumulated depreciation	-	-	-	-	-	-	4,004	-	16,083	-	61,084	1,647	-	-	82,818
Accumulated impairment	-	-	-	-	-	-	15,832	-	3,272	-	-	-	-	-	19,104
	-	-	-	-	-	-	(4,034)	-	(7,256)	-	(12,477)	(150)	-	-	(23,917)
Depreciation charge (note 5.4)	-	(14,641)	(194,757)	(37,183)	(2,215)	(147,202)	(6,358,558)	(88,085)	(232,071)	-	(130,099)	(12,840)	(140,577)	(238,521)	(7,596,749)
Net book value	341,680	202,215	3,856,771	588,337	14,297	1,841,797	89,777,076	349,071	976,878	721	566,936	30,717	4,556,899	2,172,510	105,275,905
As at December 31, 2018															
Cost	341,680	472,754	5,779,420	1,826,092	22,150	3,027,460	148,726,118	1,611,052	2,652,838	21,723	1,116,235	64,083	5,310,725	2,980,907	173,953,237
Accumulated depreciation	-	(148,922)	(1,922,649)	(642,998)	(7,853)	(1,185,663)	(56,714,218)	(1,261,981)	(1,592,554)	(21,002)	(549,299)	(33,366)	(753,826)	(808,397)	(65,642,728)
Accumulated impairment	-	(121,617)	-	(594,757)	-	-	(2,234,824)	-	(83,406)	-	-	-	-	-	(3,034,604)
Net book value	341,680	202,215	3,856,771	588,337	14,297	1,841,797	89,777,076	349,071	976,878	721	566,936	30,717	4,556,899	2,172,510	105,275,905
Annual rate of depreciation (%)	-	1 to 8	2.5 to 33	2.5 to 10	10	5	2.5 to 25	No. of production days	3 to 33	20	5 to 25	33.3 to 50	6.67	6.67 to 20	

(Amounts in thousand)

5.2 Reversal of impairment

5.2.1 In 2015, the management taking note of the significant losses suffered, as an indicator of impairment, had conducted an impairment test of its Rice processing plant. The recoverable amount so determined was less than the carrying value of the plant & machinery, thereby resulting in an impairment loss of Rs. 3,384,030 which was recognized in profit or loss for the year ended December 31, 2015.

As at December 31, 2018, the management re-assessed the recoverable amount of the Rice processing plant, using revise corporate plan. The recoverable amount of Rs. 1,285,992 as at December 31, 2018 (property, plant & equipment and stores & spares) was determined on the basis of value in use, discounted using a pre-tax risk adjusted weighted average cost of capital of 15.76%. In this assessment, key assumptions relating to plant recovery rates, primary margins, fixed and conversion costs etc. are based on past performance of the Company, while paddy purchase price and selling price of Rice including brands were estimated on management's expectation of market development. Further, volume of paddy procurement and utilization plant capacity was based on management's approved corporate plan.

The above assessment has led the Company to reverse the impairment by Rs. 314,846 for the year ended December 31, 2018 which includes reversal of PPE amounting to Rs. 299,849 and reversal of impairment in stores and spares amounting to Rs. 14,997.

5.2.2 Further, reversal of impairment amounting to Rs. 103,667 has been recorded by EPCL. The impairment loss was recognised last year, in respect of a building situated at Port Qasim which EPCL had intended to demolish. However, during the year, EPCL has decided to utilize the building for its expansion projects.

5.3 Represents exchange loss amounting to Rs. 1,106,522 (2017: exchange loss capitalized amounting to Rs. 309,944) on borrowings of Engro Powergen Qadirpur Limited.

	2018	2017
	------------ (Rupees) ------------	
5.4 Depreciation charge for the year has been allocated as follows:		
Cost of goods sold (note 28.1)	**6,905,789**	6,804,730
Cost of services rendered (note 28.2)	**478,016**	543,632
Selling and distribution expenses (note 29)	**71,384**	39,412
Administrative expenses (note 30)	**141,560**	106,446
	7,596,749	7,494,220

5.5 Reversal of impairment on account of operating assets has been recognized in Cost of goods sold amounting to Rs. 403,516 (2017: Impairment loss of Rs. 107,854 - note 28.1).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

(Amounts in thousand)

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

Description and method of disposal	Sold to	Relationship	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds	Gain \ (Loss)
			-----------------------		(Rupees)		-----------------------
Plant and machinery							
By Company policy							
Diesel Generator	Pak Arab Engineering , Dharki	-	9,220	7,771	1,449	1,232	(217)
Electrostatic Precipitator Boiler	Muhammad Usman, Faisalabad	-	8,154	6,579	1,575	6,270	4,695
			17,374	14,350	3,024	7,502	4,478
Furniture, fixture and equipment							
By Company policy to existing / resigned / retired executives	Ruhail Mohammed	Ex Employee	1,238	103	1,135	1,104	(31)
Insurance claims	EFU General Insurance Limited	-	874	564	310	484	174
Write-off	-	-	5,612	756	4,856	-	(4,856)
			7,724	1,423	6,301	1,588	(4,713)
Vehicles							
By Company policy to existing / resigned / retired executives	Ruhail Mohammed	Ex Employee	14,267	11,235	3,032	7,800	4,768
	Muhammad Sajjad	Employee	3,196	2,193	1,003	750	(253)
As per the Compnay policy	Mr. Shahid Malik	Ex-member of key management personnel	13,000	7,583	5,417	-	(5,417)
Items having net book value upto Rs 500 each	Various	-	70,278	65,138	5,140	28,924	23,784
			100,741	86,149	14,592	37,474	22,882
Year ended December 31, 2018			125,839	101,922	23,917	46,564	22,647
Year ended December 31, 2017			908,922	868,677	40,245	745,932	705,687

5.7 Capital work in progress

	2018	2017
	------------ (Rupees)	------------
Leasehold land	**153,769**	-
Plant and machinery	**97,041,079**	52,130,554
Building and civil works including pipelines	**388,289**	326,267
Furniture, fixture and equipment	**39,272**	71,476
Advances to suppliers	**96,734**	209,414
Internally generated intangible asset	**428,949**	177,274
Dredging Maintenance	**10,093**	-
Other ancillary cost	**168,296**	79,484
	98,326,481	52,994,469
Balance as at January 1	**52,994,469**	23,819,084
Additions during the year	**53,072,911**	33,383,772
Transferred to:		
- operating assets (note 5.1)	**(7,603,696)**	(4,106,453)
- intangible assets (note 6)	**(134,505)**	(81,616)
- capital spares	**(2,698)**	(20,318)
Balance as at December 31	**98,326,481**	52,994,469

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

(Amounts in thousand)

6. INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilization	Goodwill (note 6.2)	Total
	----------------------	(Rupees)	----------------------	
As at January 1, 2017				
Cost	553,603	102,312	4,500,401	5,154,572
Accumulated amortization and impairment	(403,582)	(29,899)	-	(431,737)
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 5.7)	81,616	-	-	81,616
Amortization 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 January 1, 2018				
Cost	635,219	102,312	4,500,401	5,237,932
Accumulated amortization and impairment	(449,669)	(35,010)	-	(484,679)
Net book value	185,550	67,302	4,500,401	4,753,253
Year ended December 31, 2018				
Opening net book value	185,550	67,302	4,500,401	4,753,253
Additions including transfers (note 5.7)	134,505	-	-	134,505
Amortization charge (note 6.1)	(64,707)	(5,111)	-	(69,818)
Closing net book value	255,348	62,191	4,500,401	4,817,940
As at December 31, 2018				
Cost	769,724	102,312	4,500,401	5,372,437
Accumulated amortization and impairment	(514,376)	(40,121)	-	(554,497)
Net book value	255,348	62,191	4,500,401	4,817,940

(Amounts in thousand)

		2018	2017
		(Rupees)	
6.1	Amortization charge for the year has been allocated as follows:		
	Cost of goods sold (note 28.1)	24,248	21,791
	Selling and distribution expenses (note 29)	11,530	7,543
	Administrative expenses (note 30)	34,040	21,864
		69,818	51,198

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.

7. LONG TERM INVESTMENTS

	2018	2017
	(Rupees)	
Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 7.1 to 7.4)	-	1,337,772
Investment in associates (notes 7.5 and 7.7):		
- Engro Foods Limited (EFoods) 306,075,948 (2017: 306,075,948) ordinary shares of Rs 10 each	28,174,476	28,271,457
- GEL Utility Limited (GEL) 12,272,727 (2017: 12,272,727) ordinary shares of Naira 1 each	1,496,582	1,218,689
- Sindh Engro Coal Mining Company (SECMC) 111,254,177 (2017: 70,425,044) ordinary shares of Rs 10 each	1,655,241	1,208,203
- Siddique Sons Energy Limited (SEL) 26,267,639 (2017: nil) ordinary shares of Rs 10 each	258,981	-
- Pakistan Energy Gateway Limited (PEGL) advance against 10,000 ordinary share of Rs 10 each	100	-
Available for sale investments (note 7.8)	-	-
	31,585,380	30,698,349
Others, at cost		
- Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs 10 each	5,000	5,000
- Magboro Power Company 333,333 ordinary shares of USD 4.2 each	154,560	154,560
Less: Provision for impairment	(154,560)	-
	-	154,560
	31,590,380	32,195,681

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For the year ended December 31, 2018

(Amounts in thousand)

7.1 Details of investment in EVTL is as follows:

	2018	2017
	------------ (Rupees) ------------	
At beginning of the year	**1,337,772**	1,420,688
Add: Share of profit for the year including reversal of WWF (note 34)	**1,187,907**	1,132,084
Less: Dividend received during the year	**1,170,000**	1,215,000
Less: Provision against tax contingency (note 7.3)	**1,355,679**	-
	-	1,337,772

7.2 As at December 31, 2018, the Holding Company held 45,000,000 ordinary shares (2017: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed & paid-up capital of EVTL.

7.3 Cases for the tax year 2003 to tax year 2011 of EVTL to determine as to whether the income of EVTL is liable to be taxed under the Normal Tax Regime (NTR) or the Final Tax Regime (FTR) are pending in the Honorable Supreme Court of Pakistan (SCP) and the Sindh High Court (SHC). In this respect, EVTL has disclosed a contingent liability amounting to Rs. 4,462,108, in its financial statements representing potential taxation liability that EVTL may have to recognise if the aforementioned cases are decided against EVTL.

On the basis of prudence, the Group has recognized its proportionate share of the aforementioned potential taxation liability amounting to Rs. 2,231,054 against the carrying value of its investment in EVTL to the extent of it being 'Nil' and the balance amount of Rs. 875,375 has been recognised as a provision (note 23) depicting the Group's constructive obligation to bear the potential exposure.

7.4 The summary of financial information of EVTL as of December 31, 2018 is as follows:

Statement of financial position			Statement of profit or loss and other comprehensive income		
Particulars	**2018**	2017	**Particulars**	**2018**	2017
	-------- (Rupees) --------			-------- (Rupees) --------	
Cash and cash equivalents	11,665	92,931	Revenue	3,277,133	3,214,907
Current financial liabilties (excluding trade and other payables)	-	-	Depreciation and amortization	225,511	225,478
Non-current financial liabilities (excluding trade and other payables)	-	-	Interest income	17,529	15,807
Non-current assets	2,485,147	2,606,873			
Current assets	650,025	548,853			
Non-current liabilities	(9,095)	(9,675)	Income tax expense	313,594	288,786
Current liabilities	(558,485)	(435,714)			
	2,567,592	2,710,337			
Group's share at 50% (2017: 50%)	1,283,796	1,355,169	Total comprehensive income for the year	2,197,255	2,264,168
Provision against tax contingency (note 7.3)	(1,355,679)	-			
Reversal of WWF	89,280	-			
Others	(17,397)	(17,397)			
Carrying amount	-	1,337,772			

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

(Amounts in thousand)

7.5 Details of material investments in Associated Companies are as follows:

	2018			2017		
Particulars	**EFOODS**	**GEL**	**SECMC**	EFOODS	GEL	SECMC
	(Rupees)			(Rupees)		
At beginning of the year	**28,271,457**	**1,218,689**	**1,208,203**	31,180,875	1,036,660	910,905
Add:						
- Investment in associates	**-**	**-**	**450,270**	-	-	144,839
- Advance against issue of shares	**-**	**-**	**-**	-	-	154,818
- Share of profit / (loss) for the year (note 34)	**25,449**	**277,893**	**(3,232)**	151,341	182,029	(2,359)
- Dividend received during the year	**(122,430)**	**-**	**-**	(3,060,759)	-	-
	28,174,476	**1,496,582**	**1,655,241**	28,271,457	1,218,689	1,208,203

7.6 The summary of financial information / reconciliation of Associated Companies in which the Group holds material investment as of December 31, 2018 / 2017 is as follows:

	EFOODS		GEL		SECMC	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees)		(Rupees)		(Rupees)	
Revenue	**32,439,451**	34,653,486	**2,042,270**	1,770,784	**35,411**	35,411
Profit / (Loss) after tax	**63,783**	379,297	**617,542**	404,510	**(27,132)**	(19,802)
Other comprehensive income / (loss)	**(57,183)**	(6,685)	**-**	-	**-**	-
Total comprehensive income / (loss)	**6,600**	372,612	**617,542**	404,510	**(27,132)**	(19,802)
Non-current assets	**13,190,947**	13,686,609	**9,159,657**	7,595,410	**62,532,381**	39,420,458
Current assets	**9,577,519**	8,531,721	**3,392,106**	2,261,986	**2,257,014**	1,288,559
Total assets	**22,768,466**	22,218,330	**12,551,763**	9,857,396	**64,789,395**	40,709,017
Less:						
Non-current liabilities	**4,616,413**	5,408,658	**3,506,240**	3,923,506	**43,451,571**	25,051,668
Current liabilities	**8,810,993**	7,088,648	**4,876,829**	3,180,514	**7,352,969**	5,582,790
Total liabilities	**13,427,406**	12,497,306	**8,383,069**	7,104,020	**50,804,540**	30,634,458
Net assets	**9,341,060**	9,721,024	**4,168,694**	2,753,376	**13,984,855**	10,074,559
Group's share in %	**39.9%**	39.9%	**45%**	45%	**11.91%**	11.91%
Share of net assets	**3,727,083**	3,933,639	**1,875,912**	1,239,019	**1,665,596**	1,199,880
Recognition of investment at fair value	**24,337,818**	24,337,818	**-**	-	**-**	-
Others	**109,575**	-	**(379,330)***	(20,330)	**(10,355)**	8,323
Carrying amount	**28,174,476**	28,271,457	**1,496,582**	1,218,689	**1,655,241**	1,208,203

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

7.7 The comparison between quoted fair value and carrying amount of listed Associated Company is given below:

Name of entity	**Place of business**	**Measurement method**	**Quoted Fair value**		**Carrying amount**	
			2018	2017	**2018**	2017
			(Rupees)		(Rupees)	
Engro Foods Limited	5th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No.5, Clifton, Karachi.	Equity Method	**24,400,375**	24,853,367	**28,174,476**	28,271,457

(Amounts in thousand)

	2018	2017
	-------------Rupees -------------	
7.8 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%)	**-**	-

7.8.1 The Holding Company had made aggregate investment amounting to Rs 238,000 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 year 2014.

However, due to certain issues it has not been able to start the commercial operations of the project till date. Further, due to financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

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

8. DEFERRED TAXATION

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	----------------------- Rupees		-----------------------	
Engro Corporation Limited	**-**	**249**	9,878	-
Engro Fertilizers Limited	**-**	**7,100,022**	-	9,388,172
Engro Energy Limited	**381,981**	**151,986**	-	92,779
Engro Polymer and Chemicals Limited	**-**	**390,146**	11,255	-
Engro Elengy Terminal (Private) Limited	**-**	**801,678**	-	850,979
Engro Infiniti (Private) Limited	**-**	**1,424**	-	-
Net effect of consolidation adjustments	**2,631**	**(17,142)**	2,632	360,391
	384,612	**8,428,363**	23,765	10,692,321

(Amounts in thousand)

		2018	2017
		------------ (Rupees)	------------
8.1	**Credit / (Debit) balances are on account of:**		
	- Accelerated depreciation allowance	**14,846,654**	17,536,053
	- Recoupable carried forward tax losses (note 8.2)	**(431,194)**	(1,444,837)
	- Recoupable minimum turnover tax (note 8.3)	**(537,505)**	(510,131)
	- Recoupable Alternative Corporate Tax (note 8.4)	**(4,432,116)**	(4,074,227)
		(5,400,815)	(6,029,195)
	- Provisions	**(1,220,638)**	(931,873)
	- Others	**(181,450)**	83,965
		8,043,751	10,658,950

8.2 Relates to aggregate tax losses of Engro Polymer and Chemicals Limited available for carry forward amounting to Rs 1,539,979 (2017: Rs 4,816,123).

8.3 During 2013, High Court of Sindh in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that 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 would not be maintained by the Supreme Court, which the Group intends to approach if required. Accordingly, the Group has recognized deferred tax asset on recoupable minimum turnover tax amounting to Rs 537,505 (2017: Rs 510,131).

8.4 Relates to Alternative Corporate Tax (ACT) adjustable upto 10 years.

		2018	2017
		------------ (Rupees)	------------
9.	**LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES - Considered good**		
	Executives (notes 9.1 to 9.4)	**593,082**	480,566
	Other employees (notes 9.2 and 9.4)	**71,509**	32,972
		664,591	513,538
	Less: Current portion shown under current assets (note 13)	**260,476**	152,991
		404,115	360,547
	Receivable from Sui Southern Gas Company Limited (SSGCL) (note 9.5)	**1,037,487**	1,063,751
	Less: Current portion shown under current assets (note 13)	**(31,401)**	(26,264)
		1,006,086	1,037,487
	Direct cost of Floating Storage & Regasification Unit (FSRU) (note 9.6)	**966,093**	1,052,609
	Prepaid insurance and loan arrangement fee (note 9.7)	**9,042,789**	9,042,789
	Less: Transaction cost netted off from related borrowings	**(7,335,346)**	(4,689,533)
		1,707,443	4,353,256
	Other receivables	**8,829**	5,836
		4,092,566	6,809,735

(Amounts in thousand)

9.1 Reconciliation of the carrying amount of loans and advances to executives:	**2018**	2017
	-------------Rupees	-------------
Balance as at January 1	**480,566**	427,872
Add: Disbursements	**424,153**	339,521
Less: Repayments / Amortization	**(311,637)**	(286,827)
Balance as at December 31	**593,082**	480,566

9.2 Long term loans include:

- interest free services incentive loans to executives repayable in equal monthly installments over a four 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 593,082 (2017: Rs 514,047).

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 net of recoveries.

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 These primarily represent payments made to China Export and Credit Insurance Bank (Sinosure) by Engro Powergen Thar (Private) Limited (EPTPL) amounting to Rs 9,042,789, in connection with insurance cover obtained over financing arrangements relating to Chinese lenders, and payments to various financial institutions in respect of transaction and related cost for loan arrangements. The portion of the above costs, Rs 7,335,346 (2017: Rs 4,625,055), which relate to facilities actually utilized has been adjusted against related borrowings and is being amortized over the term of the loan. The balance amount of Rs 1,707,443 (2017: Rs 4,417,734), will be recognized as transaction cost over the term of financing upon draw down of facilities.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

(Amounts in thousand)

10. STORES, SPARES AND LOOSE TOOLS	2018	2017
	(Rupees)	
Consumable stores	**2,539,343**	2,426,512
Spares and loose tools including in-transit Rs 135,955 (2017: Rs 248,659)	**5,995,597**	5,794,255
	8,534,940	8,220,767
Less: Provision for surplus and slow moving items (note 10.1)	**847,071**	581,966
	7,687,869	7,638,801

10.1 Provision for surplus and slow moving items

	2018	2017
Balance as at January 1	**581,966**	290,378
Charge for the year, net	**265,105**	291,588
Balance as at December 31	**847,071**	581,966

11. STOCK-IN-TRADE

	2018	2017
Raw and packing materials (notes 11.1)	**4,145,072**	3,691,665
Unprocessed rice	**1,110,699**	765,498
Fuel stock	**379,474**	379,524
Work-in-process	**43,373**	47,372
Finished goods:		
- own manufactured product (note 11.1)	**2,596,777**	3,543,390
- purchased product net of NRV (notes 11.1)	**8,952,883**	4,638,428
	11,549,660	8,181,818
	17,228,278	13,065,877

11.1 Includes:

- materials in transit amounting to Rs 1,406,643 (2017: Rs 465,258);
- provision in respect of net realizable value amounting to Rs 30,000 (2017: Rs 25,453); and
- inventories held at storage facilities of third parties amounting to Rs 557,703 (2017: Rs 2,404,785).

12. TRADE DEBTS	2018	2017
	(Rupees)	
Considered good		
- secured (notes 12.1 and 12.2)	**18,374,458**	13,258,575
- unsecured	**255,010**	382,963
	18,629,468	13,641,538
Considered doubtful (note 12.4)	**56,269**	39,039
	18,685,737	13,680,577
Less: Provision for impairment (note 12.5)	**56,269**	39,039
	18,629,468	13,641,538

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

(Amounts in thousand)

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 1,353,411 (2017: Rs 909,376), are secured by a guarantee from the Government of Pakistan under the Implementation Agreement.

12.2 Includes Rs 1,257,583 (2017: Rs 1,897,044) due from (SSGCL), in respect of capacity and utilization charges billed in accordance with the terms of LSA.

12.3 As at December 31, 2018, trade debts aggregating to Rs 18,629,468 (2017: Rs 13,641,538) were neither past due nor impaired.

12.4 As at December 31, 2018, trade debts aggregating to Rs 56,269 (2017: Rs 39,039) were past due and impaired and have been provided for.

	2018	2017
	-------------Rupees	-------------
- Upto 3 months	**19,963**	14,018
- 3 to 6 months	**20,699**	11,791
- More than 6 months	**15,607**	13,230
	56,269	39,039

12.5 The movement in provision during the year is as follows:

Balance as at January 1	**39,039**	24,400
Add: Provision for impairment	**17,230**	14,639
Balance as at December 31	**56,269**	39,039

12.6 Details of amounts due from associated undertakings / related parties are as follows:

- Engro Foods Limited	**340**	-
- GEL Utility Limited	**154,172**	114,828
- Tenaga Generasi Limited	**57,534**	3,747
- Siddiqsons Energy Limited	**7,931**	-
	219,977	118,575

12.7 The ageing analysis of past due receivables from associated undertakings / related parties are as follows:

- Upto 3 months	**137,525**	72,093
- 3 to 6 months	**47,008**	21,905
- More than 6 months	**35,444**	24,577
	219,977	118,575

12.8 The maximum amount due from related parties at the end of any month during the year amounts to Rs 427,938 (2017: Rs 239,540).

(Amounts in thousand)

12.9 Following are the details of outstanding trade debts in relation to export sales:

Jurisdiction	Category	2018	2017
		(Rupees)	
- United Kingdom	Contractual	**1,729,108**	-
- Oman	Contractual	**-**	1,368,977
		1,729,108	1,368,977

13. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2018	2017
Current portion of long term loans and advances to executives and other employees (note 9)	**260,476**	152,991
Advances to executives and other employees (notes 13.1)	**21,968**	24,951
Advance to associated undertakings (note 13.5)	**4,147**	4,251
Advance to suppliers	**760**	29,222
Current portion of receivable from SSGCL (note 9)	**31,401**	26,264
Advances and deposits (13.3)	**1,341,379**	736,973
Prepayments:		
- insurance	**308,323**	210,119
- others	**1,219,872**	872,264
	3,188,326	2,057,035

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

These include Rs 0.012 million (2017: Rs 0.524 million) due from Mr. Inam-Ur-Rahman (i.e. member of key management personnel of the Holding Company). The maximum amount due at the end of any month during the year was Rs 0.013 million (2017: Rs 0.504 million).

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

13.3 This includes Rs 615,305 (2017: Rs 6,134) made to foreign vendors for the purpose of supply of goods and services in the normal course of business. Details of significant vendor balances are given below:

Name of the Company or undertaking	Jurisdiction		Currency Foreign 2018	Currency Foreign 2017	Equivalent Rupee 2018	Equivalent Rupee 2017
Alfa Laval Middle East Limited	Middle East	EUR	**93**	-	**14,030**	-
INEOS Technologies	Europe	EUR	**186**	-	**25,261**	-
Oval Corporation	Japan	USD	**112**	-	**15,511**	-
Bertrams Chemicals Plant Limited	Europe	EUR	**682**	-	**106,581**	-
Wolong Electric Nanyang Explosion	China	USD	**142**	-	**19,687**	-
China Tianchen Engineering	China	CNY	**77,525**	-	**349,694**	-
Xian Lynsn Electric Limited	China	CNY	**251**	-	**5,076**	-

(Amounts in thousand)

13.4 The maximum amount due from related parties at the end of any month during the year amounts to Rs 282,282 (2017: 209,577).

13.5 These include Rs 0.998 million (2017: Rs 1.098 million) and Rs 3.017 million (2017: Rs 3.017 million) due from Inbox Business Technologies (Private) Limited and The Dawood Foundation. The maximum amount due at the end of any month during the year was Rs 3.017 million (2017: Rs 3.017 million).

14. OTHER RECEIVABLES

	2018	2017
	------------Rupees------------	
Receivable from Government of Pakistan against:		
- Sales tax refundable	2,731,011	1,667,521
- Subsidy (notes 14.1 and 14.2)	6,368,366	7,741,461
	9,099,377	9,408,982
- Others	54,730	54,730
Less: Provision for impairment (note 14.6)	54,730	54,730
	-	-
	9,099,377	9,408,982
Delayed payment charges (note 14.3)	1,353,411	909,376
Reimburseable costs from NTDC in respect of:		
- Workers' profits participation fund	272,260	236,385
- Workers' welfare fund	-	205,638
Receivable from:		
- Engro Vopak Terminal Limited	7,140	5,265
- GEL Utility Limited	34,992	-
- Engro Foundation	1,152	164
- Sindh Engro Coal Mining Company Limited	45,128	23,553
- Thar Power Company Limited	2,428	742
- Engro Foods Limited	49,229	8,584
- China Machinery Engineering Corporation	12,354	-
-Dawood Corporation (Private) Limited	3,350	743
-Dawood Lawrencepur Limited	224	5,292
-The Dawood Foundation	1,451	4,957
-Inbox Business Technologies (Private) Limited	623	1,024
-Sach International (Private) Limited	1,082	1,488
-Tenaga Generasi Limited	649	484
-Reon Energy Limited	975	1,285
-Patek (Private) Limited	1,897	-
Insurance claim receivable	483,131	2,225
Amount receivable on termination of SSA (note 14.7)	1,653,750	-
Others	286,113	106,703
	4,211,339	1,513,908
Less: Provision for doubtful receivables	(36,791)	-
	13,273,925	10,922,891

(Amounts in thousand)

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).

During 2017, another subsidy scheme was announced by the GoP, effective July 01, 2017. Under the new subsidy scheme, aforementioned rates were replaced with Rs 100 per 50kg bag for Urea only. This subsidy scheme was effective till June 30, 2018. In line with the notification issued for the said scheme, Ministry of National Food Security and Research has appointed third party auditors for verification of subsidy claims which is underway.

14.2 During the year, an amount of Rs 78,006 was provided for in respect of receivable from GoP. The aggregate provision in this respect amounts to Rs 155,127 (2017: Rs. 77,121).

14.3 Represents mark-up receivable on overdue trade debts of Engro Powergen Qadirpur Limited, as delayed payment charges from NTDC in accordance with the terms of the PPA. These include mark-up over due amounting to Rs 1,078,469 (2017: Rs 737,788).

14.4 None of the other receivables were either past due or impaired other than past due receivables from associated undertakings / related parties, the ageing analysis of which are as follows:

	2018	2017
	------------ (Rupees)	------------
Upto 3 months	127,254	16,214
3 to 6 months	27,291	6,571
More than 6 months	8,129	8,584
	162,674	31,369

14.5 The maximum amount due from related parties at the end of any month during the year amounts to Rs 153,221 (2017: 38,308).

14.6 As at December 31, 2018, receivables aggregating to Rs 54,730 (2017: Rs 54,730) were deemed to be impaired being outstanding for more than six months and provided for.

14.7 Based on the approval of the Board of Directors, on August 29, 2017, the Holding Company signed Shareholders' Agreement and Shares Subscription Agreement (SSA) with edotco Investments (Labuan) Limited (i.e. Edotco Labuan) for the Holding Company's equity investment of Rs 17,430 million in edotco Pakistan (Private) Limited (i.e. Edotco Pakistan). Upon completion of the said investment by the Holding Company, Edotco Lubuan and the Holding Company were to hold 55% and 45% shares of Edotco Pakistan respectively.

Edotco Lubuan in partnership with the Company had announced proposed acquisition of Deodar (Private) Limited which owns and operates approximately 13,000 towers of Pakistan Mobile Communications Limited (PMCL) through Edotco Pakistan. In this respect, the Holding Company in year 2017 deposited its initial investment of Rs 1,653.750 million in an Escrow Account maintained with Habib Bank Limited.

During the year, the Holding Company exercised its right to terminate SSA. The Holding Company's decision was based on the fact that SSA prescribed various conditions that needed to be satisfied before consummating the transaction. Out of the said conditions, certain material conditions were not satisfied prior to the longstop date prescribed in SSA.

The advance of Rs 1,653.750 million which is currently deposited in an Escrow Account will be released once the legal formalities have been completed.

	2018	2017
	-------------Rupees	-------------
15. SHORT TERM INVESTMENTS		
At fair value through profit or loss		
Investment in units of mutual fund	**200,000**	-
Fixed income placements (note 15.1)	**7,699,778**	-
Treasury bills (note 15.2)	**58,642,472**	60,007,819
Quoted shares (note 15.3)	**206,861**	-
	66,749,111	60,007,819
Held to maturity & loan and receivable		
Fixed income placements (note 15.1)	**4,587,031**	9,870,818
Treasury bills (note 15.2)	**18,015,154**	-
Pakistan Investment Bonds (note 15.4)	**8,164,204**	-
Term Deposit Reciepts [TDR] (note 15.4)	**6,018,000**	15,000
	36,784,389	9,885,818
	103,533,500	69,893,637

15.1 These represents foreign and local currency placements with various banks, at interest rates ranging upto 10.30% (2017: 6.55%) per annum.

15.2 These represent treasury bills carrying interest at the rate of 10.29% (2017: 6.80%) per annum. These have maturity dates of upto one year from the reporting date.

15.3 Particulars regarding Quoted shares are as follows:

	As at January 1, 2018	Purchased during the year	Sales/ Redemption during the year	As at December 31, 2018	Cost as at December 31, 2018	Fair Value as at December 31, 2018	Unrealized gain as at December 31, 2018
	--------------------Number of shares in 000--------------------				-------------------Rupees in 000-------------------		
Meezan Bank Limited	-	2,239	-	2,239	192,961	206,861	13,900

15.4 These carry interest at the rate ranging from 6.5% to 11% (2017: 5%) per annum.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2018

(Amounts in thousand)

	2018	2017
	-------------Rupees -------------	
16. CASH AND BANK BALANCES		
Balances with banks in:		
- deposit accounts (notes 16.1, 16.3 and 16.4)	**8,372,579**	6,976,575
- deposit accounts - islamic (note 16.2)	**948,160**	93,575
- current accounts	**2,760,104**	2,713,212
Cheques / demand drafts in hand	**32,653**	-
Cash in hand	**2,485**	3,289
	12,115,981	9,786,651

16.1 Local currency conventional deposits carry return at the rate of 9% (2017: 5.75%) per annum.

16.2 These are shariah compliant bank balances and carry profit at rates ranging from 4.5% to 6.0% (2017: 3.0% to 4.5%) per annum.

16.3 Includes Rs 4,253,965 (2017: Rs 2,539,880) held in foreign currency bank accounts and carry return of 1% (2017: 1%) per annum.

16.4 These include amount of Rs 15,000 (2017: Rs 12,500) held against bank guarantee and Rs 1,247,762 (2017: Nil) held against letter of credit in favor of Custom Authorities.

	2018	2017
	-------------Rupees -------------	
17. INVESTMENT - HELD FOR SALE		
17.1 Investment in associate		
The Hub Power Company Limited - quoted	**-**	6,611,468

17.2 During the year, the Holding Company's Board of Directors 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 The Hub Power Company Limited (HUBCO) at Rs 106.5 per share aggregating Rs 18,379.983 million. The price was later reduced to Rs 105.12 per share after adjustment of Rs 1.38 per share (i.e. post tax impact) on account of dividend of Rs 1.5 per share received after February 1, 2018 (note 31). The shareholders' approval in this respect was obtained in the Extra Ordinary General Meeting held on March 6, 2018. The shares were transferred on March 16, 2018 after the completion of all regulatory requirements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2018

(Amounts in thousand)

18. SHARE CAPITAL

18.1 Authorised share capital

2018	2017		2018	2017
-----(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

2018	2017		2018	2017
-----(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

	2018	2017
	(Number of shares)	
Dawood Lawrencepur Limited Percentage of holding 16.192% (2017: 16.192%)	**77,931,896**	77,931,896
The Dawood Foundation Percentage of holding 3.946% (2017: 3.946%)	**18,991,988**	18,991,988
Cyan Limited Percentage of holding 0.165% (2017: 0.165%)	**794,380**	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2017: 0.001%)	**6,996**	6,996
Directors, Chief Executive Officer and their spouse and minor children 12.85% (2017: 13.65%)	**61,860,244**	65,672,656

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. 50,004, which has been invested in investment certificates as at December 31, 2018 (note 15). Till such time the amount is deposited again to the required level, EPQL has unutilized short term financing available to meet any unexpected maintenance requirements that may arise in the foreseeable future.

20. BORROWINGS - Secured (Non-participatory)

	2018	2017
	------------ (Rupees) ------------	
Engro Rupiya Certificates (note 20.1)	**998,164**	994,841
Islamic Finances (note 20.2)	**16,145,694**	10,755,392
Conventional Finances (note 20.3)	**52,117,423**	41,195,096
Foreign currency borrowings and others (note 20.4)	**73,271,005**	42,937,305
	142,532,286	95,882,634
Less: Current portion shown under current liabilities	**11,955,924**	12,392,265
	130,576,362	83,490,369

	Note	Mark-up	Installments		2018	2017
			Number	Commenced/ Commencing from	------------ (Rupees) ------------	
20.1 Engro Rupiya Certificates						
Engro Islamic Rupiya Certificates - II	20.4.1	13.5%	Lump sum	July 10, 2019	998,164	994,841
20.2 Islamic Finances						
Dubai Islamic Bank Limited		6 months KIBOR + 0.4%	4 half yearly	November 28, 2018	600,000	800,000
Privately Placed Subordinated Sukuk Certificates		6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	1,118,527	2,231,699
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.9%	13 half yearly	June 14, 2013	-	398,741
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.8%	1 bullet payment	March 18, 2018	199,687	1,000,000
Islamic Facility Agreement	20.4.2	3 months KIBOR + 3.5%	20 half yearly	-	3,121,589	1,185,441
Sukuks Certificates - I	20.4.3	3 months KIBOR + 1%	10 half yearly	May 16, 2019	5,154,777	5,139,511
Sukuks Certificates - II	20.4.4	3 months KIBOR + 1%	10 half yearly	September 16, 2019	5,951,114	-
					16,145,694	10,755,392

(Amounts in thousand)

				Installments			
20.3	Conventional Finances	Note	Mark-up	Number	Commenced/ Commencing from	2018	2017
						(Rupees)	
	Bilateral - IV	20.4.5	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
	Bilateral - V	20.4.5	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
	Bilateral - VI	20.4.5	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
	Bilateral - VII	20.4.5	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	1,250,000
	Bilateral - VIII	20.4.5	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	1,000,000	1,000,000
	Bilateral - IX	20.4.5	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
	Bilateral - X	20.4.5	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
	Allied Bank Limited		6 months KIBOR + 0.8%	1 bullet payment	March 18, 2018	-	2,000,000
	Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	2,000,000
	National Bank of Pakistan	20.4.6	6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	1,000,000	-
	Deutsche Investitions und Entwicklungsgesellschaft	20.4.6	6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	2,082,897	-
	Allied Bank Limited	20.4.6	6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	2,100,000	-
	Faysal Bank Limited		6 months KIBOR + 1.2%	13 half yearly	May 26, 2013	-	499,138
	Samba Bank Limited		6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	99,852	199,431
	National Bank of Pakistan		6 Months KIBOR + 1.2%	10 half yearly	September 28, 2013	-	166,531
	Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	9,109,666	9,108,338
	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
	MCB 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 + 0.05%	4 half yearly	March 28, 2021	1,500,000	1,500,000
	MCB Bank Limited		6 Months KIBOR + 0.20%	4 half yearly	December 29, 2021	3,000,000	-
	National Bank of Pakistan	20.4.2	3 months KIBOR + 3.5%	20 half yearly		2,954,007	928,793
	HBL-led consortium	20.4.2	3 months KIBOR + 3.5%	20 half yearly		12,771,001	5,042,865
						52,117,423	41,195,096
20.4	Foreign Borrowings and Others						
	International Financial Institutions		6 months LIBOR + 3%	24 half yearly	December 15, 2010	3,563,099	4,871,233
	China Development Bank Corporation (CDBC), China Construction Bank Corporation (CCBC) and Industrial and Commercial Bank of China Limited (ICBCL)	20.4.7	6 months LIBOR + 4.2%	20 half yearly	December 21, 2015	63,498,057	31,476,818
	International Finance Corporation		6 month LIBOR + 5%	16 half yearly	June 15, 2016	1,579,326	1,523,870
	Asian Development Bank		6 month LIBOR + 5%	16 half yearly	June 15, 2016	2,370,604	2,285,808
	Local Syndicate Loan		6 month KIBOR + 1.8%	16 half yearly	June 15, 2016	2,259,919	2,779,576
						73,271,005	42,937,305

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

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

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

(Amounts in thousand)

20.4.2 EPTPL has entered into following loan agreements:

- Rupee Facility Agreement with an HBL-led consortium (comprising HBL, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited, Sindh Bank Limited, Bank of Punjab, MCB Bank Limited, Faysal bank Limited, Pak Oman Investment Company Limited (pursuant to sell down of a portion of loan by United Bank Limited), Industrial and Commercial Bank of China, National Bank of Pakistan and Pak Brunei Investment Company Limited for an aggregate amount of Rs17,016,000. As at December 31, 2018, EPTL has made draw down of Rs. 12,771,001 (2017: Rs 5,042,865) against this facility.

- Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs 3,134,000. As at December 31, 2018, EPTL has made draw down of Rs 2,954,007 (2017: Rs 928,793) against this facility.

- 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, 2018, EPTL has made draw down of Rs 3,121,589 (2017: Rs 1,185,441) against this facility.

These loans are repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year and carries profit at the rate of 3 months KIBOR plus 3.5%. Further, the Shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided SBLCs as coverage for their equity commitments in the project.

20.4.3 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuks - I), amounting to Rs 5,200 million issued by the Holding Company to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuks - I are secured against ECL shares with 50% margin and charge over all the assets of the Holding Company with a 25% margin. The Sukuks - I carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuks - I are for a period of 5 years and are payable semiannually with the first principal repayment to be made in May 2019.

20.4.4 These represent the amortised cost of the rated, over-the-counter listed and secured Islamic Certificates (Sukuks - II), amounting to Rs 6,000 million, issued by the Holding Company on March 1, 2018, to Qualified Institutional Buyers (QIBs) through private placement by JS Bank Limited as an agent and advisor. The Sukuks - II are secured against the ECL shares with 50% margin and charge over all the assets of the Holding Company with a 25% margin. The Sukuks - II carry mark-up at the rate of three months KIBOR plus 100 basis points per annum. The Sukuks - II are for a period of 5 years and are payable semiannually with the first principal repayment to be made in September 2019.

20.4.5 During the year EPCL:

- upgraded all the charges on financing facilities to joint pari passu charge over all the present and future moveable fixed assets (excluding land and building) of EPCL; and

(Amounts in thousand)

- in order to finance the PVC expansion, VCM debottlenecking projects and other capital projects, entered into an Ijarah Agreement with International Finance Corporation (IFC). Under the agreement, EPCL has obtained a facility of US $ 35 million repayable in five years including a grace period of two years. No draw downs have been made as at year end.

Subsequent to the year ended December 31, 2018, EPCL has reprofiled its debt structure through issuance of Sukuk bonds of Rs 8,750,000. These carry a quarterly rental rate of 3 months KIBOR+ 0.9% and are repayable over a period of 7.5 years with the first payment commencing in June 2024.

20.4.6 During the year, EFert obtained a loan from MCB Bank Limited, Allied Bank Limited, National Bank of Pakistan and Deutsche Investitions- und Entwicklungsgesellschaft (DEG) amounting to Rs 3,000,000, Rs 2,100,000, Rs. 1,000,000 and US$ 15,000 respectively to finance capital expenditure. The loans have the same charge as other Senior Lenders.

20.4.7 EPTPL entered into a USD Facility Agreement on December 21, 2015 with three commercial banks namely China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited for an aggregate amount of USD 621,000 for a period of 14 years. The amount is repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year. This loan carries mark-up at the rate of 6 month Libor plus 4.2%. The facility is secured primarily through First ranking hypothecation charge over the project assets of the EPTPL. Further, the shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided Stand By Letter of Credits (SBLCs) as coverage for their equity commitments in the project. As at December 31, 2018, EPTPL has made draw down of USD 504,731 (December 31, 2017: USD 324,516) against this facility.

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:

	2018	2017
	--------------Rupees------------	
Balance as at January 1	**95,882,634**	77,007,465
Add:		
Borrowings availed during the year	**47,999,556**	35,034,244
Exchange gain	**14,155,523**	2,155,794
Amortisation of transaction cost	**592,705**	329,595
Less:		
Repayment of borrowings	**(13,387,841)**	(15,512,741)
Conversion of IFC loan option	**-**	(104,810)
Transaction costs	**(2,710,291)**	(3,026,913)
Balance as at December 31	**142,532,286**	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 derivative as per International Accounting Standard (IAS) 39, 'Financial Instrument: Recognition and Measurement' are required to be separated from the host contract and accounted for as derivative if economic characteristics and risks of the embedded derivative are not closely related to the host contract.

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

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

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

(Amounts in thousand)

In view of the above SRO, EPQL has capitalised exchange loss aggregating to Rs. 3,940,553 (2017: Rs. 2,834,031) as at December 31, 2018, which includes exchange loss of Rs. 1,106,522 pertaining to current year (2017: exchange loss of Rs. 309,944) in property, plant and equipment (note 5.1).

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 capitalized 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, 2017	1,929,363	4,272,382	(2,018,058)	(4,183,687)
For the year ended December 31, 2017				
- Recognition of exchange loss (net of depreciation	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)
For the year ended December 31, 2018				
- Recognition of exchange loss (net of depreciation	286,821	635,136	(921,957)	-
- Change in fair value of derivatives	(1,866,906)	(4,134,076)	-	6,000,982
	(1,580,085)	(3,498,940)	(921,957)	6,000,982
As at December 31, 2018	(186,525)	(413,041)	(3,126,867)	3,726,433

22. DEFERRED LIABILITIES

	2018	2017
	(Rupees)	
Retirement and other service benefits obligations	**379,387**	331,065
Less: Current portion shown under current liabilities	**113,852**	103,235
	265,535	227,830

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2018

(Amounts in thousand)

	2018	2017
	------------ (Rupees)	------------

23. TRADE AND OTHER PAYABLES

	2018	2017
Creditors (note 23.1)	**14,022,660**	8,673,095
Accrued liabilities (note 23.1 and 23.2)	**27,966,919**	20,942,625
Provision against tax contingency of EVTL (note 7.3)	**875,375**	-
Advances from customers	**4,833,749**	6,161,805
Contractors'/ suppliers' deposits and retention money	**126,874**	175,632
Workers' welfare fund (note 31.2)	**1,856,394**	2,302,903
Workers' profits participation fund	**380,185**	181,102
Sales tax payable	**139,882**	225,112
Payable to retirement benefit funds	**22,668**	7,491
Withholding tax payable	**220,298**	222,621
Payable to :		
- Engro Foods Limited	**1,562**	1,936
- Engro Vopak Terminal Limited	**178,137**	47,388
Others	**494,022**	1,390,205
	51,118,725	37,272,974

23.1 Include amounts due to following related parties:

	2018	2017
- Mitsubishi Corporation	**344,807**	1,461
- Engro Vopak Terminal Limited	**119,241**	87,390
- The Dawood Foundation	**90**	90
- Key management personnel	**76,436**	14,788
	540,574	103,729

23.2 Includes accrual for Gas Infrastructure Development Cess (GIDC) amounting to Rs.16,697,839 (2017: Rs. 10,113,754). The Group has obtained ad-interim stay orders against the GIDC Act, 2015 from the High Court of Sindh which has restrained the gas supplying companies from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. In a separate case Peshawar High Court passed a judgment on May 31, 2012 validating the new GIDC Act, against which the Group has filed a petition in the Supreme Court of Pakistan.

	2018	2017
	------------ (Rupees)	------------

24. ACCRUED INTEREST / MARK-UP

	2018	2017
Accrued interest / mark-up on:		
- long term borrowings	**2,266,379**	1,423,455
- short term borrowings	**96,934**	129,209
	2,363,313	1,552,664

(Amounts in thousand)

25. SHORT TERM BORROWINGS

	2018	2017
	------------ (Rupees) ------------	
Running finances utilised under mark-up arrangements (note 25.1)	**5,973,142**	11,327,158
Shariah compliant short term finance (note 25.2)	**668,065**	-
	6,641,207	11,327,158

25.1 The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs. 41,867,000 (2017: Rs. 39,602,000). The rates of mark-up on these finances are KIBOR based and range from 0.2% to 1.5% per annum over the relevant period KIBOR (2017: 0.5% to 1.5% over the relevant period KIBOR). 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.

25.2 The shariah compliant finances available to the Group from various banks carry profit rate ranging from 3% to 11.9% per annum (2017: Nil). These facilities are secured by way of floating charge on all present and future current assets of the respective Group companies.

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 Corporate guarantee amounting to USD 10,000 has been issued by the ECL to Allied Bank Limited to open DSRA letter of credit in favour of senior long term lenders of EPQL.

26.1.2 Following bank guarantees have been provided to:

- 7 bank guarantees amounting to Rs. 5,530 each, expiring on February 8, 2020, to Baluchistan Power Development Board (BPDB) issued on February 9, 2018 by EEL to acquire Letter of Intents / development rights for 50MW x 7 project sites located in Kuchlak, Khuzdar and Punjgur areas of Baluchistan.

- SNGPL amounting to Rs. 2,496,126 (2017: 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.

- Bank guarantees issued by EPTPL in favour of Collector of Customs amounting to Rs. 986,456 in respect of income tax on import of plant and machinery. The guarantees are issued under the order of the High Court of Sindh where the Court has allowed the imports to be cleared without the payment of income tax till EPTL's exemption application is decided by the Chief Commissioner, Income tax. EPTPL had been availing this exemption till December 2017 and, based on advice of its tax consultant, expects the matter to be eventually decided in its favour.

(Amounts in thousand)

Further, EPTPL has also issued bank guarantees in favour of Collector of Customs amounting to Rs. 236,945 in respect of custom duties and sales tax on import of certain plant and machinery. Collector of Custom has requested Federal Board of Revenue (FBR) for clarity on allowing concessionary rate of duty on these items. FBR has clarified the matter in favor of the EPTPL and the bank guarantees will be released after the completion of legal formalities. These guarantees have various expiry dates.

- Letter of Guarantee issued by ETPL through National Bank of Pakistan amounting to Rs. 1,157,069 (2017: Rs. 1,048,350) and Rs. 578,534 (2017: Rs. 543,329) in favour of SSGCL to guarantee performance of its obligations under the LSA. This guarantee is secured against ECL's owned Treasury Bills equivalent to 10% margin of the facility amount and its corporate guarantee. Both of the guarantees in favour of SSCGL are valid till April 30, 2019 and are renewable annually.

- Bank guarantee issued by ETPL amounting to Rs. 12,500 (2017: Rs12,500) from Bank Al Habib Limited and Rs2,500 (2017: RsNil) from MCB Bank Limited in favor of Custom Authorities to comply with the interim orders of the Court.

- Various third parties amounting to Rs2,982,754 (2017: Rs2,430,860).

26.1.3 The Holding Company had pledged 15.131 million shares of ECL with Meezan Bank Limited (as agent) in favour of Fatima Fertilizer Company Limited (FFCL as collateral against guarantee given in favour of DH Fertilizer Limited (DHFL) - ex subsidiary (now FFCL) against potential tax liabilities, WPPF liabilities and WWF liabilities in respect of periods ending on or prior to June 30, 2015. These pledged shares are to 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, in case no demand / notice is received from respective authorities.

During the year, out of 15.131 million shares of ECL, 4.639 million shares were released upon expiration of the period stated in the agreement relating to the WPPF liabilities.

The Holding Company had also issued a corporate guarantee which 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.

26.1.4 During the year ended December 31, 2017, the Holding Company's ex-subsidiary was served with an order from the Additional Commissioner of Inland Revenue (CIR) - Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend the original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of Rs 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 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 Deputy CIR served the ex-subsidiary with an appeal effect order on January 11, 2018, under which the tax liability (primarily on account of Alternate Corporate Tax) was worked out to be Rs 1,051.140 million.

The CIR filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIRA, which is currently pending. The ex-subsidiary, on the basis of advice of its tax consultant, filed an appeal with CIRA on February 12, 2018, considering the demand to be still prejudicial to its interests. CIRA in its order dated April 26, 2018 decided the matter against the ex-subsidiary. The ex-subsidiary has filed an appeal with the ATIR on May 9, 2018, against the order passed by CIRA

(Amounts in thousand)

and for grant of stay in respect thereof. The appeal against the order of CIRA is still pending. Meanwhile, the ex-subsidiary has also obtained stay from the Lahore High Court against the recovery of demand. The tax advisor of the ex-subsidiary is of the view that the appeal effect order passed on January 11, 2018 and the subsequent order of CIRA dated April 26, 2018, are either based on a misinterpretation of the provisions of law or are in violation of the directions given by CIRA in its order dated August 7, 2017. Based on these views, the management of the Holding Company is confident that the matter will eventually be decided in favour of the ex-subsidiary. Hence, no provision has been recorded in this respect in these consolidated financial statements.

26.1.5 During the year ended December 31, 2017, the Holding Company received a show cause notice dated May 11, 2017 from the Additional CIR - Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. In the notice, the Additional CIR 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 Holding Company being aggrieved, filed a Constitutional Petition before the High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a Constitutional Petition was filed with the High Court of Sindh against the levy of super tax. The High Court of Sindh issued stay orders in respect of the aforementioned matters with the instruction to the taxation authorities to not finalise the proceedings until the cases were disposed of.

26.1.6 In the years 2014 and 2016, the ECL divested some of its shareholding in EFert. The ECL had held such shareholding in EFert since 2010 and is of the view that capital gain on the sale of such securities does not attract any income tax. However, the 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 guaranties amounting to Rs 1,535,000 in this respect in favor of Nazir of the High Court of Sindh.

26.1.7 In the year 2017, Engro Foods Limited (EFoods), received an order from the Competition Commission of Pakistan, imposing a penalty of Rs 62,293 in respect of EFood's marketing activities relating to one of its products. EFoods has filed an appeal against the aforementioned order. As per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), the ECL is required to reimburse 51% of the amount together will all reasonable cost and expenses to FCP in case any such penalty materializes. The Group, based on the opinion of the legal advisor, is confident of a favorable outcome of the appeal, and accordingly, no provision has been recognized in these consolidated financial statements in this respect.

26.1.8 During 2016, the 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, the ECL is required to pay to FCP, an amount equivalent to 47.1% of any tax liability (as defined in the SPA) together will all reasonable costs and expenses incurred, in case any tax contingency materializes. The ECL, based on the opinion of EFoods' tax and legal advisors, is confident of favorable outcomes in respect of various tax matters being contested by EFoods, and accordingly no provision has been recognized in these consolidated financial statements in this respect.

26.1.9 Following are the details of shares pledged by the ECL in favour of EEL:

- The ECL has pledged shares of EFert and EFoods against the Standby Letters of Credit (Equity SBLCs) provided by EEL, through National Bank of Pakistan amounting to USD 12,598 (2017: USD 14,027) and USD 17,827 (2017: USD 36,619) (in PKR equivalent) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC) and Engro Powergen Thar (Private) Limited (EPTPL) in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTPL). 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.

(Amounts in thousand)

- The 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.

26.1.10 EETPL has issued Corporate and Performance guarantees amounting to USD 20,700 and USD 10,000, respectively. These guarantees have been secured by ECL by pledging the shares of Engro Fertilizers Limited and Engro Foods Limited. During the year, these securities have been replaced by Treasury Bills. Further, the ECL also pledged Treasury Bills against SBLC of USD 5,000 issued during the year.

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

Engro Fertilizers Limited and its subsidiary companies

26.1.12 EFert has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs 4,500,000 (2017: Rs 4,500,000) consequent to which the banks will provide financial assistance to dealers approved by EFert. In respect to DFA of Rs 3,000,000 from the banks, EFert has agreed to bear 5% to 10% of the principal in case of default by the dealers.

As at December 31, 2018, the banks have made disbursements to dealers under the DFAs amounting to Rs 1,226,631 (2017: Rs 1,226,631) maturing on various future dates.

26.1.13 EFert had filed a constitutional petition in the High Court of Sindh against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmscfd gas per day to EFert's new plant (Enven) and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The High Court of Sindh in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmscfd of gas per day to the 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 alongwith 21 other companies (mainly engaged in textile business). These petitions are pending for further hearing.

Further, EFert upon continual curtailment of gas after the aforementioned decision of the High Court of Sindh has filed an application in respect of Contempt of Court under Articles 199 & 204 of the Constitution of Pakistan. EFert, in this 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 of Sindh in EFert's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the High Court. The application is pending for hearing and no orders have yet been passed in this regard.

26.1.14 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 mmscfd by 100 mmscfd and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 between EFert and 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 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 mmscfd 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 mmscfd 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 mmscfd over 500 mmscfd. No orders have been passed in this regard and the petition has also been adjourned sine die. The Group management, expect a favourable out come eventually.

26.1.15 EFert in the year 2013 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 other fertilizer company, respectively. An appeal has been filed in the Competition Appellate Tribunal (CAT) and a writ has been filed in the High Court of Sindh and stay has been granted against the recovery of the imposed penalty. Hearings have been conducted at CAT where Farmer Association has filed an internal application.

In case of other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. EFert has challenged the composition of the CAT. EFert's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect.

26.1.16 During 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 an appeal thereagainst with the Commissioner Inland Revenue (Appeals) which decided the matters in favour of EFert. The department thereafter challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue, which is pending to be heard. No provision has been made in this respect in these consolidated financial statements.

26.1.17 On July 3 2018, the Deputy Commissioner Inland Revenue (DCIR), LTU raised an order for the period June 2016 to July 2017 with a demand of Rs 1,006,000 mainly on account of further sales tax to be charged on sales to unregistered persons. EFert filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) who disposed off the appeal in favor of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the High Court of Sindh and stay for recovery of demand against CIRA's order was obtained on October 31, 2018. The Group's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect in these consolidated financial statements.

26.1.18 In the year 2017, 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 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.

(Amounts in thousand)

The management of the Group 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 these consolidated financial statements.

26.1.19 EFert is contesting a penalty of Rs 115,631 paid and expensed in the year 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. Out of the total penalty Rs 62,618 was refunded in the year 1999 by the SBP, while the recovery of balance amount is dependent on the decision of the High Court of Sindh.

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

Engro Energy Limited and its subsidiary companies

26.1.21 Faysal Bank Limited (FBL) has issued a performance guarantee of USD 16,517 on behalf of EPTPL in favour of 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 Offshore Supply and Services Agreement with China Machinery Engineering Corporation (CMEC) and Onshore Supply and Services Agreement China East Resources Import and Export Corporation (CERIEC) and ranking charge over all (present and future) fixed assets, current assets, book debts and receivable of EPTPL.

26.1.22 Habib Bank Limited (HBL), has issued a guarantee of Rs 4,725,000 on behalf of EPTPL in favor of SECMC to secure EPTPL's payment obligations under the Coal Supply Agreement. The guarantee expires on July 20, 2019 and is secured by first ranking mortgage over receivables due under the Power Purchase Agreement, mortgage over the 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 have pledged shares in favor of the Security Trustee.

26.1.23 In November 2017, EPTPL received a demand from Additional Commissioner Inland Revenue (ACIR) amounting to Rs 1,489,327, inclusive of default surcharge Rs 202,994, on account of non-withholding of tax on payments made by EPTPL to its contractors CMEC and CERIEC under the 'Offshore Supply and Services Agreement for Power Plant' and 'Onshore Supply and Services Agreement for Power Plant' respectively in relation to construction of the power plant being set up by the EPTPL. The ACIR was of the view that the aforementioned payments attract the requirements of withholding of taxes under the Income Tax Ordinance, 2001 (ITO) and as such the EPTPL was required to withhold tax from such payments. EPTPL filed an appeal to Commissioner Inland Revenue (Appeals) [CIR(A)] with the view that payments to CERIEC fall under the ambit of a specific exemption from withholding of taxes under ITO for coal mining and coal based power generation projects in Sindh. Further, payments to CMEC are made for supply of plant and machinery and the EPTPL, being an importer, is not liable to withhold taxes.

(Amounts in thousand)

During the year, CIR(A) decided in favor of Tax Authorities and maintained the order of ACIR. EPTPL paid Rs 250,000 to the tax authorities ‘under protest’ in addition to obtaining a stay order from Appellate Tribunal Inland Revenue (ATIR) whereby ATIR restrained the ACIR from initiating recovery proceedings against EPTPL. EPTPL based on advice of its tax consultants and legal advisor expects the matter to be eventually decided in its favour.

Elengy Terminal Pakistan Limited and its subsidiary company

26.1.24 The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Act thereafter was last amended through Sindh Finance Act, 2014 according to which infrastructure fee range from 0.9% to 0.95% of total value of goods as assessed by the Custom Authorities plus one paisa per kilometer against various slab of net weight of goods.

In July 11, 2014, Engro Elengy Terminal (Private) Limited (EETPL) filed a petition against the aforementioned levy before the High Court of Sindh 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.

In this respect, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs 15,000 (2017: Rs 12,500) in favor of the Custom Authorities to comply with interim orders of the Court. The bank guarantee shall continue and remain valid until the decision of the Court in the above mentioned cases. The bank guarantee is secured against lien over deposit. However, based on the merits of the case and as per the opinion of its legal advisor, EETPL expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

26.1.25 In 2014, EETPL imported steel linepipes (the goods) for the LNG Project, on which the authorities allowed exemption from custom duty, however, refused to allow exemption from sales tax. 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.

Further, during the year, EETPL received various orders on December 12, 2017 in respect of the import of pipeline material for natural gas during 2014 and 2015, raising an aggregate demand of Rs 148,282 in respect of customs duty, sales tax and advance income tax on the same. However, EETPL being exempted from levy of customs duty and sales tax, filed a petition before the Court on February 14, 2018, and has obtained stay in this regard.

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

(Amounts in thousand)

26.1.26 EETPL, in connection with the import of FSRU received a demand from Customs Authority amounting to Rs. 1,530,494 contending that the import of FSRU attracts payment of advance income tax. EETPL is of the view that the EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations. EETPL in response to the above demand has filed an appeal based on which the Chief Commissioner Inland Revenue remanded the case back to the concerned commissioner. which again rejected the request for exemption against which the EETPL filed an appeal before CCIR. The Group, based on the merits of the case and opinion of its tax consultant and legal advisor, is expecting a favorable outcome in this case. Accordingly no provision has been recorded in this respect in these consolidated financial statements.

Engro Polymer and Chemicals Limited

26.1.27 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 of Engro Polymer and Chemicals Limited (EPCL) that would have been produced and sold from the excess wastage of raw material. EPCL filed appeal thereagainst before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against EPCL was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of the Group. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter has been carried out by ATIR, till the year end. The Group, based on the advice of its tax consultant, is confident of favourable outcome of this matter, accordingly, no provision has been made in this respect in these consolidated financial statements.

Engro Eximp Agriproducts (Private) Limited

26.1.28 EEAPL had received a show cause notice from Punjab Revenue Authority (PRA) in respect of the voliation of sections 14 & 19 of Act 2012, stating that EEAPL failed to withhold payments of Rs 26,417. After perpusing the case with the relevant Commissioner, the Commissioner passed an order demanding Rs 16,424. In response, EEAPL filed an appeal before Lahore High Court & Commissioner Appeals (PRA Appeals). Based on the views of tax advisor, the management believes that the matters will ultimately be decided in the favour of EEAPL. Accordingly, no provision has been made in these consolidated financial statements.

26.1.29 During the year ended December 31, 2017, the tax department had raised a demand of sales tax of Rs. 250 million, on Engro Eximp Agriproducts (Private) Limited (EEAPL), for not charging sales tax on rice husk / rice bran for the tax year 2015. There was an error in the order as the department had treated all the by-products falling under the category of rice bran or rice hull / husk; though in reality the proportion of these two products among by-products is comparatively low while rice bran was admittedly exempt during that period. As the value of rice husk was wrongly taken, the Commissioner (Appeals) has vacated the order and demand but upheld the legal position regarding charging of sales tax on rice husk. EEAPL has gone in appeal as it is of the view that the department is not treating husk correctly. Currently, the matter is pending before the Appellate Tribunal.

(Amounts in thousand)

26.1.30 EEAPL had received a notice under section 122(1)/(5) in which the department had reduce the losses by Rs 35,921. The Company, in response to the amended assessment order, had filed an appeal before Commissioner Inland Revenue (Appeals) which reverted the case to the Commissioner and directed to assess the case in the light of evidences and supports available with the management. Based on the views of tax advisor of EEAP, the management believes that the matters will ultimately be decided in the favour of EEAP. Accordingly, no provision has been made in these consolidated financial statements.

26.1.31 Claims, including pending lawsuits, not acknowledged as debts amounted to Rs 58,680 (2017: Rs 58,680).

Associated company and joint venture

26.1.32 Details of material contingencies which might affect share of profit from associates and joint venture are as follows:

a) The Deputy Commissioner Inland Revenue has issued show cause notices to EFoods for sales tax on tea whitener and dairy drink product i.e. 'Tarang' and 'Omung' respectively for years 2013, 2014, 2015 and 2016 aggregating to Rs 14,886,500 challenging the exemption / zero rating on these products. Against the show cause notices EFoods has filed Constitution Petitions before the High Court of Sindh and has obtained an interim injunction against adverse action by tax authorities. Based on the opinion of its legal advisor, EFoods is confident of a favourable outcome of this matter.

b) In 2014, EVTL received a show cause notice from the Commissioner Inland Revenue (CIR) dated April 9, 2014 requiring Federal Excise Duty (FED) to be paid for the revenue earned during the period January to December 2012 amounting to Rs 380,123. In response thereagainst, EVTL filed an appeal in the High Court of Sindh along with application for stay on the grounds that after the 18th Amendment in Constitution of Pakistan in 2010, tax on services is a subject for the Provincial Government and thus, the 16% General Sales Tax (GST) for the same, is being paid to the Sindh Revenue Board. The Court has granted stay order thereagainst and further proceedings are pending. However, the Group based on the advice of the legal advisor is confident of a favourable outcome and, accordingly, no amount has been recognised in the share of profit from associate and joint venture in these consolidated financial statements.

26.1.33 There are certain other matters which are stated in notes 35.1 to 35.5.

26.2 Commitments

26.2.1 Details of commitments as at December 31, 2018 entered by the Group are as follows:

26.2.2 Commitment in respect of operating lease arrangements

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

	2018	2017
	------------ (Rupees)	------------
Not later than one year (note 26.2.3)	**9,399**	4,222

(Amounts in thousand)

26.2.3 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.

26.2.4 Commitments in respect of capital and operational expenditure contracted but not incurred amount to Rs 23,026,122 (2017: Rs 45,520,107).

26.2.5 The aggregate facilities available to Group for opening Letter of credits and bank guarantees, other than those disclosed elsewhere in these consolidated financial statements, amounts to Rs 22,419,558 (2017: Rs 18,689,246). The unutilized balance as at December 31, 2018 amounts to Rs 19,571,498 (2017: Rs 16,616,076).

26.2.6 EPCL has entered into contracts with Engro Vopak Terminal Limited for the storage and handling of Ethylene which is valid till March 2026. Contracts in respect of the storage of Vinyl Chloride Monomer (VCM) and Ethylene Di-Chloride (EDC) dated December 2018 are in the process of being renewed. Annual fixed cost payable to Engro Vopak Terminal Limited under these contracts approximates to USD 9,165.

26.2.7 EEAL has entered into export selling contracts of 9,521 (2017: 9,550 tons) of Super Basmati Rice to various parties on a agreed terms for delivery on various dates subsequent to the year end. The sales value of these open commitments at year end exchange rate amounts to Rs 1,181,436 (2017: Rs 1,002,958).

26.2.8 During the current year, EPSH entered into an Operations and Maintenance Agreement with CHD Power Plant Operation Company Limited (CHD) as per the terms of which EPSH was required to pay a pre-commercial operations date mobilization fee to CHD of USD 4,460,000 of which USD 2,230,000 is outstanding as at December 31, 2018. The project is expected to achieve Commercial Operations Date by June 3, 2019.

26.2.9 EETPL under the Time Charter Party and LNG Storage and Re-gasification Agreement (Agreement) with Excelerate Energy Middle East, LLC (EE) has furnished Standby Letter of Credit (SBLC) through National Bank of Pakistan amounting to USD 20,700 (2017: USD 20,700) to EE. This SBLC is valid till March 7, 2019 and is renewable annually.

26.2.10 EETPL procured LC facility during the year from National Bank of Pakistan for opening letters of credit amounting to USD 4,000 for import of Marine Loading Arm in favor of EMCO Wheaton GMBH. The total amount utilized against the facility for letters of credit amounts to Euro 173 (2017: Euro Nil). This facility is secured against lien over import documents.

26.2.11 Engro Energy Limited (EEL) has also provided sponsor support contractual commitment, among other commitments, in favor of Senior Lenders amounting to USD 5,400 and USD 41,600 as cost overrun support pursuant to the Sponsor Support Agreements (SSA) dated February 22, 2016 for SECMC and February 1, 2016 for EPTL respectively (and the Amendment and Restatement Agreement dated February 12, 2016 relating to the SSA in case of EPTL).

(Amounts in thousand)

26.2.12 The Group has entered into operating lease arrangements for obtaining various storage facilities, office facilities, Time Charter Party and LNG Regasification. The future aggregate payments under these arrangements are as follows:

	2018	2017
	------------ (Rupees)	------------
Not later than 1 year	**5,591,379**	4,446,050
Later than 1 year and no later than 5 years	**24,426,766**	19,399,206
Later than 5 years	**38,341,334**	35,336,319
	68,359,479	59,181,575

26.2.13 Commitments given by the associated companies and joint venture in respect of capital and operational expenditure amount to Rs 10,020,300 (2017: Rs 30,473,045). Other commitments include arrangements in respect of standby letters of credit and Ijarah which are not material to the Group.

	2018	2017
	------------ (Rupees)	------------
27. REVENUE		
Own manufactured products (note 27.1)	**124,315,998**	101,587,557
Less:		
- Sales tax	**(9,670,660)**	(10,898,942)
- Discounts	**(360,984)**	(455,744)
	114,284,354	90,232,871
Purchased product / Services rendered	**60,113,709**	39,963,635
Less: Sales tax	**(2,829,825)**	(1,603,995)
	57,283,884	38,359,640
	171,568,238	128,592,511

27.1 Includes export sales amounting to Rs 2,857,507 (2017: Rs 1,638,485).

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	2018	2017
	------------ (Rupees)	------------

28. COST OF REVENUE

	2018	2017
Cost of goods sold (note 28.1)	**111,204,177**	86,212,807
Cost of services rendered (note 28.2)	**9,255,589**	7,573,463
	120,459,766	93,786,270

28.1 Cost of Goods Sold

	2018	2017
Raw and packing materials consumed including unprocessed rice	**36,080,329**	24,060,795
Salaries, wages and staff welfare (note 28.1.2)	**4,221,010**	3,626,749
Fuel and power	**20,032,256**	18,371,639
Repairs and maintenance	**1,570,319**	1,546,897
Depreciation (note 5.4)	**6,905,789**	6,804,730
Amortization (note 6.1)	**24,248**	21,791
(Reversal of provision) / Provision for Impairment against operating assets (note 5.5)	**(403,516)**	107,854
Consumable stores	**1,056,423**	852,057
Staff recruitment, training, safety and other expenses	**274,783**	404,448
Purchased services	**1,034,191**	796,660
Storage and handling	**1,371,309**	1,110,400
Travel	**218,928**	208,485
Communication, stationery and other office expenses	**134,749**	125,864
Insurance	**749,051**	601,387
Rent, rates and taxes	**78,066**	29,596
Provision / (Reversal of provision) against:		
- stock-in-trade	**-**	(31,565)
- surplus and slow moving spares (note 10.1)	**265,105**	291,588
Other expenses	**46,568**	13,034
Manufacturing cost	**73,659,608**	58,942,409
Add: Opening stock of work-in-progress (note 11)	**47,372**	32,868
Less: Closing stock of work-in-progress (note 11)	**43,373**	47,372
	3,999	(14,504)
Cost of goods manufactured	**73,663,607**	58,927,905
Add: Opening stock of finished goods manufactured (note 11)	**3,543,390**	6,333,929
Less: Closing stock of finished goods manufactured (note 11)	**2,596,777**	3,543,390
	946,613	2,790,539
Cost of goods sold		
- own manufactured product	**74,610,220**	61,718,444
- purchased product (note 28.1.1)	**36,593,957**	24,494,363
	111,204,177	86,212,807

(Amounts in thousand)

28.1.1 Cost of goods sold - purchased product

	2018	2017
	------------ (Rupees) ------------	
Opening stock (note 11)	**4,638,428**	1,135,905
Add: Purchases	**40,908,412**	27,996,886
Less: Closing stock (note 11)	**8,952,883**	4,638,428
	36,593,957	24,494,363

28.1.2 Includes Rs 252,797 (2017: Rs 244,575) in respect of staff retirement benefits.

28.2 Cost of services rendered

	2018	2017
	------------ (Rupees) ------------	
Fixed expenses (note 28.2.1)	**6,790,703**	5,389,081
Variable expenses (note 28.2.2)	**1,709,105**	1,384,891
Depreciation (note 5.4)	**478,016**	543,632
Amortization of direct cost on FSRU	**86,516**	86,516
Salaries, wages and benefits	**40,168**	37,500
Repairs and maintenance	**104,875**	81,254
Travelling and entertainment	**11,894**	11,692
Security and other expense	**34,312**	38,897
	9,255,589	7,573,463

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 6,615,637 (2017: Rs 5,228,639).

28.2.2 This includes royalty paid to Port Qasim Authority amounting to Rs 1,051,378 (2017: Rs 865,220).

29. SELLING AND DISTRIBUTION EXPENSES

	2018	2017
	------------ (Rupees) ------------	
Salaries, wages and staff welfare (note 29.1)	**1,115,784**	829,270
Staff recruitment, training, safety and other expenses	**168,720**	90,246
Product transportation and handling	**5,750,047**	5,592,678
Repairs and maintenance	**8,132**	6,510
Advertising and sales promotion	**632,317**	482,222
Rent, rates and taxes	**411,288**	591,378
Communication, stationery and other office expenses	**33,358**	27,081
Travel	**155,218**	95,131
Depreciation (note 5.4)	**71,384**	39,412
Amortization (note 6.1)	**11,530**	7,543
Purchased services	**107,376**	29,818
Others	**23,102**	58,947
	8,488,256	7,850,236

29.1 Includes Rs 74,296 (2017: Rs 61,718) in respect of staff retirement benefits.

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(Amounts in thousand)

30. ADMINISTRATIVE EXPENSES

	2018	2017
	------------ (Rupees)	------------
Salaries, wages and staff welfare (notes 30.1)	**2,285,949**	1,923,015
Director's fee	**495,844**	17,750
Staff recruitment, training, safety and other expenses	**165,958**	87,876
Repairs and maintenance	**85,441**	112,003
Human resource development	**658,883**	164,196
Advertising	**134,451**	93,408
Rent, rates and taxes	**743,553**	594,053
Communication, stationery and other office expenses	**153,011**	139,662
Travel	**207,698**	207,050
Depreciation (note 5.4)	**141,560**	106,446
Amortization (note 6.1)	**34,040**	21,864
Purchased services	**674,943**	449,660
Donations	**338,893**	201,537
Legal and professional charges	**134,516**	41,893
Insurance	**4,921**	4,200
Subscription and periodicals	**21,369**	25,726
Others	**323,685**	255,881
	6,604,715	4,446,220

30.1 Includes Rs. 223,732 (2017: Rs. 197,361) in respect of staff retirement benefits.

31. OTHER INCOME

	2018	2017
	------------ (Rupees)	------------
Financial assets:		
Income on deposits / other financial assets	**6,720,674**	4,054,342
Income on shariah compliant deposits	**1,228**	183
Exchange gain	**219,208**	15,166
Interest on receivable from SSGCL	**189,374**	193,671
Delayed payment charges on overdue receivables	**537,066**	287,528
Non financial assets:		
Subsidy from Government of Pakistan	**1,271,334**	4,980,288
Insurance claims (note 31.1)	**841,790**	110,065
Gain on disposal of property, plant and equipment (note 5.6)	**22,647**	705,687
Income from sale of spares / scrap	**37,677**	59,336
Reversal of Worker's Welfare Fund (note 31.2)	**650,110**	-
Dividend income from HUBCO	**258,873**	690,328
Gain on sale of associate	**11,100,101**	-
Others	**134,191**	88,869
	21,984,273	11,185,463

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(Amounts in thousand)

31.1 For the period from February 2017 to July 2018, EPCL experienced business interruption due to delay in the supply of Ethylene under a contract with a foreign supplier. As a result of this EPCL had to make Ethylene purchases at spot from other available suppliers. EPCL had an insurance cover in respect of this interruption through which the differential of the contracted price and spot price was reimbursable to it by the insurer. The total amount acknowledged by the insurer in respect of this claim amounted to Rs. 841,790, of which Rs 358,659 has been received during the year.

31.2 In 2016, the Supreme Court of Pakistan, through its order dated November 10, 2016 decided that the changes to the WWF Ordinance, 1971 made through Finance Acts, 2006 and 2008 were ultra vires to the constitution of Pakistan. However, the taxation authorities had proceeded to file a review petition thereagainst in the Supreme Court of Pakistan, which is in the process of being heard. Based on the advice of the legal advisor, the provision has been reversed during the year.

32. OTHER OPERATING EXPENSES

	2018	2017
	------------ (Rupees)	------------
Workers' profits participation fund	**1,493,005**	968,983
Workers' welfare fund	**555,443**	306,322
Legal and professional charges	**486,174**	511,414
Research and development	**244**	57,144
Provision against tax contingency of EVTL (note 7.3)	**875,375**	-
Auditors' remuneration (note 32.1)	**46,487**	58,415
Provision for doubtful debts	**17,230**	9,628
Exchange loss	**280,212**	114,798
Impairment against long-term investment (note 32.2)	**154,560**	-
Others (note 32.3)	**518,602**	379,089
	4,427,332	2,405,793

32.1 Auditors' remuneration

The aggregate amount charged in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2018	2017
	------------ (Rupees)	------------
Fee for:		
- audit of annual financial statements	**13,585**	10,621
- review of half yearly financial statements	**2,435**	3,006
Special audit, certifications, review of compliance with Code of Corporate Governance and other assurance & advisory services	**8,964**	12,230
Taxation services	**18,927**	27,831
Reimbursement of expenses	**2,576**	4,727
	46,487	58,415

(Amounts in thousand)

32.2 In 2015, EPIH purchased 333,333 shares of Magboro Power Company Limited (MPCL) against a consideration of USD 1,400 in pursuance of a Sale Purchase Agreement to ultimately acquire 1,666,667 shares of MPCL. During the year, in view of financial challenges being faced by MPCL, the management concluded that there are multiple uncertainties involved in proceeding with MPCL's project. Accordingly, based on an assessment, an impairment loss amounting to Rs 154,560 against investment in MPCL has been recorded in these consolidated financial statements.

32.3 Under the Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP), the Holding Company is required to pay FCP an amount equal to 51% of the sales tax receivable of Engro Foods Limited (EFoods), an associated company, recognized in the financial years 2012 to 2016, if it is not recovered by EFoods within six years after it is recognized. Accordingly, on prudence basis, the Holding Company has recognized its liability under the SPA being 51% of the sales tax receivable pertaining to EFoods being sales tax short recovered till December 31, 2018 amounting to Rs 52,000.

	2018	2017
	------------ (Rupees)	------------
33. FINANCE COST		
Interest / mark-up on:		
- long term borrowings	3,486,744	3,090,849
- short term borrowings	457,536	1,167,399
Markup on shariah compliant borrowings	828,782	698,418
Foreign exchange loss, net	984,374	223,586
Others	578,788	443,431
	6,336,224	5,623,683
34. SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES		
Joint venture:		
Engro Vopak Terminal Limited (EVTL)		
Share of profit before taxation	1,255,425	1,276,477
Less: Share of provision for taxation	(156,798)	(144,393)
	1,098,627	1,132,084
Less: Provision against tax contingency (note 7.3)	1,355,679	-
Add: Reversal of WWF	89,280	-
	(167,772)	1,132,084
Associates:		
Share of profit / (loss) from:		
- Sindh Engro Coal Mining Company Limited	(3,232)	(2,359)
- GEL Utility Limited	277,893	182,029
- Siddique Sons Energy Limited	(3,691)	-
- Engro Foods Limited	25,449	151,341
- The Hub Power Company Limited	-	1,226,236
	128,647	2,689,331
35. TAXATION		
Current		
- for the year	14,990,524	9,376,820
- for prior years	1,840,651	441,359
	16,831,175	9,818,179
Deferred	(2,615,199)	2,289,763
	14,215,976	12,107,942

As per the Holding Company's management's assessment, sufficient tax provision has been made in the Holding Company's financial statements. The comparison of tax provision as per the unconsolidated financial statements viz-a-viz tax assessment for last three years is as follows:

	------------ Tax years ------------		
	2018	2017	2016
	------------ (Rupees in '000) ------------		
Provision as per unconsolidated financial statements	**899,386**	1,039,307	476,211
Tax assessment	**726,743**	823,099	427,518

Details of significant income tax matters are as follows:

35.1 ECL

35.1.1 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.

35.1.2 Consistent with the prior year, the Holding Company has opted to be taxed as a single fiscal unit with its wholly owned subsidiaries [Engro Energy Limited and Engro Eximp Agriproducts (Private) Limited] for the year ended December 31, 2018. During the year, ECL has filed group tax return under section 59AA of the Income Tax Ordinance, 2001 for the year ended December 31, 2017.

35.1.3 In 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs 218,790 and raised a demand of Rs 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. ECL filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs. 184,191 and revised the demand to Rs 104,976. ECL paid Rs 53,250 thereagainst and simultaneously filed an appeal against the CIR - Appeals decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to ECL. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting ECL's contention. The income tax department, in response thereagainst, had filed an appeal with ATIR, which was dismissed during 2016.

35.1.4 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 note 35.1.3 above. ECL filed an appeal against the said order with CIR - Appeals, who based on ATIR's order for tax year 2011, has remanded back the order to assessing officers for denovo proceedings.

35.1.5 In 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 2016, 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. In the previous year, ECL has reversed

(Amounts in thousand)

excess provision of Rs 168,896 in respect of tax years 2011 and 2012 consequent to denovo proceedings after which the amended orders were passed in respect of the aforementioned tax years, wherein, the Commissioner has maintained the classification of income from interest on bank deposits and from subordinated loans as "income from other sources". In response, ECL has filed an appeal challenging this contention and ECL is confident of favourable decision based on earlier ATIR judgment.

35.1.6 In 2017, 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 was heard on May 22, 2018 but no order has been passed to date. ECL, based on advice of its tax consultant, is confident that these matters will be decided in favor of ECL. However, on prudence, ECL has recorded provision against super tax.

35.1.7 In 2017, the Additional Commissioner Inland Revenue (ACIR) amended the order for the year 2016 creating tax demand of Rs 1,484,903. This is mainly on account of tax levied on inter-corporate dividend, super tax and disallowance on account of allocation of expenses to dividend and capital gains. ECL filed an appeal before the Commissioner (Appeals) and also filed an application for rectification before the ACIR. The Commissioner (Appeals) while disposing of ECL's appeal maintained the order of ACIR with respect to certain issues which were further contested before the Appellate Tribunal Inland Revenue (ATIR). The hearing before the ATIR was held on June 4, 2018, however, the order has not yet been received.

The ACIR through rectified order dated August 29, 2017 reduced the demand to Rs 1,084,733. Through the said order, the ACIR accepted ECL's contention relating to various matters except for allowing the expenses allocated to capital gains. ECL contested these matters in appeal before the CIR(A) who has recently maintained the order of ACIR. The Company is in process of filing an appeal before ATIR.

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

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

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

Subsidiary Companies of ECL

35.2 Engro Fertilizers Limited (EFert) and its subsidiary companies

35.2.1 In 2015, the income tax department amended the assessment filed by EFert for tax year 2014. EFert filed an appeal before the Commissioner Inland Revenue (Appeals) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in additions to taxable income of Rs 3,191,963. 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 hearing of the aforesaid appeal was held on October 15, 2018 before the CIR(A) where written arguments were submitted by the Commissioner and the case has been reserved for order.

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35.2.2 In 2014, the income tax department amended the assessment filed by ECL for tax years 2010 and 2011. EFert filed appeals thereagainst before the Appellate Tribunal Inland Revenue (ATIR) against the said disallowances, which through its decision provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011, and loss on derivative for tax year 2011 raising a demand in respect of these years in aggregate of Rs 1,075,466. EFert had challenged the said decision before the High Court of Sindh, which is pending to be heard, however, EFert is confident of a favourable outcome.

35.2.3 EFert had filed a suit in the High Court of Sindh, contesting both the retrospective and prospective application of the Alternative Corporate Tax (ACT) under section 113C. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, EFert made payment of Rs 615,600 in respect of ACT for tax year 2014 to maintain its stay granted by the High Court of Sindh. However, in respect of tax years 2015, 2016 and 2017, since no amendments to the returns filed by EFert were received from the tax department, therefore, suits thereagainst were withdrawn by EFert. Later, on September 13, 2018, EFert received recovery notice for payment in respect of tax years 2015, 2016 and 2017 against which a constitutional petition has been filed by EFert with the High Court of Sindh. Stay for recovery of ACT has been granted in respect of the constitutional petition. Any amount payable as ACT can be adjusted against tax liability of 10 future tax years immediately succeeding the tax year in which it was paid.

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

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

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

The Group is confident that all the aforementioned pending issues will eventually be decided in its favor. Therefore, no provision in respect of this is being maintained in these consolidated financial statements.

35.2.5 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 the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs 796,000. The tax department had not accepted the said treatment for tax year 2013, however, the matter was decided in favor of EFert by the Commissioner Income Tax Appeals(CIT(A)), against which the tax department has filed an appeal with the Appellate Tribunal. However, during the year, the department has given Appeal Effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013. The management is confident for a favorable outcome on this case and therefore no provision is being maintained in these consolidated financial statements in this respect.

(Amounts in thousand)

35.3 Engro Polymer and Chemicals Limited (EPCL) and its subsidiary company

35.3.1 In tax year 2008, the DCIR, through the order dated November 26, 2009 raised a tax demand of Rs 213,172. The demand arose as a result of additions on account of trading liabilities of Rs 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs 5,899; adding imputed interest on loans to employees and executives of Rs 16,069 to income; disallowing finance cost of Rs. 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

EPCL filed an appeal against the aforesaid order before CIR - Appeals, but discharged the entire demand through adjustment against assessed refunds of Rs 180,768 and paying the balance of Rs 32,404 ‘under protest’. Through his appellate order, the CIR - Appeals maintained certain additions aggregating Rs 189,810 including finance cost amounting to Rs 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by EPCL before the ATIR. The department also filed an appeal against the said appellate order challenging the actions of the CIR - Appeals.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL’s position except for additions on account of trading liabilities to the extent of Rs 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs 7,300 respectively, which were maintained.

EPCL filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of EPCL. The Group management, based on the advice of tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and accordingly, no provision has been recognized in these consolidated financial statements.

35.3.2 In 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 36,687; 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 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 Group management, based on the advice of tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, no provision has been recognized in these consolidated financial statements.

(Amounts in thousand)

35.4 Engro Energy Limited (EEL) and its subsidiary companies

35.4.1 Commissioner Inland Revenue (CIR) through order dated January 12, 2017 made certain additions and disallowances in respect of tax year 2014 as a result of audit of income tax affairs under section 122(5A), 214C of the Income Tax Ordinance, 2001 and raised tax demands of Rs 268,584. EEL has contested the demands and filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] which is pending. In the meantime, EEL has also challenged the demand in the High Court of Sindh (HCS) which has refrained the tax authorities from taking any coercive action against EEL till the adjudication of appeal by the CIR(A). Accordingly, no provision has been made in this respect.

35.4.2 The Additional Commissioner Inland Revenue (ACIR), through separate show cause notices dated December 11, 2017 in respect of tax years 2015 and 2016 and notices dated December 12, 2017 in respect of tax years 2012 and 2013, rejected the inter-corporate dividend exemption claimed by EEL during these tax years. The ACIR also levied super tax on dividend income for tax years 2015 and 2016. EEL challenged these notices before the High Court of Sindh which has restrained the tax authorities from taking any coercive action against EEL. Accordingly, no provision has been made in this respect.

35.4.3 Deputy Commissioner Inland Revenue (CIR) through an order dated November 2, 2018 made certain additions and disallowances in respect of tax year 2016 as a result of audit of income tax affairs of EEL under section 122 (5A) and 214C of the Income Tax Ordinance, 2001. These additions primarily relate to treating reimbursement from subsidiary as services, additions on account of apportionment of administrative expenses and taxability of FTR income as income under Normal Tax Regime which resulted in a demand of Rs 80,888. EEL contested the demand and filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on November 29, 2018 which is pending. In the meantime, EEL has also challenged the demand in the HCS which has refrained the tax authorities from taking any coercive action against EEL till the adjudication of appeal by the CIR(A). Based on the views of tax advisor and legal consultant, the Group management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly, no provision has been made in this respect.

35.5 Associated Company of ECL - Engro Foods Limited

35.5.1 EFoods in accordance with section 59 B (Group Relief) of the Income Tax Ordinance (ITO), 2001 has surrendered to ECL its tax losses amounting to Rs 4,288,134 out of the total tax losses of Rs 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs 1,500,847, being equivalent to tax benefit/effect thereof.

EFoods had been designated as part of the Group of Engro Corporation Limited by the Securities and Exchange Commission of Pakistan (SECP) through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59B of ITO and a requirement under the Group Companies Registration Regulations, 2008 (the Regulations) notified by the SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by EFoods to ECL for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of ECL, whereby, allowing the surrender of tax losses by EFoods to ECL. The tax department has filed reference application there against before the High Court of Sindh, which is under the process of hearings. In 2013, the Appellate Tribunal also decided similar appeal filed by ECL for the year ended December 31, 2008 in favour of the Holding Company. EFoods based on the merits of the case expects a favourable outcome of the matter.

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35.5.2 In 2013, CIR raised a demand of Rs 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. During 2015, in response to the appeal filed against the audit proceedings, CIR Appeals issued an appellate order in favour of EFoods holding the selection of case for audit to be illegal and without jurisdiction. The tax department has filed an appeal against the order with the Appellate Tribunal Inland Revenue (ATIR), however, no hearing has been conducted to date. EFoods, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of EFoods have not been reduced by the effect of the aforementioned disallowances.

35.5.3 In 2014, the Additional Commissioner Inland Revenue (ACIR) raised a demand of Rs 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. In 2017, CIR Appeals upheld the decision of ACIR in respect of provision for retirement benefits and marketing support reimbursements. EFoods has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of EFoods have not been reduced by the effect of the aforementioned disallowances.

35.5.4 In 2017, ACIR raised a demand of Rs 511,801 for tax year 2016 by disallowing minimum turnover tax credit, expenses on account of Employee Share Option Scheme and Worker's Welfare Fund. During the year, CIR Appeals upheld the decision of ACIR in respect of minimum turnover tax credit and Employee Share Option Scheme. EFoods has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of EFoods have not been reduced by the effect of the aforementioned disallowances.

35.6 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:Profit before taxation

	2018	2017
	------------ (Rupees)	------------
Profit before taxation	47,364,865	28,355,103
Tax calculated at the rate of 29% (2017: 30%)	13,735,811	8,506,531
Depreciation on exempt assets not deductible for tax purposes	7,660	34,040
Effect of exemption from tax on certain income	(1,302,112)	(716,846)
Effect of applicability of lower tax rate, Final Tax Regime and other tax credits / debits	(2,594,777)	1,172,476
Prior year current and deferred tax charge	3,023,034	2,618,687
Un-recoupable minimum turnover tax	-	1,659
Tax effect of expenses not allowed for tax	1,287,626	966,460
Super tax	195,788	-
Others	(137,054)	(475,065)
Tax charge for the year	14,215,976	12,107,942

(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 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. The effect of these options was anti-dilutive as at December 31, 2017. As at December 31, 2018 equity option on IFC loan have been fully exercised.

	2018	2017
	------------ (Rupees) ------------	
Profit for the year (attributable to the owners of the Holding Company) :	14,246,897	3,459,088
The information necessary to calculate basic and diluted earnings per share is as follows:		
Profit for the year	14,246,897	3,459,088
Add:		
- Interest on IFC loan - net of tax	-	121
- Gain on revaluation of conversion options on IFC loan - net of tax	-	(460)
	-	(339)
	14,246,897	3,458,749
	---- (Number in thousands) ----	
Weighted average number of ordinary shares for determination of basic and diluted EPS	481,287	481,287

(Amounts in thousand)

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018			2017		
	Directors		Executives (note 37.3)	Directors		Executives (notes 37.3 and 37.4)
	Chief Executive	Others		Chief Executive	Others	
	(Rupees)					
Managerial remuneration	**101,888**	**65,007**	**3,961,591**	114,399	49,548	3,595,590
Remuneration to Non executive director	**-**	**119,003**	**-**	-	54,768	-
Retirement benefits funds including ex-gratia	**3,549**	**-**	**437,488**	3,250	-	418,246
Fees	**-**	**121,622**	**5,744**	-	58,458	5,040
Directors emoluments	**-**	**310,500**	**-**		39,000	
Other benefits	**11,540**	**58,442**	**541,917**	8,992	46,267	460,745
Total	**116,977**	**674,574**	**4,946,740**	126,641	248,041	4,479,621
Number of persons including those who worked part of the year	**2**	**16**	**784**	2	15	1,065

37.1 The Group also makes contributions to pension and gratuity funds and provides certain household items for use of some executives. The Group also provides certain household items for use of some employees and Chief Executive. Cars are also provided for use of certain employees and directors. In addition, entertainment, security and travelling expenses are also incurred for directors.

37.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Group, amounts to Rs 3,784 (2017: Rs 3,566).

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

37.4 Corresponding figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

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

37.6 Meeting fees aggregating Rs 16.250 million (2017: Rs 17.750 million) were paid to 7 directors (2017: 7 directors).

(Amounts in thousand)

37.7 In addition, the Holding Company has made an accrual of Rs 245,000 in respect of special bonus. Allocation of bonus to various personnel has not been determined so far. The allocation of this amount, if any, to chief executive, directors and executives will be reflected in future consolidated financial statements on payment basis, once allocation of bonus has been finalised.

38. RETIREMENT BENEFITS

Defined benefit plans

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

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Act, 2017, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

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

The Group faces the following risks on account of defined benefit plans:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the 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 SSC's, RIC's, DSC's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

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

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

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

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

(Amounts in thousand)

38.1.1 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2018, 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)	
	2018	2017	**2018**	2017
	(Rupees)			
38.1.2 Statement of financial position reconciliation				
Present value of defined benefit obligation	**525,746**	536,373	**24,600**	29,156
Fair value of plan assets	**(381,116)**	(425,244)	**(38,104)**	(40,713)
Deficit / (Surplus)	**144,630**	111,129	**(13,504)**	(11,557)
Payable to Defined Contribution Gratuity Fund	**10,110**	10,110	**-**	-
Payable in respect of inter group transfers	**46**	46	**-**	-
Unrecognized asset	**-**	-	**13,504**	11,557
Net liability recognized in the statement of financial position	**154,786**	121,285	**-**	-
38.1.3 Movement in net (assets) / liability recognized in the statement of financial position				
Net liability at beginning of the year	**121,285**	56,336	**-**	-
Expense / (income) for the year	**39,686**	30,029	**(970)**	(930)
Net contribution by the Group	**(5,696)**	(8,048)	**-**	79
Remeasurement (gain) / loss recognized in Other Comprehensive Income	**1,849**	43,409	**970**	851
Unrecognized asset	**(2,338)**	(441)	**-**	-
	-	-	**-**	-
Net liability at end of the year	**154,786**	121,285	**-**	-
38.1.4 Movement in present value of defined benefit obligation				
As at beginning of the year	**536,373**	481,202	**29,156**	32,132
Current service cost	**30,090**	32,095	**-**	-
Interest cost	**43,080**	36,646	**2,384**	2,413
Benefits paid during the year	**(80,802)**	(33,532)	**(4,042)**	(3,920)
Remeasurement (gain) / loss recognized in Other Comprehensive Income	**658**	38,910	**(2,898)**	(1,469)
Liability in respect of promotions	**(2,337)**	(441)	**-**	-
Liability in respect of inter-fund transfers	**-**	(15,036)	**-**	-
As at end of the year	**527,062**	539,844	**24,600**	29,156

(Amounts in thousand)

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2018	2017	**2018**	2017
	(Rupees)			
38.1.5 Movement in fair value of plan assets				
As at beginning of the year	**425,244**	435,108	**40,713**	44,213
Expected return on plan assets	**33,484**	33,499	**3,354**	3,343
Contributions by the Group	**5,696**	8,048	**-**	(79)
Benefits paid during the year	**(80,803)**	(31,790)	**(4,042)**	(3,920)
Remeasurement (gain) / loss recognized in Other Comprehensive Income	**(2,505)**	(4,499)	**(1,921)**	(2,844)
Inter group asset transfers	**-**	(86)	**-**	-
Assets adjusted in respect of defined contribution transfers	**-**	(15,036)	**-**	-
As at end of the year	**381,116**	425,244	**38,104**	40,713
38.1.6 Charge for the year				
Current service cost	**30,090**	26,882	**-**	-
Net Interest cost	**9,596**	3,147	**(970)**	(930)
	39,686	30,029	**(970)**	(930)

	2018	2017	**2018**	2017
38.1.7 Principal actuarial assumptions used in the actuarial valuation				
Discount rate	**12.75% - 13.25%**	8% - 10.75%	**12.75%**	8%
Expected rate of return on plan assets - per annum	**12.75% - 13.25%**	8% - 10.75%	**-**	8%
Expected rate of increase in future salaries - per annum	**12.25% - 12.75%**	7% - 10.75%	**-**	-

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2018	2017	**2018**	2017
	(Rupees)			
38.1.8 Actual return on plan assets	**33,372**	20,774	**2,254**	2,221

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

(Amounts in thousand)

38.1.10 Expected future cost / (reversal) for the year ending December 31, 2019 is as follows:

	--Rupees--
Defined benefit gratuity plans	49,906
Defined benefit pension plan	(1,621)

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2018	2017	**2018**	2017
	(Rupees)			
38.1.11 Remeasurement recognized in Other Comprehensive Income				
Gain / (Loss) from change in experience adjustments	**2,112**	(44,900)	**(2,636)**	161
(Loss) / Gain from change in financial assumptions	**(1,456)**	5,990	**5,534**	1,308
Remeasurement of obligation	**656**	(38,910)	**2,898**	1,469
Actual Return on plan assets	**33,373**	20,774	**2,254**	2,221
Expected Return on plan assets	**(33,484)**	(33,499)	**(3,354)**	(3,343)
Difference in opening fair value of plan assets	**(2,319)**	8,226	**(821)**	(1,722)
Remeasurement of plan assets	**(2,430)**	(4,499)	**(1,921)**	(2,844)
Effect of asset ceiling	**-**	-	**(1,947)**	524
	(1,774)	(43,409)	**(970)**	(851)

38.1.12 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	449,835	565,235	23,517	25,788
Long term salary increases	565,211	449,374	-	-
Long term pension increases	-	-	25,933	23,374

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(Amounts in thousand)

38.1.13 Maturity Profile

	Gratuity Plans	Pension Plan
	-------------- (Rupees)	-------------
Time in years		
1	93,114	4,140
2	30,971	4,140
3	68,402	4,140
4	31,612	4,140
5-10	387,807	4,140
11-15	566,865	4,140
16-20	1,024,202	4,140
20+	2,406,656	4,140
Weighted average duration	6.58	4.40

38.2 Defined contribution plans

An amount of Rs 356,269 (2017: Rs 383,684) has been charged during the year in respect of defined contribution plans maintained by the Group.

(Amounts in thousand)

	2018	2017
	------------ (Rupees)	------------
39. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**47,364,865**	28,355,103
Adjustment for non-cash charges and other items:		
Depreciation (note 5.4)	**7,596,749**	7,494,220
Amortization of intangible assets (note 6.1)	**69,818**	51,198
Amortization of prepaid financial charges	**64,617**	64,659
Amortization of direct cost on FSRU (note 28.2)	**86,516**	86,516
Charge in respect of Defined benefit liability	**5,038**	5,515
Gain on disposal of property, plant and equipment - net (note 31)	**(22,647)**	(705,687)
Dividend income from HUBCO	**-**	(690,328)
Gain on disposal of associate	**(11,530,351)**	-
Provisions, net	**1,958,577**	662,402
Financial charges	**5,351,850**	5,042,338
Income on deposits / other financial assets	**(6,721,902)**	(4,029,597)
Share of income from joint venture and associates (note 34)	**(128,647)**	(2,689,331)
Provision for doubtful debt	**36,791**	-
Foreign currency translation	**1,165,684**	192,777
Reversal of provision of Workers Welfare Fund (note 31)	**(650,110)**	-
Working capital changes (note 39.1)	**(12,596,932)**	(15,686,608)
	32,049,916	18,153,177

39.1 Working capital changes

	2018	2017
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	**(667,358)**	(711,813)
- Stock-in-trade	**(3,815,782)**	(2,316,952)
- Trade debts	**(5,013,862)**	77,625
- Loans, advances, deposits and prepayments	**(1,501,739)**	(543,976)
- Other receivables - net	**113,727**	(1,537,589)
	(10,885,014)	(5,032,705)
Increase / (Decrease) in current liabilities		
- Trade and other payables and provisions	**(1,711,918)**	(10,653,903)
	(12,596,932)	(15,686,608)

(Amounts in thousand)

40. CASH AND CASH EQUIVALENTS

	2018	2017
	------------ (Rupees) ------------	
Cash and bank balances (notes 16 and 40.1	**10,853,219**	9,786,651
Short term investments with original maturity less than 3 months (note 15)	**89,159,292**	39,379,846
Short-term borrowings (note 25)	**(6,641,207)**	(11,327,158)
	93,371,304	37,839,339

40.1 Balances of Rs 15,000 (2017: Nil) held against bank guarantee and Rs 1,247,762 (2017: Nil) held against letter of credit in favor of Custom Authorities have been excluded from cash and cash equivalents for the purpose of statement of cash flows.

41. FINANCIAL INSTRUMENTS BY CATEGORY

41.1 Financial assets

	2018	2017
	------------ (Rupees) ------------	
- Loans and receivables at amortised cost		
Long term loans and advances	**1,419,030**	1,403,870
Trade debts	**18,629,468**	13,641,538
Other receivables	**4,174,548**	1,071,886
Cash and bank balances	**12,115,981**	9,786,651
Accrued income	**524,809**	528,242
Short term investment	**6,018,000**	543,242
	42,881,836	26,975,429
- Fair value through profit or loss		
Short term investments	**66,749,111**	60,007,819
- Held to maturity		
Short term investments	**30,766,389**	9,870,818

41.2 FINANCIAL LIABILITIES

	2018	2017
- At amortized cost		
Borrowings	**149,173,493**	107,209,702
Trade and other payables	**43,010,472**	31,230,881
Accrued interest / mark-up	**2,363,313**	1,552,664
Unclaimed dividend	**107,385**	89,294
	194,654,663	140,082,541

(Amounts in thousand)

42. FINANCIAL RISK AND CAPITAL 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 manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Group's Finance and Planning departments under policies approved by the Senior Management.

a) Market risk

i) Currency risk

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

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

The Holding Company has given guarantees in favor of its subsidiary companies amounting to USD 10,000 (2017: USD 117,089). 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, 2018, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollars with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs 855,850, mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated liabilities.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from short and long-term borrowings and obligations under finance lease. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

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

The Group manages its interest rate exposure through floating to fixed rate interest swaps on its foreign currency borrowings.

As at December 31, 2018, if interest rates on Group's borrowings had been 1% higher / lower with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs. 567,880, 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 effecting all similar financial instruments traded in the market.

As at December 31, 2018, the Group is not exposed to any significant price risk.

b) Credit risk

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

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by management.

The Group's fertilizer segment is exposed to concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing a majority of trade debts against bank guarantees inland letter of credits and by the fact that the exposure is spread over a wide customer base.

The Group's power segment is not exposed to any credit risk on its trade debts as these are secured by sovereign guarantee from the Government of Pakistan.

The Group's polymer / chemical segment is not materially exposed to credit risk on trade debts as unsecured credit is provided to selected parties with no default in recent history and a major part is secured by bank guarantees and letters of credit from customers or written terms of agreement.

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

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(Amounts in thousand)

	2018	2017
	------------ (Rupees) ------------	
Long term loans and advances	**1,419,030**	1,403,870
Trade debts	**13,536,854**	9,996,092
Other receivables	**4,174,548**	1,071,886
Short term investments	**103,533,500**	69,893,637
Bank balances	**12,113,496**	9,783,362
Accrued income	**524,809**	528,242
	135,302,237	92,677,089

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

Bank	Rating agency	Rating Short term	 Long term
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank AL Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
Citi Bank Europe plc	MOODY'S	P-1	A1
CIMB Bank Berhud	MOODY'S	P-2	A3
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A1	AA-
Faysal Bank Limited	PACRA	A1+	AA
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	P-2	A3
Industrial and Commercial Bank of China	MOODY'S	P-1	A1
JS Bank Limited	PACRA	A1+	AA-
Mashreq Bank	MOODY'S	P-2	B aa2
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Noor Bank	FITCH	-	A-
Samba Bank Limited	JCR-VIS	A-1	AA
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	BBB-	A-3
The Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR-VIS	A-1+	AAA

(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, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available.

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

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

	2018			2017		
	Maturity upto one year	**Maturity after one year**	**Total**	Maturity upto one year	Maturity after one year	Total
	(Rupees)					
Financial liabilities						
Borrowings	**18,597,131**	**134,500,762**	**153,097,893**	23,719,423	86,517,282	110,236,705
Trade and other payables	**43,010,472**	**-**	**43,010,472**	31,230,881	-	31,230,881
Unclaimed Dividends	**526,784**	**-**	**526,784**	1,083,030	-	1,083,030
Accrued interest / mark-up	**2,363,313**	**-**	**2,363,313**	1,552,662	-	1,552,662
	64,497,700	**134,500,762**	**198,998,462**	57,585,996	86,517,282	144,103,278

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.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

(Amounts in thousand)

The Group's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and is in accordance with agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. The total long term borrowings to equity ratio as at December 31, 2018 and 2017 are as follows:

	2018	2017
	(Rupees)	
Long term borrowings (note 20)	**130,576,362**	83,490,369
Equity	**201,743,139**	177,464,888
	330,297,213	260,955,257
Gearing ratio	**39.29%**	31.99%

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

43. FAIR VALUE ESTIMATION

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- 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				
At fair value through profit and loss	406,861	66,342,250	-	66,749,111

Level 1 fair valued instruments comprise mutual fund units and quoted shares.

Level 2 fair valued instruments comprise treasury bills and fixed income placements which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year.

(Amounts in thousand)

44. SEGMENT REPORTING

44.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Board of Directors of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organized into the following operating segments:

Type of segments	Nature of business
Fertilizer	This part of the business manufactures, purchases and markets fertilizers. The operations of this segment includes a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro, Engro DAP and Envy etc. optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phospatic fertilizers.
Polymer	This part of the business manufactures, 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 operations and management services in Pakistan and Nigeria.
Other operations	This part of the business includes operating a terminal for handling, regasification, storage, treatment and processing of LNG and related petroleum products. It also includes management of investments in associates and joint ventures by the Holding Company.

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44.2 The following information presents operating results regarding operating segments for the year ended December 31, 2018 and asset information regarding operating segments as at December 31, 2018:

	Fertilizer		Polymer		Food		Power and mining		Other operations		Elimination - net		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees													
Revenue from external customers (note 27)	109,196,586	77,129,343	35,271,635	27,730,736	2,537,970	1,749,349	11,954,606	11,636,924	23,899,639	24,355,357	(11,292,198)	(14,009,198)	171,568,238	128,592,511
Segment gross profit / (loss)	35,316,447	23,218,588	8,736,015	6,065,410	584,485	(90,288)	3,090,343	2,759,050	18,965,198	22,553,623	(15,584,016)	(19,700,142)	51,108,472	34,806,241
Segment expenses - net of other income	(9,456,885)	(4,014,106)	(2,012,076)	(2,180,020)	(112,001)	(120,473)	(535,797)	(394,436)	12,665,641	(2,730,524)	(4,806,814)	1,371,883	(4,257,932)	(8,067,676)
Income on deposits / other financial assets (note 31)	493,572	108,062	345,512	49,186	57	1,504	195,515	142,153	6,063,279	4,626,199	(376,033)	(376,214)	6,721,902	4,550,890
Finance Cost (note 33)	(2,070,933)	(2,647,774)	(606,148)	(819,775)	(116,247)	(56,532)	(613,295)	(655,389)	(2,758,297)	(1,827,260)	(171,304)	383,047	(6,336,224)	(5,623,683)
Share of income from joint venture and associate (note 34)	-	-	-	-	25,449	151,341	270,969	179,670	(167,771)	1,132,084	-	-	128,647	1,463,095
Share of income from investment - held for sale (note 34)	-	-	-	-	-	-	-	-	-	-	45,663	1,226,236	45,663	1,226,236
Income tax charge (note 35)	(6,868,683)	(5,509,148)	(1,533,132)	(1,061,785)	(23,431)	(14,831)	(810,879)	(318,471)	(5,334,173)	(5,503,989)	354,322	300,282	(14,215,976)	(12,107,942)
Segment profit / (loss) after tax	17,413,518	11,155,622	4,930,171	2,053,016	358,312	(129,279)	1,596,856	1,712,577	29,433,877	18,250,133	(20,583,845)	(16,794,908)	33,148,889	16,247,161
Segment assets	117,721,049	111,816,249	36,023,287	24,364,326	3,379,698	2,841,104	129,761,553	80,067,690	156,515,430	142,704,482	(53,377,758)	(63,254,218)	390,023,259	298,539,633
Investment in joint venture and associate (note 7)	-	-	-	-	28,174,476	28,271,457	3,410,904	2,426,892	-	1,337,772	-	-	31,585,380	32,036,121
Investment held for sale (note 17)	-	-	-	-	-	-	-	-	-	6,611,468	-	-	-	6,611,468
Total segment assets	117,721,049	111,816,249	36,023,287	24,364,326	31,554,174	31,112,561	133,172,457	82,494,582	156,515,430	150,653,722	(53,377,758)	(63,254,218)	421,608,639	337,187,222
Total segment liabilities	72,197,894	69,346,538	19,227,103	16,604,217	2,048,579	1,842,848	55,247,285	55,247,285	28,951,555	23,132,473	(5,005,836)	(6,451,027)	219,870,500	159,708,646
Capital expenditure	4,495,017	3,900,123	4,259,715	1,092,858	124,173	13,457	26,859,945	24,481,697	949,761	458,385	(82,926)	-	36,605,685	29,946,520
Depreciation (note 5.4)	5,166,276	5,066,037	958,607	931,565	66,814	66,798	815,413	772,807	589,639	626,917	-	30,096	7,596,749	7,494,220
Amortisation of intangible assets (note 6.1)	28,413	25,897	15,970	12,570	492	626	10,879	10,879	17,763	5,091	(3,865)	(3,865)	69,818	51,198

(Amounts in thousand)

45 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

45.1 Following are the details of associated undertakings and other related parties with whom the Group entered into transactions or had agreements and arrangements in place during the year:

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
1	Abdul Samad Dawood	N/A	Director / Key Management Personnel
2	Amir Iqba	N/A	Director of Group Company
3	Arabian Sea Country Club	N/A	Associated Company
4	Asad Said Jafar	N/A	Director of Group Company
5	Asim Murtaza Khan	N/A	Director of Group Company
6	Cyan Limited	N/A	Associated Company
7	Dawood Corporation (Private) Limited	N/A	Associated Company
8	Dawood Industries (Private) Limited	N/A	Associated Company
9	Dawood Lawrencepur Limited	N/A	Associated Company
10	Engro Foods Limited	40%	Associated Company
11	Engro Foundation	N/A	Associated Company
12	Engro Vopak Terminal Limited	50%	Joint Venture
13	Feroz Rizvi	N/A	Director of Group Company
14	GEL Utility Limited	N/A	Associated Company
15	Ghias Khan	N/A	Director / Key Management Personnel
16	Hussain Dawood	N/A	Director / Key Management Personnel
17	Imran Ahmed	N/A	Director of Group Company
18	Imran Anwer	N/A	Director of Group Company
19	Inam Ur Rahman	N/A	Director of Group Company
20	Inbox Business Technologies Private Limited	N/A	Associated Company
21	Indus Motor Company Limited	N/A	Associated Company
22	International Finance Corporation	N/A	Associated Company
23	Jahangir Piracha	N/A	Director of Group Company
24	Javed Akbar	N/A	Director of Group Company
25	Karachi School for Business & Leadership	N/A	Associated Company
26	Khusrau Nadir Gilani	N/A	Director of Group Company
27	Meezan Bank Limited	N/A	Common Directorship
28	Mitsubishi Corporation	N/A	Associated Company
29	Mohammad Abdul Aleem	N/A	Director / Key Management Personnel
30	Mohammad Asif Sultan Tajik	N/A	Director of Group Company
31	Mohsin Ali Mangi	N/A	Director of Group Company
32	Muhammad Imran Sayeed	N/A	Director of Group Company
33	Nadir Salar Qureshi	N/A	Director of Group Company
34	Noriyuki Koga	N/A	Director of Group Company
35	Overseas Investors Chamber of Commerce and Industry	N/A	Common Directorship
36	Pakistan Oxygen Limited	N/A	Common Directorship
37	Patek (Private) Limited	N/A	Associated Company
38	Reon Energy Solutions	N/A	Associated Company
39	Rizwan Diwan	N/A	Director / Key Management Personnel
40	Sach International (Private) Limited	N/A	Associated Company
41	Sadia Khan	N/A	Director of Group Company
42	Shahab Qadir	N/A	Director of Group Company
43	Shahzada Dawood	N/A	Director / Key Management Personnel
44	Shamsuddin Ahmad Sheikh	N/A	Ex-Director of Group Company
45	Shell Pakistan Limited	N/A	Associated Company
46	Siddiqusons Energy Limited	N/A	Associated Company
47	Sindh Engro Coal Mining Company Limited	N/A	Associated Company
48	Syed Manzoor Hussain Zaidi	N/A	Director of Group Company
49	Tenaga Generasi Limited	N/A	Associated Company
50	The Dawood Foundation	N/A	Associated Company
51	The Hub Power Company Limited	N/A	Associated Company
52	Vaqar Zakaria	N/A	Director of Group Company
53	Waqar Malik	N/A	Director / Key Management Personnel
54	Zafaryab Khan	N/A	Director of Group Company

(Amounts in thousand)

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
55	Aasim Butt	N/A	Key Management Personnel
56	Abdul Qayoom Shaikh	N/A	Key Management Personnel
57	Adil Mushtaq	N/A	Key Management Personnel
58	Amir Mahmud	N/A	Key Management Personnel
59	Aneeq Ahmed	N/A	Key Management Personnel
60	Atif Kaludi	N/A	Key Management Personnel
61	Atif Muhammad Ali	N/A	Key Management Personnel
62	Aysha Dawood	N/A	Spouse of director
63	Engro Corporation Limited DB Gratuity Fund	N/A	Post Employement Benefits Fund
64	Engro Corporation Limited DC Gratuity Fund	N/A	Post Employement Benefits Fund
65	Engro Corporation Limited DC Pension Fund	N/A	Post Employement Benefits Fund
66	Engro Corporation Limited Provident Fund	N/A	Post Employement Benefits Fund
67	Fahd Khawaja	N/A	Key Management Personnel
68	Fahim	N/A	Key Management Personnel
69	Faisal Shafiq	N/A	Key Management Personnel
70	Faiz Chapra	N/A	Key Management Personnel
71	Farooq Nazim Shah	N/A	Key Management Personnel
72	Hasan Reza Ur Rahim	N/A	Key Management Personnel
73	Hasnain Moochhala	N/A	Key Management Personnel
74	Humera Aleem	N/A	Spouse of director
75	Jahangir Waheed	N/A	Key Management Personnel
76	Kulsum Dawood	N/A	Spouse of director
77	Mohammad Azhar Malik	N/A	Key Management Personnel
78	Mudassar Yaqub Rathore	N/A	Key Management Personnel
79	Muhammad Imran Khalil	N/A	Key Management Personnel
80	Muhammad Majid Latif	N/A	Key Management Personnel
81	Muhammad Ovais Aziz	N/A	Key Management Personnel
82	Muneer Kamal	N/A	Key Management Personnel
83	Ruhail Mohammed	N/A	Former Chief Executive
84	Sabrina Dawood	N/A	Key Management Personnel
85	Sadaf Aslam	N/A	Key Management Personnel
86	Salman Hafeez	N/A	Key Management Personnel
87	Shabbir Hussain Hashmi	N/A	Key Management Personnel
88	Staff Gratuity Fund	N/A	Employee Retirement Fund
89	Staff Provident Fund	N/A	Employee Retirement Fund
90	Syed Abbas Raza	N/A	Key Management Personnel
91	Syed Ali Akbar	N/A	Key Management Personnel
92	Syed Ammar Shah	N/A	Key Management Personnel
93	Syed Shahzad Nabi	N/A	Key Management Personnel
94	Tarique Quadir Lakhiar	N/A	Key Management Personnel
95	Usman Mehmood Khan	N/A	Key Management Personnel
96	Vijay Kumarq	N/A	Key Management Personnel

(Amounts in thousand)

45.2 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:

	2018	2017
	------------ (Rupees) ------------	
Associated Companies of ECL		
Purchases and services	4,357,885	3,073,669
Sale of goods and rendering of services	571,486	6,141,713
Dividends received	381,303	4,355,124
Donations	194,453	255,200
Payment of interest on TFCs and repayment of principal amount	1,025	8,756
Advance against share capital / Share capital issued	1,901,703	299,656
Payments against EPC contract	22,189,403	22,234,240
Long term loan received	847,065	224,638
Reimbursement to associated companies	140,593	171,020
Expenses paid on behalf of associated companies	94,892	134,530
Interest on deposit	92,141	52
Bank charges	49	49
Dividends paid / payable	2,211,027	1,732,214
Loans repaid	353,648	290,669
Finance costs	362,714	266,869
Advance and deposits	3,530	27,411
Investment in ECL's subsidiary company by associates	3,892,547	3,179,137
Loans received	-	224,638
Joint Ventures		
Purchase of services	1,896,398	1,152,224
Reimbursements	27,853	4,641
Dividend received	1,170,000	1,215,000
Retirement funds		
Contribution to retirement benefit funds	618,230	535,640
Key Management personnel		
Sale of property, plant and equipment	-	150
Dividend paid	191,103	142,963
Directors emoluments	310,500	-
Profit on Engro Rupiya Certificates	-	38,612
Post retirement benefits plan	5,957	4,771
Remuneration of key management personnel	1,835,391	1,458,779
Directors' fees	16,250	17,750

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2018

(Amounts in thousand)

45.3 Details of related parties incorporated outside Pakistan with whom the Group had transactions or arrangements in place are as follows:

	GEL Uvtility Limited (Associate of the Group)	Magboro Power Company Limited (Associate of the Group)
Registered Address	48, Anthony Enahoro Street, Utako, Abuja, Nigeria	17 Teslim Elias Close, Off Ahmadu Bello Way, Victoria Island, Lagos Nigeria
Country of Incorporation	Nigeria	Nigeria
Chief Executive Officer	Akinwole Omoboriowo II	Gbenga Toyosi Olawepo
Percetage shareholding	45 %	3%

These entities are in operation. Further, the independent auditors of the above entities have issued an unqualified opinion on the latest available financial statements.

46. WAIVER FROM APPLICATION OF IFRIC - 4 “DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE”

The Securities and Exchange Commission of Pakistan (SECP) in pursuance of SRO 24 (1) / 2012 dated January 16, 2012 has granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 “Determining Whether an Arrangement Contains a Lease” to all companies including power sector companies. However, the SECP made it mandatory to disclose the impacts on the results had IFRIC - 4 been applied.

If the Group were to apply IFRIC - 4, the agreement between EETPL and SSGCL for operating and provision of services, would have been classified as operating lease. However, the impact of such application over the assets, liabilities or the net profit of the Group for the year would have been immaterial.

47. PROVIDENT FUND

The employees of the Group participate in the Provident Fund maintained by the Holding Company and ECL. Monthly contributions are made both by the companies and the employees to the fund at the rate of 10% of basic salary.

The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

(Amounts in thousand)

48. DONATIONS

48.1 Donations include the following in which the Directors of the Holding Company or Group companies are interested:

Director	Interest in Donee	Name of donee	2018 --Rupees--
Ghias Khan	Chairman		
Imran Anwar	Trustee		
Jagahangir Piracha	Trustee	Engro Foundation	163,747
Hussain Dawood	Trustee		
Shahzada Dawood	Trustee		
Samad Dawood	Trustee		
Sabrina Dawood	Trustee	The Dawood Foundation	30,706

Director	Interest in Donee	Name of donee	2017 --Rupees--
Hussain Dawood	Chairman, Board of Governors	Karachi School of Business & Leadership	
Muneer Kamal	Director		30,000
Ghias Khan	Chairman		
Ruhail Mohammed	Trustee		
Shamsuddin A. Shaikh	Trustee		
Imran Anwar	Trustee		
Jagangir Piracha	Trustee	Engro Foundation	128,797
Ahsan Zafar Syed	Trustee		
Shamsuddin A. Shaikh	Trustee	Thar Foundation	45,000

48.2 During the year the Group made the following donations which are above Rs. 500:

Citizen Foundation	55,540
Sina Health Education & Welfare Trust	15,700
The Water Foundation	8,299
National Rural Support Programme	1,000
Pakistan Agriculture Coalition	2,100
Supreme Court of Pakistan Diamer Basha Dam Fund	50,000
Engro Foundation	163,747
The Dawood Foundation	30,706

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2018

(Amounts in thousand)

49. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2018	2017	**2018**	2017
Urea (note 49.1)	Metric Tons	**2,275,000**	2,275,000	**1,928,080**	1,806,977
NPK (note 49.1)	Metric Tons	**100,000**	100,000	**132,790**	109,059
PVC Resin (note 49.1)	Metric Tons	**195,000**	178,000	**202,000**	187,000
EDC (note 49.1)	Metric Tons	**127,000**	127,000	**107,000**	107,000
Caustic soda (note 49.1)	Metric Tons	**106,000**	106,000	**105,000**	105,000
VCM (note 49.1)	Metric Tons	**204,000**	204,000	**195,000**	180,000
Power (note 49.2)	Mega Watt Hours	**1,863,724**	1,869,812	**1,526,309**	1,737,345
Milling / Drying unit of rice processing plant (note 49.3)	Metric Tons	**414,000**	414,000	**77,008**	59,371

49.1 Production planned as per market demand and in house consumption needs.

49.2 Output produced by the plant is dependent on the load demanded by NTDC and plant availability.

49.3 Three months season design capacity and production is dependent on availability of rice paddy.

49.4 The annual capacity of EETPL as service provider to SSGCL is 4.5 MTPA and there has been no shortfall during the year.

50. NUMBER OF EMPLOYEES OF THE GROUP

	Number of Employees as at		Average Number of Employees as at	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
Management employees	**1,621**	1,490	**1,599**	1,457
Non-management employees	**722**	585	**638**	584
	2,343	2,075	**2,237**	2,041

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 fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in the business through appropriate inventory management.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2018

(Amounts in thousand)

52. NON-ADJUSTING EVENT AFTER REPORTING DATE

52.1 The Board of Directors of the Holding Company in its meeting held on February 20, 2019 has proposed a final cash dividend of Rs. 4 per share for the year ended December 31, 2018 amounting to Rs. 1,925,148 for approval of the members at the Annual General Meeting to be held on April 27, 2019.

52.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on February 14, 2019 has proposed a final cash dividend of Rs. 6 per share for the year ended December 31, 2018, amounting to Rs. 540,000, of which the proportionate share of the Holding Company amounts to Rs. 270,000.

The consolidated financial statements for the year ended December 31, 2018 do not include the effect of the aforementioned proposed dividends, which will be accounted for in the consolidated financial statements for the year ending December 31, 2019.

53. 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	**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**
Enfrashare (Private) Limited	**December 31**
Engro Energy Services Limited (EESL)	**December 31**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2018

(Amounts in thousand)

Name of Joint Venture of ECL	Financial year end
Engro Vopak Terminal Limited (EVTL)	December 31
Name of Associates of ECL	
Engro Foods Limited (EFoods)	December 31
Sindh Engro Coal Mining Company Limited (SECMC)	December 31
Gel Utility Limited (GEL)	December 31
Siddiqsons Energy Limited (SEL)	June 30
Pakistan Energy Gateway Limited (PEGL)	December 31

53.1 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:

	EPCL
	------Rupees------
Total Assets	393,154,768
Total Liabilities	207,567,529
Total Comprehensive Income / (Loss)	1,3056,362
Total Comprehensive Income / (Loss) allocated to NCI	11,081,671
Cash and Cash Equivalent	71,639,638
Cash (utilised in) / generated from	
- operating activities	28,939,758
- investing activities	(11,080,642)
- financing activities	14,212,929
Dividend paid / payable to NCI	7,277,197
Intereset of NCI	62,776%

53.2 Effect of divestment in ECL's subsidiary:

During 2018, the Group disposed 48,641,484 shares representing 30% of its investment in ETPL for Rs. 4,335,783. The Group recognised an increase in Non-Controlling interests of Rs. 1,520,229 and an increase in equity attributable to owners of the Holding Company of Rs. 2,815,555. The effect on the equity attributable to the owners of ETPL during the year is summarised as follows:

	2018
	----Rupees----
Consideration received from non -controlling interests	**4,335,783**
Carrying amount of non-controlling interest disposed off	**(1,520,229)**
Equity adjustment	**2,815,554**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2018

(Amounts in thousand)

54. CORRESPONDING FIGURES

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

55. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 20, 2019 by the Board of Directors of the Holding Company.

Mohammad Shamoon Chaudry	**Inam ur Rahman**	**Muneer Kamal**
Chief Financial Officer	Chief Executive	Director

PATTERN OF SHAREHOLDING

As at December 31, 2018

Number of Sharehoders	Shareholdings From	Shareholdings To	Number of Shares Held
606	1	100	24,584
677	101	500	233,774
386	501	1,000	330,039
1,459	1,001	5,000	3,126,978
245	5,001	10,000	1,816,799
103	10,001	15,000	1,269,435
52	15,001	20,000	918,395
27	20,001	25,000	596,760
14	25,001	30,000	403,655
16	30,001	35,000	534,938
8	35,001	40,000	306,024
7	40,001	45,000	302,533
17	45,001	50,000	841,976
8	50,001	55,000	416,452
7	55,001	60,000	405,130
3	60,001	65,000	189,016
4	65,001	70,000	269,212
5	70,001	75,000	368,096
1	75,001	80,000	77,000
2	85,001	90,000	174,500
2	90,001	95,000	187,200
4	95,001	100,000	388,328
4	100,001	105,000	413,381
2	105,001	110,000	219,000
2	120,001	125,000	240,896
1	135,001	140,000	138,400
1	145,001	150,000	147,016
1	160,000	165,000	160,000
1	170,001	175,000	173,116
2	195,001	200,000	397,352
1	200,001	205,000	203,600
1	235,001	240,000	235,400
2	250,000	255,000	503,800
1	255,001	260,000	258,000
1	290,001	295,000	291,500
1	300,000	305,000	300,000
1	335,001	340,000	336,072
1	345,001	350,000	345,700
1	400,000	405,000	400,000
1	415,001	420,000	415,200
1	485,001	490,000	486,300
1	500,000	505,000	500,000
1	550,000	555,000	550,000
1	630,001	635,000	631,192
1	640,001	645,000	640,684
1	655,001	660,000	655,200
1	685,001	690,000	687,575
1	790,001	795,000	794,380
1	900,000	905,000	900,000
1	1,155,001	1,160,000	1,158,200
1	1,265,001	1,270,000	1,267,196
1	1,345,001	1,350,000	1,346,000
1	2,220,001	2,225,000	2,220,100
1	2,560,001	2,565,000	2,560,800
1	4,130,001	4,135,000	4,132,392
1	4,180,001	4,185,000	4,181,200
1	4,425,001	4,430,000	4,428,700
1	4,695,001	4,700,000	4,695,316
1	5,635,001	5,640,000	5,638,616
1	5,640,001	5,645,000	5,641,612
1	5,655,001	5,660,000	5,656,016
1	11,325,001	11,330,000	11,329,000
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	34,530,001	34,535,000	34,530,816
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
3,711			**481,287,116**

PATTERN OF SHAREHOLDING

As at December 31, 2018

Shareholder's Category	Number of Sharehoders	Total shares held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children	11	61,860,244	12.85
Associated Companies, Undertakings and Related Parties	4	97,725,260	20.30
NIT and ICP	2	680	*
Banks, Development Financial Institutions, Non Banking Financial Institutions	16	10,524,080	2.19
Insurance Companies	5	14,578,888	3.03
Modarabas and Mutual Funds	32	7,179,542	1.49
Shareholders holding 10% or more	1	77,931,896	16.19
General Public :			
Residents	3,559	21,665,557	4.50
Non-residents	-	-	-
Others			
Foreign Companies	10	260,683,172	54.16
Others	72	7,069,693	1.47
Total (excluding Shareholders holding 10% or more)	3,711	481,287,116	100.00

* Negligible

PATTERN OF SHAREHOLDING

As at December 31, 2018

Shareholders' Category	Number of shares
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
Mutual Funds	
CDC - Trustee Meezan Islamic Fund	2,560,800
CDC - Trustee National Investment (Unit) Trust	1,267,196
CDC - Trustee Al Meezan Mutual Fund	655,200
CDC - Trustee Alfalah GHP Islamic Stock Fund	640,684
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	415,200
CDC - Trustee Meezan Balanced Fund	258,000
CDC - Trustee Atlas Islamic Stock Fund	253,800
CDC - Trustee Alfalah GHP Islamic Dedicated Equity Fund	147,016
CDC - Trustee NAFA Stock Fund	138,400
CDC - Trustee Al-Ameen Islamic Ret. Sav. Fund-Equity Sub Fund	120,300
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	103,500
CDC - Trustee HBL Islamic Stock Fund	96,200
CDC - Trustee AKD Index Tracker Fund	72,896
CDC - Trustee NAFA Islamic Stock Fund	65,200
CDC - Trustee Meezan Asset Allocation Fund	55,000
MCBFSL - Trustee HBL Islamic Dedicated Equity Fund	50,000
CDC - Trustee NIT Islamic Equity Fund	48,000
CDC - Trustee APIF - Equity Sub Fund	35,000
CDC - Trustee HBL IPF Equity Sub Fund	30,600
CDC - Trustee HBL Islamic Equity Fund	25,000
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	16,900
CDC - Trustee HBL Multi - Asset Fund	16,500
CDC - Trustee Askari Asset Allocation Fund	10,500
CDC - Trustee NIT-Equity Market Opportunity Fund	10,000
CDC - Trustee ABL Stock Fund	8,100
CDC - Trustee AGIPF Equity Sub-Fund	5,650
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	5,400
CDC - Trustee Askari Equity Fund	5,300
MCFSL-Trustee Askari Islamic Asset Allocation Fund	5,000
CDC - Trustee Alhamra Islamic Stock Fund	700
Directors, CEO and their Spouse(s) and minor children	
Mr. Hussain Dawood	34,530,816
Mrs. Kulsum Dawood (W/o. Mr. Hussain Dawood)	11,329,000
Ms. Sabrina Dawood	5,656,016
Mr. Shahzada Dawood	5,638,616
Mr. Abdul Samad Dawood	4,695,316
Mr. Inam Ur Rahman	9,680
Mr. Parvez Ghias	250
Mrs. Ayesha Zeba Ghias (W/o. Mr. Parvez Ghias)	250
Mr. Muhammad Imran Sayeed	100
Mr. Hasan Reza Ur Rahim	100
Mr. Shabbir Hussain Hashmi	100

PATTERN OF SHAREHOLDING

As at December 31, 2018

Shareholders' Category	Number of shares
Executives	**3,000**
Public Sector Companies and Corporations	**16,394,837**
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	**8,954,154**
Shareholders holding five percent or more voting rights in the Listed Company	
Dawood Lawrencepur Limited	**77,931,896**
Calfran Limited	**45,722,500**
Hercules Enterprises Limited	**43,281,216**
Alzarat Limited	**38,376,008**
Zincali Limited	**38,376,008**
Palmrush Investments Limited	**36,240,796**
Persica Limited	**36,240,796**
Mr. Hussain Dawood	**34,530,816**

Trades in the shares of the Company

Following trades in the share of the Company were made by Director / Spouse:

Name	Date of transaction	Nature of transaction	Price per share	No. of Share
Mr. Hussain Dawood	20-Mar-18	Purchase	122.14	29,000
Mrs. Kulsum Dawood	20-Mar-18	Purchase	122.11	27,500
Ms. Sabrina Dawood	20-Mar-18	Purchase	122.12	30,900
Mr. Hussain Dawood	21-Mar-18	Purchase	124.99	93,800
Mrs. Kulsum Dawood	10-Apr-18	Purchase	129.02	5,300
Mr. Samad Dawood	23-Jul-18	Purchase	103.16	379,400
Mr. Samad Dawood	24-Jul-18	Purchase	106.62	109,300
Mr. Hussain Dawood	30-Jul-18	Purchase	115.65	200,000
Mr. Shahzada Dawood	30-Jul-18	Purchase	116.13	17,000
Ms. Sabrina Dawood	30-Jul-18	Purchase	115.97	18,000
Mr. Hussain Dawood	31-Jul-18	Purchase	118.06	149,500
Mrs. Kulsum Dawood	31-Jul-18	Purchase	117.63	91,000
Ms. Sabrina Dawood	31-Jul-18	Purchase	117.83	92,000
Mr. Shahzada Dawood	02-Aug-18	Purchase	125.65	125,000
Ms. Sabrina Dawood	24-Sep-18	Purchase	108.14	22,500
Mr. Samad Dawood	05-Oct-18	Purchase	102.64	29,300
Mr. Samad Dawood	08-Oct-18	Purchase	102.88	260,700
Mr. Imran Sayeed	21-Dec-18	Purchase	121.84	100
Mr. Muneer Kamal	31-Dec-18	Purchase	116.27	100

ممبرز، جبکو میں سرمایہ کاری کے لیے کمپنی کے مؤثر کردار کو سراہیں گے جو انتہائی غور و خوض کے بعد کی گئی کہ وہ اسے منافع بخش ادارہ بنا سکتے ہیں۔ بڑی سرمایہ کاری کے مزید مواقع سے فائدہ اٹھانے اور انتظامہ کو سمت مہیا کرنے کے لیے بورڈ کو اپنے کردار کا پوری طرح ادراک ہے اور یہ کمپنی کو قیمتی سرمایہ کاری کی جانب چلاتا رہے گا۔

ہم نئی حکومت کی ترجیحات کا نہایت احتیاط سے مشاہدہ کر رہے ہیں اور اپنے ملک پاکستان کی معیشت کے لیے اپنے کردار ادا کرنے کے لیے پر عزم ہیں۔ ہم مسلسل حکومت کے ساتھ رابطے میں رہتے ہیں اور ملک کو خوشحال بنانے کے لیے کاروباری شعبہ کے کردار پر مذاکرات کرتے رہتے ہیں۔

کمپنی نے اپنے ذیلی ادارے، اینگرو کارپوریشن لمیٹڈ، کے ذریعے کاروبار کے نئے مواقع کی تلاش جاری رکھی۔ مرکزی خیال حصص یافتگان کے لیے طویل مدتی قدر میں اضافہ کرنے کے علاوہ اپنی معیشت اور ملک کو درپیش اہم چیلنجوں سے نمٹنا بھی ہے۔

ج۔ 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 متعلق مفادات کی دیکھ بھال کرتے رہیں گے۔

کمپنی کی خوشحالی اور نشو و نما کے لیے مخلصانہ کوششیں کرنے پر ہم کمپنی کی انتظامیہ اور عملہ کے ارکان کے بھی شکر گزار ہیں۔

منیر کمال
ڈائریکٹر

انعام الرحمٰن
چیف ایگزیکٹو

۱۔ کمپنی کی انتظامیہ کی جانب سے تیارکردہ مالی گوشوارے کمپنی کے معاملات، اس کے آپریشنز، نقدی کے بہاؤ (cash flow) اور سرمایہ میں تبدیلی کی درست نمائندگی کرتے ہیں۔

۲۔ کمپنی کے کھاتے (books of accounts) درست انداز میں رکھے گئے ہیں۔

۳۔ مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق تسلسل کے ساتھ کیا گیا ہے اور حسابی تخمینے (accounting estimates) مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

۴۔ بین الاقوامی مالی رپورٹنگ کے معیارات (International Financial Reporting Standards; IFRS) کا اطلاق پاکستان میں بھی ہوتا ہے۔ لہذا مالی گوشواروں کی تیاری میں ان معیارات کا خیال بھی رکھا گیا ہے اور ان سے کسی قسم کے انحراف کا مناسب انداز میں انسداد کیا گیا ہے۔

۵۔ 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۔

۶۔ کمپنی کے معاملات کا معمول کے مطابق جاری رہنے کے بارے میں کسی قسم کے شکوک وشبہات نہیں پائے جاتے۔

۷۔ گزشتہ چھ (06) برسوں کا آپریٹنگ اور مالی ڈیٹا مختصر طور پر اس رپورٹ کے ساتھ منسلک ہے۔

۱۷۔ ڈائریکٹرز کی تربیت کا پروگرام

کمپنی کے دس (10) ڈائریکٹروں میں سے چھ (06) ڈائریکٹروں کے پاس متعلق تربیتی پروگرام کی سرٹیفکیشن موجود ہے جبکہ باقی چار (04) ڈائریکٹروں بھی لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017ء میں دی گئی ٹائم لائن کے مطابق سرٹیفائیڈ ہوجائیں گے۔

۱۸۔ متعلق فریق کے ساتھ ٹرانزیکشنز

کمپنی نے متعلق فریقین کے ساتھ تمام ٹرانزیکشنز بالترتیب آڈٹ کمیٹی اور بورڈ کے سامنے، ان کے جائزے اور منظوری کے لیے، کوڈ آف کارپوریٹ گورننس کے تقاضوں کے مطابق، پیش کیے۔

۱۹۔ مستقبل کے امکانات

حبکو سے، کامیابی کے ساتھ، سرمایہ نکالنے اور ای ڈاٹ کو پاکستان (پرائیویٹ) لمیٹڈ کے ساتھ ٹرانزیکشن کا خاتمہ ایک بڑی نقد رقم کی صورت میں ظاہر ہوا جس میں صکوک سے حاصل کردہ رقم بھی شامل تھی۔ کمپنی نے جہاں، اس سرمایہ کے مؤثر استعمال کے لیے سرمایہ کاری کے مواقع کی جانچ جاری رکھی وہیں اس فنڈز کا انتظام حکومتی سیکیورٹیز، ٹرم ڈپازٹس اور بلیو چپ مارکیٹ سیکیورٹیز کے دانشمندانہ پورٹ فولیو کے ذریعے کیا گیا۔

۱۴۔ بورڈ کے اجلاس

سنہ 2018ء کے دوران بورڈ کے آٹھ (08) اجلاس منعقد ہوئے اور تمام اجلاسوں کی صدارت چیئرمین صاحب نے کی۔ کوڈ آف کارپوریٹ گورننس کی تعمیل میں، کمپنی سیکریٹری اور چیف فنانشل آفیسر نے بھی، ان اجلاسوں میں شرکت کی۔ ان اجلاسوں میں ہر ڈائریکٹر کی حاضری درج ذیل ہے:

اجلاس میں حاضری

	بورڈ کا اجلاس	بورڈ آڈٹ کمیٹی کا اجلاس	ہیومن ریسورس اینڈ ریمیونریشن کمیٹی کا اجلاس
جناب حسین داؤد	8/8	-	-
جناب شہزادہ داؤد	8/7	-	2/3
جناب صمد داؤد	8/6	-	1/1
محترمہ سبرینہ داؤد	4/8	-	-
جناب پرویز غیاث	8/8	-	4/4
جناب شبیر حسین ہاشمی	7/8	5/5	-
جناب منیر کمال	8/8	2/3	3/3
جناب حسن رضا الرّحیم	6/8	5/5	-
جناب عمران سعید**	2/4	-	-
جناب انعام الرّحمٰن	8/8	-	-
جناب ایم عبدالعلیم*	3/4	2/2	1/1

*جناب ایم عبدالعلیم نے مورخہ 25 اپریل، 2018ء کو استعفاد ے دیا۔

**جناب عمران سعید کو، 25 اپریل، 2018ء جناب ایم عبدلعلیم کی جگہ، کو ڈائریکٹر منتخب کیا گیا۔

۱۵۔ ڈائریکٹرز کا مشاہرہ

کمپنی کے پاس کمپنیز ایکٹ، 2017ء اور آرٹیکلز آف ایسوسی ایشن کے مطابق، ڈائریکٹرز کے مشاہرے کے لیے ایک باضابطہ اور شفاف پالیسی موجود ہے۔

۱۶۔ ڈائریکٹرز کی ذمہ داریوں کے بارے میں بیان

کمپنی کے ڈائریکٹرز، درج ذیل کے مطابق، پاکستان میں اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز کے تحت کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تعمیل کی تصدیق کرتے ہیں:

فلموں کی نمائش مفت کی جاتی ہے۔ ستمبر 2018ء میں، انڈونیشیا میں منعقدہ مینگروز فار دی فیوچر کانفرنس (Mangroves for the Future) کے دوران ''مینگروز – ساحلوں کے محافظ (Mangroves - Custodians of the Coast)'' کے عنوان سے تیار کردہ دستاویزی فلم کی نمائش بھی کی گئی۔

۱۱۔ کارپوریٹ گورننس

کمپنی نے کارپوریٹ گورننس کے حوالہ سے بلند معیارات کی پابندی کی، اپنے کاروبار کو کوڈ آف کارپوریٹ گورننس ریگولیشنز اور پاکستان اسٹاک ایکسچینج لمٹیڈ کے وضع کردہ لسٹنگ ریگولیشنز کے بہترین طریقوں کے مطابق چلایا جو بورڈ آف ڈائریکٹرز اور کمپنی کی انتظامیہ کے کردار اور ذمہ داریوں کا تعین کرتے ہیں۔ مزید تفصیلات کے لیے براہ مہربانی، اسٹیٹمنٹ آف کمپلائنس ودھ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017ء ملاحظہ کیجیے۔

۱۲۔ رسک مینجمنٹ

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 لکویڈیٹی رسک وغیرہ۔ کمپنی کے مجموعی رسک مینجمنٹ 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 مینجمنٹ پالیسیاں کمپنی کو درپیش خطرات کی نشاندہی، ان کے تجزیے، ان کے لیے مناسب حدود کے تعین، کنٹرولز اور ان حدود کی پابندیاں مانیٹر کرنے کی غرض سے تیار کی گئی ہیں۔ رسک مینجمنٹ 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 جاسکے۔

۱۳۔ بورڈ آف ڈائریکٹرز

بورڈ دس (10) ڈائریکٹرز پر مشتمل جس کی ترکیب درج ذیل ہے:

• انڈی پینڈنٹ ڈائریکٹرز	2
• نان–ایگزیکٹو ڈائریکٹرز	
o مرد	6
o خاتون	1
• ایگزیکٹو ڈائریکٹر	1

۷۔ تخصیص(Appropriation)

بورڈ کو خوشی ہے کہ وہ 51ویں سالانہ اجلاس عام کے موقع پر، منظوری کی غرض سے، حصص یافتگان کے لیے 4.00 روپے فی حصص (40%) کی شرح سے حتمی نقد منافع منقسم کی تجویز پیش کر رہے ہیں۔ سال کے لیے کل قابل تقسیم منافع 10.00 روپے فی حصص (100%) ہے جس میں، سال کے دوران دیا گیا 6.00 روپے فی حصص عبوری منافع منقسم بھی شامل ہے۔

۸۔ ادارے کی ریٹنگ

سال کے دوران PACRA نے کمپنی کی طویل المدت کریڈٹ ریٹنگ میں -AA سے بڑھا کر AA کر دی اور قلیل المدت ریٹنگ، پائیدار امکانات کے ساتھ، A1 سے +A1 کر دی ہے۔

۹۔ پراویڈنٹ اور گریجویٹ فنڈز

ریٹائرمنٹ کے موقع پر کمپنی کے ملازمین کو ملنے والے فوائد کی سال میں ایک مرتبہ پڑتال کی جاتی ہے اور ان کی مناسب انداز میں سرمایہ کاری کی جاتی ہے۔ غیر پڑتال شدہ اکاؤنٹس کے مطابق پراویڈنٹ فنڈ کی رقم سے کی جانے والی سرمایہ کاری کی مجموعی مالیت 63.52 ملین (2017: 50.74 ملین) روپے تھی۔

مؤرخہ 31 دسمبر، 2018ء کو طے شدہ گریجویٹی پلان کی رقم سے حاصل کردہ اثاثوں کی مالیت 16.47 ملین (2017: 14.48 ملین) روپے تھی۔

۱۰۔ سماجی حصہ داری

سال کے دوران، کمپنی نے کارپوریٹ سوشل ریسپانسبلٹی (CSR) کے لئے 30.7 ملین روپے ادا کیے تاکہ دی داؤد فاؤنڈیشن کے منفرد پروجیکٹس کو آگے بڑھایا جا سکے۔ عملی سائنس، مسائل حل کرنا اور تعلیمی سرگرمیوں کی صورت میں سیکھنے کے لیے ٹی ڈی ایف میگنفائی سائنس (TDF MagnifiScience) کے ذریعے تخلیقی مفکرین کی آئندہ نسل تیار کی۔ ٹی ڈی ایف میگنفائی سائنس چلڈرنز اسٹوڈیو (TDF MagnifiScience Children's Studio) بچوں کے لیے ایک خصوصی طور تیار کردہ جگہ ہے جہاں وہ سائنس، حساب، ٹیکنالوجی اور انجنیئرنگ کے شعبوں میں کھوج لگاتے ہیں اور فریب نظر سے لطف اٹھاتے ہیں، عملی سرگرمیاں انجام دیتے ہیں اور نمائشیں لگاتے ہیں۔

دی داؤد فاونڈیشن نیچر سیریس (The Dawood Foundation Nature Series) ویڈیوز کی صورت میں دستاویز کا سیٹ ہے جو پاکستان کے قدرتی خزانوں کو دنیا کے سامنے پیش کرتا ہے۔ یہ دستاویزی فلمیں موبائل سنیما کا تجربہ فراہم کرتی ہیں اور قومی و بین الاقوامی سطح پر عوام کے لیے ان دستاویزی

تمام کاروباری اداروں کی عمدہ عملی کارکردگی کے ساتھ ٹیکس کی ایک مرتبہ ٹیکس ادائی کے اثرات بھی بہتر انضمام شدہ بعد از ٹیکس منافع کی صورت میں ظاہر ہوئے جو سنہ 2017ء میں حاصل ہونے والے 16.92 ارب روپے کے مقابلہ میں 33.16 ارب روپے زیادہ تھے۔

غیر انضمام شدہ بنیاد پر، کمپنی کی آمدنی 4,353 ملین روپے تھی جو گزشتہ برس، اسی عرصہ کے لیے، 5,779 ملین روپے تھی یعنی 1,425 ملین روپے کم تھی جس کی بنیادی وجہ جبکو سے، گزشتہ برس، وصول ہونے والے منافع منقسمہ میں کمی اور سال کے پہلے نصف حصہ میں سرمایہ کی فروخت تھی۔

۲۔ فی حصص آمدنی

سنہ 2018ء میں غیر انضمام شدہ فی حصص آمدنی 12.58 تھی جبکہ سنہ 2017ء کے دوران 8.00 روپے فی حصص تھی۔ سال کے دوران، انضمام شدہ فی حصص آمدنی 29.60 (2017: 7.19) روپے رہی۔

۳۔ آڈیٹرز

موجودہ آڈیٹرز، میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس، آئندہ سالانہ اجلاس عام کے موقع پر ریٹائر ہو رہے ہیں اور خود کو دوبارہ تقرری کے لیے پیش کرتے ہیں۔ آڈٹ کمیٹی نے بھی، 31 دسمبر، 2019ء کو ختم ہونے والے سال کے لیے اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی، کمپنی کی بطور آڈیٹرز دوبارہ تقرری کی سفارش کی ہے اور بورڈ نے اس سفارش کی توثیق کی ہے۔

۴۔ حصص کی تجارت، اوسط قیمتیں اور پاکستان اسٹاک ایکسچینج (PSX)

سال کے دوران، کمپنی کے 21.483 ملین حصص کا پاکستان اسٹاک ایکسچینج میں کاروبار ہوا۔ روزانہ کاروبار کے اختتام (closing) کی بنیاد پر، کمپنی کے حصص کی اوسط قیمت، 119.36 روپے تھی جبکہ سنہ 2018ء میں کم سے کم اور زیادہ سے زیادہ قیمت 94.00 روپے اور 139.8 روپے فی حصص تھی۔

۵۔ حصص یافتگی کا رجحان

بتاریخ 31 دسمبر، 2018ء، کمپنی کی حصص یافتگی کا خاکہ اور دیگر معلومات، اس رپورٹ کے آخر میں، پراکسی فارم کے ساتھ دستیاب ہے۔

٦۔ مارکیٹ میں سرمایہ کاری اور بہی قدر

سال کے اختتام پر، کمپنی کی جانب سے مارکیٹ میں سرمایہ 53,495 ملین روپے (2017: 53,846 ملین روپے) تھی جس کی مارکیٹ ویلیو 111.15 روپے (2017: 111.88 روپے) فی حصص تھی جبکہ بریک اپ ویلیو 72.65 روپے: (2017: 68.08 روپے) فی حصص تھی۔

فوڈز

ملحق کمپنی، اینگرو فوڈز لمیٹڈ کو مارکیٹ میں سخت مسابقت اور چیلنجوں کا سامنا جاری رہا جس کی وجہ سے سنہ 2018ء کے دوران، منافع میں 4 فیصد کمی واقع ہوئی اور مالیت 34,977 ملین روپے رہی۔ یہی منافع سنہ 2017ء کے دوران 36,403 ملین روپے تھا۔ خالص منافع میں بھی 17 فیصد تک کمی واقع ہوئی اور گزشتہ برس ہونے والے منافع، 99 ملین روپے، کے مقابلہ میں اس سال منافع 82 ملین روپے رہا۔ اس تنزلی کی بنیادی وجہ انضباطی چیلنج (regulatory challenge) رہے جو وفاقی اور صوبائی قوانین کے درمیان عدم مطابقت کا نتیجہ تھے اور پورے ڈیری سیکٹر کو اس کا سامنا رہا۔ ان مسائل نے صارفین کے ذہنوں میں منفی تاثر پیدا کیا اور اس کا نتیجہ ڈیری کی صنعت کے مجموعی حجم میں، گزشتہ برس کے مقابلہ میں، کمی کی صورت میں ظاہر ہوا۔ اشیاء کی قیمتوں میں تیزی سے اضافے، شرح سود میں اضافے اور روپے کی قدر میں کمی نے بھی مجموعی طور پر انڈسٹری کے منافع پر دباؤ برقرار رکھا۔

اسلامی صکوک سرٹیفکیٹس

سال کے دوران، کمپنی نے ایک اور Rated, Over the Counter Listed اور Secured اسلامی سرٹیفکیٹس (''صکوک'') جاری کیے جس کا مقصد کاروباری آپریشنز کی غرض سے موجودہ قرض کی ری-پروفائلنگ اور کاروبار کی سپورٹ کے لئے تھا۔

ان صکوک کا دورانیہ پانچ (05) سال ہے جبکہ ان کی اصل رقم (principal) آٹھ (08) قسطوں میں ادا ہوگی۔ اس کا آغاز، تاریخ اجراء سے، اٹھارہویں (18) مہینے سے ہوگا۔

اس طرح، یکم مارچ، 2018ء تک، کمپنی 6,000 ملین روپے حاصل کرنے میں کامیاب رہی۔ اس دستاویز کو اینگرو کارپوریشن لمیٹڈ کے حصص اور تمام موجودہ اور مستقبل کے اثاثوں پر رواں چارج (floating charge) کے ذریعہ محفوظ بنایا گیا ہے اور انہیں PACRA کی جانب سے AA ریٹنگ بھی دی گئی ہے۔

ب۔ مالی رپورٹ

ا۔ مالی کارکردگی

گروپ کی مجموعی آمدنی 171.57 ارب روپے ہوئی جو گزشتہ برس، اسی عرصہ کے لیے 128.59 ارب روپے تھی۔ اس کی بڑی وجہ فرٹیلائزرز اور پیٹروکیمیکلز کے کاروبار میں عمدگی تھی۔ گروپ کا مجموعی کل منافع، برائے سنہ 2018ء، 51.11 ارب روپے رہا جو گزشتہ برس 34.81 ارب روپے تھا۔

پولیمر اور کیمیکلز

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ (EPCL) نے غیر معمولی کارکردگی کا مظاہرہ کرتے ہوئے ریکارڈ مقدار میں پی وی سی (PVC) کی پیداوار کی جس کے باعث اس کی آمدنی میں 27 فیصد اضافہ دیکھا گیا جب کہ بعد از ٹیکس منافع 4,930 ملین روپے رہا جو سنہ 2017ء کے مقابلہ میں 140 فیصد زیادہ ہے۔ کاروبار نے اپنا مارکیٹ شیئر برقرار رکھا اور اپنے توسیعی منصوبوں کے لیے گراؤنڈ ورک مکمل کیا۔

پی وی سی (PVC) اور وی سی ایم (VCM) کی پیداوار میں رکاوٹوں کو دور کرتے ہوئے پلانٹ کے آپریشنز کو ہموار انداز میں جاری رکھا اور ایک مضبوط بیلنس شیٹ تیار کی جو مواقع سے فائدہ اٹھانے میں اس کی مدد کرے گی۔

ایز جی اور ایز جی انفراسٹرکچر

توانائی کے شعبہ میں اینگرو کے انضمام شدہ اثاثوں کی کارکردگی، گزشتہ برس کی طرح، برقرار رہی اور آمدنی میں 3 فیصد اضافہ ہوا۔

قادر پور پاور پلانٹ کی عمدہ کارکردگی جاری رہی اور قابل فروخت دستیابی کا فیکٹر 100 فیصد رہا۔ تاہم نیشنل گرڈ کے لیے نیٹ الیکٹریکل آؤٹ پٹ گزشتہ برس، 2017ء کے مقابلہ میں، کم رہا جس کی وجہ گیس فیلڈ سے گیس کی فراہمی میں کمی تھی، اور جس کی وجہ سے آمدنی بھی کم رہی۔

شیڈول کے مطابق، **تھر کول مائن** (Thar Coal Mine) کو ترقی دینے کا کام پوری رفتار سے جاری رہا اور جون 2018ء میں سطح زمین سے 140 میٹرز گہرائی اور کان کی پہلی درز سے کوئلہ بھی نکالا گیا۔ **تھر پاور جنریشن پلانٹ** کی تیاری متوازن انداز میں جاری ہے۔ اسے نیشنل گرڈ کے ساتھ کامیابی سے منسلک کیا جا چکا ہے تا کہ پلانٹ شروع کرنے کے لیے بیک فیڈ حاصل کیا جا سکے۔ حکومت کے ساتھ شراکت میں، توقع ہے کہ دونوں پروجیکٹس اپنے ٹریک پر رہیں گے اور 2019ء کے وسط تک مکمل کر لیے جائیں گے۔

سنہ 2018ء کے دوران، **ایلنجی ٹرمینل** (Elengy Terminal) کی دستیابی کا فیکٹر 97.3 فیصد رہا۔ سال کے دوران ٹرمینل نے 74 مال بردار جہازوں کو پروسیس کیا جبکہ سنہ 2017ء کے دوران یہ تعداد 70 جہاز تھی۔ اس عرصہ کے دوران ٹرمینل نے 223.8 BCF ری گیسیفائیڈ ایل این جی (re-gasified LNG) سوئی سدرن گیس کمپنی کے نیٹ ورک میں شامل کی۔

مقامی طور پر تیار کردہ ایل پی جی کی دستیابی اور بذریعہ سڑک درآمد کے باعث ایل پی جی کی درآمد کم رہی اور اس طرح **اینگرو وو پاک ٹرمینل** (**Engro Vopak Terminal**) نے، گزشتہ برس کے مقابلہ میں، کیمیکلز اور ایل پی جی کا 11 فیصد کم حجم کو ہینڈل کیا۔

ایکویٹی مارکیٹوں کے دو(02) برسوں سے زیادہ عرصہ کے لیے کم ترین سطح پر ہونے کے باعث بورڈ آف ڈائریکٹرز نے پاکستان اسٹاک ایکسچینج(PSX) میں لسٹیڈ بلیوچپ کمپنیوں میں محدودسرمایہ کاری کی اجازت دی۔اس فیصلہ کی مطابقت میں کمپنی نے محتاط انداز میں لسٹیڈ کمپنیوں کا جائزہ لینا اور سرمایہ کاری کرنا شروع کر دیا ہے۔

ہم اینگرو میں سرمایہ کاری کوطویل مدتی حکمت عملی پرمبنی معاملہ تصور کرتے ہیں جس میں مزید بہتری کی بہت گنجائش موجود ہے۔ہم اس کمپنی، اوراس کے ذیلی اداروں، کی پیشرفت کی نگرانی کررہے ہیں اور، آئندہ سیکشنوں میں، کچھ اہم پہلوؤں کا، تذکرہ کیا گیا ہے۔

اینگروکارپوریشن لمٹیڈ

کمپنی کے ذیلی ادارے، اینگروکارپوریشن لمٹیڈ (ECL) نے23,625 ملین روپے کا انضمام شدہ منافع ظاہر کیا ہے جوگزشتہ برس، اسی عرصہ کے لیے، 16,290 ملین روپے تھااوراس طرح، اس میں45 فی صد اضافہ ہوا ہے۔اینگروکارپوریشن کے دیگر ذیلی اداوں، فرٹیلائیزرز اور پیٹروکیمیکلز کے کاروبار نے ، اپنا مارکیٹ شیئر برقرار رکھتے ہوئے، فرٹیلائزرز کی قیمتوں میں بلندتر اضافے اور پی وی سی (PVC) کی ریکارڈ پیداوار کے باعث عمدہ کارکردگی کا مظاہرہ کیا۔دیگر شعبوں، مثلاً ٹرمینل سروسز اورتوانائی کے کاروبار نے بھی بہتر کارکردگی کا مظاہرہ کیا۔فی حصص آمدنی (EPS)24.25 روپے رہی، جوسنہ 2017ء میں17.96 روپے فی حصص تھی۔اینگروکارپوریشن لمٹیڈ نے سنہ 2018ء کے لیےکل منافع منقسمہ 21 روپے حصص کااعلان کیا جس سے کمپنی کو، بعدازٹیکس 3,480 ملین روپے کی آمدنی ہوئی۔

فرٹیلائزرز

اینگروکارپوریشن لمٹیڈ کے ذیلی ادارے اینگروفرٹیلائزرزلمٹیڈ (EFL) کی آمدنی اورمنافع میں، گزشتہ سال کے مقابلہ میں، بالترتیب، 42 فیصد اور 56 فیصد اضافہ ہوا جس کی وجہ فرٹیلائزرز کی فروخت اور قیمتوں میں اضافہ تھا اور، اسی کے ساتھ، صرف ایک مرتبہ ٹیکس کی ادائی کے اثرات بھی تھے جوکارپوریٹ ٹیکس کی شرح میں، مرحلہ وار، 30 فیصد سے کم ہوکر 25 فیصد ہوگئے تھے۔اینگروفرٹیلائزرز کو109,197 ملین روپے آمدنی ہوئی جوگزشتہ برس، سنہ 2017ء میں 77,129 ملین روپے تھی۔بعدازٹیکس منافع 17,576 ملین روپے تھاجوسنہ 2017ء میں 11,156 ملین روپے تھا۔فرٹیلائزرز کی ملکی صنعت کوبدستورقابل وصول سبسڈی اوراس کی ادائی میں طویل لیڈ ٹائم کے چیلنجوں کا سامنا رہا۔اینگروکارپوریشن لمٹیڈ نے، کراپ سائنسز کے کاروبار (بیج اور کیڑے مار ادویات) میں، اپنے فٹ پرنٹ میں اضافہ کیا اور پاکستان کے زرعی شعبہ میں مواقع کا مسلسل جائزہ لے رہی ہے تاکہ کاشتکار کی پیداوریت میں اضافہ کیا جاسکے اورحصص یافتگان کے لیےقدر پیدا کی جاسکے۔

سرمایہ کاری، بڑی حد تک، غیر متاثر رہی۔ تاہم، یہ رجحان اسٹاک ایکسچینج میں ظاہر ہوا اور کیلنڈر سال 2018 میں KSE-100 انڈیکس 8.4 فی صد کمی کے ساتھ 37,066 پوائنٹس رہ گیا۔ کمپنی کے بورڈ آف ڈائریکٹرز کی پیش کردہ تجویز پر کمپنی نے حب پاور کمپنی لمیٹڈ (حبکو) میں سرمایہ کاری مکمل طور پر فروخت کردی تاکہ طویل مدتی بنیادوں پر پورٹ فولیو کے باقی حصے کو سمت از سرِ نو متعین کی جا سکے۔

حبکو میں سرمایہ کاری کے فروخت کا نتیجہ 18,142 ملین روپے کی آمدنی کی صورت میں ہوا جب کہ 172.582 حصص پر مشتمل پورا پورٹ فولیو 105.12 فی حصص کی شرح سے فروخت ہوا۔ اس سرمایہ کاری کے فروخت سے 3,972 ملین روپے کے منافع کو غیر انضمام شدہ گوشواروں میں ظاہر کیا گیا ہے۔

بورڈ آف ڈائریکٹرز نے اتفاق کیا کہ اس سرمایہ کاری کے فروخت سے حاصل ہونے والی رقم کو، ملائیشیا کی ممتاز کمپنی 'ای ڈاٹ کو انٹرنیشنل لمیٹڈ (edotco International Limited; EIL)' کے ساتھ شراکت کے ذریعہ، ای ڈاٹ پاکستان پرائیویٹ لمیٹڈ (edotco Pakistan Private Limited; EPPL) میں نمایاں اقلیتی حصص یافتہ (Minority Significant) کے طور پر اس کے ٹیلی کام ٹاور انفرااسٹرکچر میں لگایا جائے۔ اس فیصلہ کو غیر معمولی اجلاس عام منعقد 6 مارچ، 2018ء میں، خصوصی امور کے طور پر، حصص یافتگان کے سامنے پیش کیا گیا جس کی انہوں نے منظوری دے دی۔

تاہم، اکثریتی حصص یافتہ اور فروخت کنندہ (EIL) طے شدہ حتمی تاریخ تک، اس ٹرانزیکشن کے لیے انضباطی اجازتیں (regulatory permissions) لینے میں ناکام ہو گیا اور، اس وجہ سے، ای ڈاٹ کو پاکستان پرائیویٹ لمیٹڈ میں مجوزہ سرمایہ کاری نہ کی جا سکی اور معاہدہ ختم کر دیا گیا۔

ای ڈاٹ کو پاکستان (پرائیویٹ) لمیٹڈ کے ساتھ ٹرانزیکشن کا خاتمہ ہونے کے بعد اضافی سرمایہ سے حکومتی سیکیورٹیز اور بینکوں کے ٹرم ڈپازٹس میں، سرمایہ کاری جاری ہے اور اس کے لیے نہایت دانشمندی اور ہوشیاری سے کام لیا جاری ہے۔ کمپنی، نہایت سرگرمی سے، سرمایہ کاری کے لیے دیگر مواقع بھی تلاش کر رہی ہے اور ان کا جائزہ لے رہی ہے۔ شرح سود میں اضافے کے باعث فنڈز کو قلیل مدتی سیال حکومتی سیکیورٹیز (short-term liquid government securities) اور قلیل مدتی ٹرم ڈپازٹس میں لگا دیا گیا ہے تاکہ پالیسی ریٹ میں کسی اضافہ سے فائدہ اٹھایا جا سکے۔

ڈائریکٹرز کی رپورٹ

داؤد ہرکولیس کارپوریشن لمیٹڈ (''کمپنی'') کے ڈائریکٹرز 31 دسمبر، 2018ء کو ختم ہونے والے مالی سال کی سالانہ رپورٹ اور پڑتال شدہ مالی گوشوارے پیش کرنے میں خوشی محسوس کرتے ہیں۔

ا۔ مرکزی سرگرمی

کمپنی کی مرکزی سرگرمی قومی اور بین الاقوامی سطح پر، اپنے ذیلی اداروں اور/ یا ملحقہ کمپنیوں میں سرمایہ کاری کرنا، اس کا انتظام وانصرام کرنا اور اسی طرح کے دیگر اقدامات کرنا اور ٹرانزیکشنز کرنا شامل ہیں لیکن یہ سرگرمی ان اقدامات تک محدود نہیں ہے۔

کاروباری جائزہ

پاکستانی معیشت کے لیے مشکلات سے بھرپور سال ہونے کے باوجود کمپنی کے پورٹ فولیو نے عمدہ کارکردگی کا مظاہرہ کیا۔ ہماری بڑی سرمایہ کاری، اینگرو کارپوریشن لمیٹڈ (''اینگرو'') نے بھی، تقریباً اپنے تمام ذیلی اور ملحق اداروں میں ریکارڈ منافع کی صورت میں اعلیٰ کارکردگی کا مظاہرہ کیا۔ہم نے حب پاور کمپنی (''حبکو'') میں سے، اپنی سرمایہ کاری فروخت کردی تا کہ دیگر ترقی پذیر شعبوں پر توجہ مرکوز کرسکیں۔

مالی سال 2018ء کے دوران، خدمات اور مینوفیکچرنگ کے شعبوں میں بہتری کے باعث معیشت میں 5.8 فی صد کا اضافہ ہوا جسے شرح سود میں کثیر السالی کمی اور افراط زر سے بھی مدد ملی۔ سال 2019ء کے پہلے نصف کے دوران، جاری اکاؤنٹ میں خسارے کے باعث، کیلنڈر سال 2018ء کے اختتام تک، ڈالرز کے مقابلے میں روپے کی قدر میں 25 فیصد کمی واقع ہوئی۔ زرمبادلہ کی قیمتوں میں اتار چڑھاؤ کے ساتھ براہ راست تعلق میں کمی نے ہمارے کاروبار کو روپے کی قدر میں اس تنزلی کے اثرات سے محفوظ رکھا۔

زرمبادلہ کی شرح میں تبدیلی اور تیل کی قیمتوں میں اضافے سے نمٹنے کے لیے، مالی سال 2019ء کے پہلے نصف میں، مرکزی بینک نے اپنے پالیسی ریٹ میں اضافہ کردیا جس سے یہ شرح سود 6.5 فیصد سے بڑھ کر 10.0 فیصد ہوگئی۔ مرکزی بینک نے، مالی سال 2019ء کے دوران، خام ملکی پیداوار (GDP) کی ترقی کے حوالے سے اپنی پیش گوئی میں بھی کمی کردی جو 5.5 فیصد (بحوالہ: زری پالیسی کا بیان، جولائی 2018) سے کم ہوکر صرف 4.0 فیصد رہ گئی (بحوالہ: زری پالیسی کا بیان، دسمبر) اور اس کے لیے، جولائی-نومبر، 2018ء کے دوران مینوفیکچرنگ کی سرگرمیوں میں ہونے والی کمی بیان کی گئی۔ ان تبدیلیوں سے ہماری

Proxy Form

Dawood Hercules

I/We____
of __________________________ being a member of Dawood Hercules Corporation Limited and holder of ________________________ Ordinary Shares, as per:

Share Register Folio No. ___________________ and/or
CDC Participant 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 51st 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 Saturday, 27th April 2019, at 10:00 a.m. and at any adjournment thereof.

Signed this ____________________ day of ___________ 2019.

WITNESSES -1:

Signature: ____
Name: ____
Address: ____
CNIC No. or ____
Passport No. ____

WITNESSES -2:

Signature: ____
Name: ____
Address: ____
CNIC No. or ____
Passport No. ____

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: +92-21-35644147
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 ہفتہ مورخہ ۲۷ اپریل ۲۰۱۹ 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 ۵۱ ویں سالانہ اجلاسِ عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

دستخط __________ بروز __________ ۲۰۱۹

گواہ (۱)

دستخط گواہ: __________

نام: __________

پتہ: __________

قومی شناختی کارڈ نمبر یا: __________

پاسپورٹ نمبر: __________

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۔

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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.

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, Near 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:____________________


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Risk profiler*
Financial calculator
Subscription to Alerts (event
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regulatory actions)
Jamapunji application for
mobile device
Online Quizzes

50

YEARS

OF COMMITMENT

DH Corp is committed to invest in value-driven businesses, and values-driven people.

CEO Inam ur Rahman (seen in foreground) leads a team-building experience in Baku, in 2018.

Dawood Hercules

Dawood Hercules Corporation Limited

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