



# years of elevation

Annual Report 2015



+92 (21) 352 960 00  
engrofoods.com



DC/PT/HE D/PHAM/DI PARTNERSHIP

## about the cover

Our employees are Engro Foods' most prized asset, one that is a highly visible symbol of our success and often the largest contributor to our bottom line. As we celebrate our 10 year anniversary, Engro Foods' employees show the spirit of celebration by gathering together in large groups, seen from above; in the shape of number 10 for our cover page. On the inside pages we convey the component of joy by portraying our employees involved in activities that inadvertently revolve around number 10. By doing so, we highlight and rejoice our achievements during a decade of successful operations and reflect Engro Foods as a growing, innovative and young company. It is, with this thought in mind, we have selected the cover for our Annual Report 2015.

## contents

### Company Information

---

Company Information	06
Notice of the meeting	07
Core Values	10
Our Overview	12
Our Portfolio	14
Our Footprint	15

### Corporate Governance

---

Directors' Profiles	20
Board of Directors	26
Management Committee	28

### Directors' Report

---

CEO's Message	32
Directors' Report	34
Financial Review	46
Summary	49
Financial Performance Indicators 2010-2015	50
Future Outlook	51
Key Shareholding and Share Traded	52
Pattern of Shareholding	54
Category of Shareholding	55
Shareholder Information	56

### Our Brands

---

Our Brands	60
Marketing Communication	62

### Financial Statements

---

Financials	74
Annexure	

years of progress



## timeline

2006

2007

- Launched Olper's UHT milk, Olper's Cream and Olwell low fat milk – Flagship brand of Engro.
- Engro Foods launched the largest liquid tea-whitener brand Tarang and Tarka Desi Ghee.
- Engro Foods set up its 2nd dairy processing plant in Sahiwal.

2008

- R&D center established, Ice cream and basic UHT Pilot Plants commissioned.

2009

- Engro Foods launched its ice-cream brand, Omorè, in Pakistan with 24 different Flavors and SKU.
- Engro Foods became market leader in UHT industry.
- Launched EMAN (Engro Milk Automation Network) to facilitate farmer payments and real time monitoring.
- Nara Farm came into operation with around 1,500 animals.

2010

- Juices/Nectar, Dobala topping and Tea Whitening Powder recipe developed and launched.
- Engro Foods Crossed 1 billion packs in Pakistan.

2011

- Engro Foods was listed on Stock Exchange.
- Engro acquired Al Safa Halal in Canada.
- Engro Foods launched Dairy Omung. Relaunch of low fat high calcium milk under Brand name of Olper's light.
- Tarang became the biggest brand in UHT category in Pakistan and crossed 1 billion packs - first brand to cross this milestone in Pakistan.
- Omore captured 25% market share with successful launch in Karachi.
- Engro Foods Limited became ISO certified company (ISO -9001,14001, 18001, 22000, HALAL).
- Achieved 5 certifications at both sites (ISO 22000 (Food Safety Management System), ISO 9001:2008 (Quality Management System), ISO 14001 (Environment Management System), Halal and OSAS 1800 certifications).

2012

- Engro Foods launched the first Packaged Lassi in Pakistan.
- Engro Foods won the G20 World Top 15 Companies Award, for Inclusive Business Innovation.
- First Pakistani Dairy Company that achieved "A" ranked BRC (GFSI) certification.
- Nara achieved Global GAP certification, only livestock farm having this standard in Pakistan.

2013

- Engro Foods flagship program EMAN (Electronic Milk Automation Network) was awarded the 2013 Computerworld Honors Laureate.
- Engro Foods introduced Ecolean packaging in Pakistan for Olper's Milk.
- New employer brand 'LIFE' launched.
- Engro Foods Limited Sahiwal became the 1st in Dairy sector for launching One-Step technology for improving Tarang quality, along with major step of shifting our primary source of steam to Bio Mass.
- Malaysian Halal certification (Jakham) achieved at Sahiwal Plant.
- Engro Foods implemented Warehouse Management Solution of SAP on Handheld devices – the first implementation of SAP WMS in Pakistan.

2014

- Engro Foods Limited won the Financial Times/International Finance Corporation's "Transformational Business Award".
- Olper's became the market leader with 44% share in Premium UHT milk category.
- Engro Foods powder production facility became operational in Sahiwal.
- FSSC 22000, GFSI based Food safety management certification achieved.

2015

- Engro Foods became the first customer of Tetra Pak in the GME&A region to cross 2 billion packs; became 9th biggest customer of Tetra Pak in the world.
- Omore achieved its ever highest volume of 19 million liters with market share of 28%.
- Tarang reached its highest ever secondary sales, almost reaching the Million Litres Per Day Markat 957 KLPD in November.
- Engro Foods achieved its highest ever numeric availability of 80% across Pakistan – continuing to be the most distributed portfolio in UHT segment for many years.
- Highest ever Employee Engagement Index to date i.e. 69%.
- Olper's successfully launched in the Middle East.
- New state of art UHT Pilot Plant commissioned at R&D center.
- 1st dairy industry, that got BRC issue 7 "A" ranked certification.
- Engro Foods flagship program EMAN (Electronic Milk Automation Network) was available on Harvard Open Knowledge Portal.

## company information

### Board of Directors

Abdul Samad Dawood (Chairman)  
Babur Sultan (CEO)  
Muhammad Amin  
Sabrina Dawood  
Rehan Hassan  
Zafaryab Ali Khan  
Isfandiyar Shaheen  
Marco L. Spits  
Syed Khalid Siraj Subhani  
Wim Torfs

### Company Secretary

Faiz Chapra

### Bankers

Allied Bank Limited  
Faysal Bank Limited  
Bank Alfalah Limited  
The Bank of Punjab  
Habib Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
United Bank Limited  
Habib Metropolitan Bank  
Askari Bank Limited  
Al-Baraka Bank Pakistan Limited  
Standard Chartered Bank Pakistan Limited  
Soneri Bank Limited  
NIB Bank Limited  
Citi Bank .N.A.  
Bank Al-Habib Limited  
Deutsche Bank AG  
Samba Bank Limited  
Industrial & Commercial Bank of China  
Summit Bank Limited

### Auditors

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

### Registered Office

5th Floor, The Harbor Front Building,  
HC # 3, Marine Drive, Block 4, Clifton,  
Karachi-75600, Pakistan  
Tel: +92(21) 35296000 (10 lines)  
Fax: +92(21) 35295961-2  
e-mail: info@engrofoods.com  
Website: www.engrofoods.com

### Share Registrar

M/s. FAMCO Associates (Pvt) Limited  
8-F, Next to Hotel Faran, Block-6, PECHS,  
Shahrah-e-Faisal Karachi – Pakistan  
Tel: +92(21) 3438 0104-5, 3438 4621-3  
Fax +92(21) 3438 0106

## notice of the meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of Engro Foods Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on 22nd April 2016, at 10 a.m. to transact the following business:

### A. Ordinary Business:

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

- (2) To appoint Auditors and fix their remuneration.

### B. Special Business:

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

RESOLVED THAT the consent of the Company in General Meeting be and is hereby accorded to lend/provide to Engro Corporation Limited, a short term loan / financing facility of upto PKR 2 billion. The facility will initially be for a period of one year, but renewal of the same for four further periods of one year each be and is also hereby approved.

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

RESOLVED that the Articles of Association of the Company be amended by adding a new Article 55A as follows:

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

### N.B

- (1) The Share Transfer Books of the Company will be closed from Friday, April 08, 2016 to Friday, April 22, 2016 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO ASSOCIATES (PVT.) LTD, 8-F, next to Hotel Faran, Nursery, Block 6, PECHS, Shakra-e-Faisal, Karachi [PABX Nos. (92-21) 34380101-5] and email info.shares@famco.com.pk by the close of business (5:00 p.m) on Thursday, April 07, 2016 will be treated in time to entitle the transferees 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.

### Statement under Section 160 of the Companies Ordinance, 1984

This statement is annexed to the Notice of the Eleventh Annual General Meeting of Engro Foods Limited to be held on Friday, April 22, 2016 at which certain Special Business is to be transacted. The purpose of this statement is to set forth the material facts concerning such Special Business.

### Item (3) of the Agenda

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

**The information required under S.R.O. 27 (1) / 2012 for equity investment is provided below:**

- (i) Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;
- Engro Foods Limited is a subsidiary company of Engro Corporation which holds 87.1% of its shares.
- (ii) Amount of loans or advances;
- Upto PKR 2 billion.
- (iii) Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances;
- This will enable Engro Foods to lend to Engro Corp during the times it has excess liquidity and / or Engro Corporation requires liquidity giving the Company the opportunity to benefit from better terms including earning a higher return. This will improve the profitability of the Company benefitting the shareholders.
- (iv) In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof;
- None
- (v) Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements;
- Half year ended June 30, 2015, reviewed accounts of Engro Corporation Limited (standalone):

Assets	Amounts in thousand
Property plant & equipment	91,361
Long term investments	30,452,386
Loans, advances & prepayments (including long term)	10,014,987
Short term investments	4,689,378
Other Assets	750,572
Total Assets	45,998,684

**Liabilities**

Borrowings	4,370,935
Trade and other payables	576,856
Other Liabilities	352,921
Total Liabilities	5,300,712

**Equity**

40,697,972

**Income Statement**

Dividend & Royalty income	4,306,460
Operating Profit	11,585,609
Profit after Tax	11,027,129

- (vi) Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank offered Rate for the relevant period;
- Average Short Term Borrowing Cost of Engro Foods as at December 31, 2015 is KIBOR + 1%. However this keeps on changing.
- (vii) Rate of interest, mark up, profit, fees or commission etc. to be charged;
- The rate will be better than the mark-up payable by Engro Foods on its borrowings of like or similar maturities and where it has no borrowings, the rate will not be less than KIBOR for the relevant period and will also be better than the rates Engro Foods can obtain for deposits or investments with financial institutions.
- (viii) Sources of funds from where loans or advances will be given;
- Internal cash generation: However see IX below.
- (ix) Where loans or advances are being granted using borrowed funds,- (I) justification for granting loan or advance out of borrowed funds; (II) detail of guarantees / assets pledged for obtaining such funds, if any; and (III) repayment schedules of borrowing of the investing company;
- The intent is generally only to lend to Engro Corp when Engro Foods has excess liquidity. However, there may be circumstances where Engro Foods may have overdraft lines un-utilized and may still lend to its parent by utilising such lines. If this is done the

answers to the queries are that (I) it will be justified by Engro Corp paying a mark up rate higher than the rate payable by Engro Foods and Engro Corp also making a similar facility available to the company and (II) Engro Foods secures its overdraft line by Pari-Passu floating charge on Present and Future current assets of the company and (III) the normal repayment schedules of short term loans are for a maximum of one year.

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

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

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

None

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

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

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

As detailed above

Karachi,  
January 27, 2016

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

The Directors of Engro Foods have no personal interest in the matter, however, some directors on Engro Foods' Board are also directors on Engro Corporation's Board and hold shares in Engro Corporation Limited: Mr. Abdul Samad Dawood 66,310 shares, Mr. Syed Khalid Siraj Subhani 865,714 shares and Mr. Isfandiyar Shaheen 1 share. The following directors of Engro Corporation Limited hold shares in Engro Foods Limited: Mr. Waqar Ahmed Malik 29500 shares and Mr. Abdul Samad Dawood 500 shares.

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

N/A

**ITEM (4) OF THE AGENDA**

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

By Order of the Board

**Faiz Chapra**  
Company Secretary

## our core values

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

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



### Ethics & Integrity

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



### Health, Safety & Environment

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



### Innovation & Risk Taking

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



### Our People

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



### Community & Society

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

## our overview

Even after a decade, Engro Foods remains Pakistan's fastest growing local company fuelling our nation's economic growth and also contributing to the socio-economic fabric of society at large.

As we at Engro Foods celebrated our 10th Anniversary in 2015, we proudly looked back at an incredibly successful decade that has made us a beacon of trust and reliability across Pakistan. In 2005, we set out with the goal to offer our customers high quality, affordable and nutritious products and today our brands have become trusted household names. Over this decade, we have grown from strength to strength, redefining industry benchmarks, while always remaining firmly committed to our goal of serving Pakistan's economy and our consumers with innovative brands that consistently raise the bar for quality.

Since our inception in 2005, we can confidently say we have changed the very landscape of the country's foods business so that our products are now synonymous with quality, value and nutrition. Setting and maintaining the highest standards, we have consistently offered our consumers unparalleled compelling products resulting in soaring consumer demand. Significant investment in our brands, such as Olper's, Tarang, Olper's Lite, Omoré and Dairy Omung has meant that Engro Foods now has significant footprint in the food's industry.

The scale of production at Engro's plants continued to reflect an upwards trend for 2015 with key areas of focus being research and development to bring efficiency in the system to reduce costs.

# 12m

consumers nationwide use our products every day

Engro Foods' South Plant which is 1.5 km from Sukkur Barrage, was the company's first production plant and came into operation in 2006 as Engro Foods started business. The plant is spread over 29 acres of land and has flexible processes enabling it to make all Engro Foods products, serving the needs of key brands such as Olper's Tarka Desi Ghee, Dairy Omung, Tarang, Omung Dobala as well as Olper's Milk, Olper's Cream, Olper's Lassi and Olper's Lite. With a product range of 25+ SKUs of dairy and beverages, the plant

exceeded its previous record output of 150 million litres in 2014 and achieved a production milestone of 637 million litres in the year 2015. While meeting all critical key performance indicators, the plant outperforms regional players with higher efficiency and lower wastage, achieving the lowest ever Process Loss in 2015.

Engro Foods North Plant is spread over 101 Acres of land in Sahiwal, encompasses a product range of more than 70 SKU's of our dairy and ice cream brands, and is at par with the biggest manufacturing facilities in the Dairy and Ice Cream Sector. Exceeding its record output of 1.23 billion packs in 2014, the Plant achieved a production milestone of 1.6 billion dairy packs in 2015.

Our Supply Chain Services have a vast network with 106 dedicated vehicles in the system serving as many as 113 national distributors through our dispatch centres at Sukkur, Sahiwal, Islamabad and Lahore. Our cold-chain network is designed for direct distribution in Karachi and in direct distribution in all the other cities in the country. With an emphasis on ensuring food safety by delivering on our promise of providing wholesome goodness, Engro aims to elevate consumer delight worldwide.

Even after a decade, Engro Foods remains Pakistan's fastest growing local company fuelling our nation's economic growth and also contributing to the socio-economic fabric of society at large. With over 1600 milk collection units providing livelihood to more than 25,000 farmers across Pakistan. Each new milestone for Engro Foods has brought greater prosperity for Pakistan and we take immense pride in the fact that our growth has fuelled Pakistan's growth. Our success today directly translates into growth of the country's agri-business sector accounting for more than 11.8% of Pakistan's GDP.

In a single decade Engro Foods has become the country's largest local company, one of the leading ice-cream manufacturers and the market leader in UHT. We have also taken many firsts including our milestone of being the first Pakistani company to cross 2 billion tetra packs to date. Our growing operations span 310+ cities and towns in all five provinces of Pakistan.

A decade of focusing on the provision of high quality and innovative products that delight our customers has made our brands some of the most highly sought after nationwide.

As Engro Foods looks back over the successes of the last decade, we are determined to the continued consolidation of our company's presence while facing all the challenges the future brings. Our company's success is due to the unrelenting efforts of a team that is committed to excellence, and as we forge ahead we hold steadfast to our commitment to always represent the best of Pakistan.

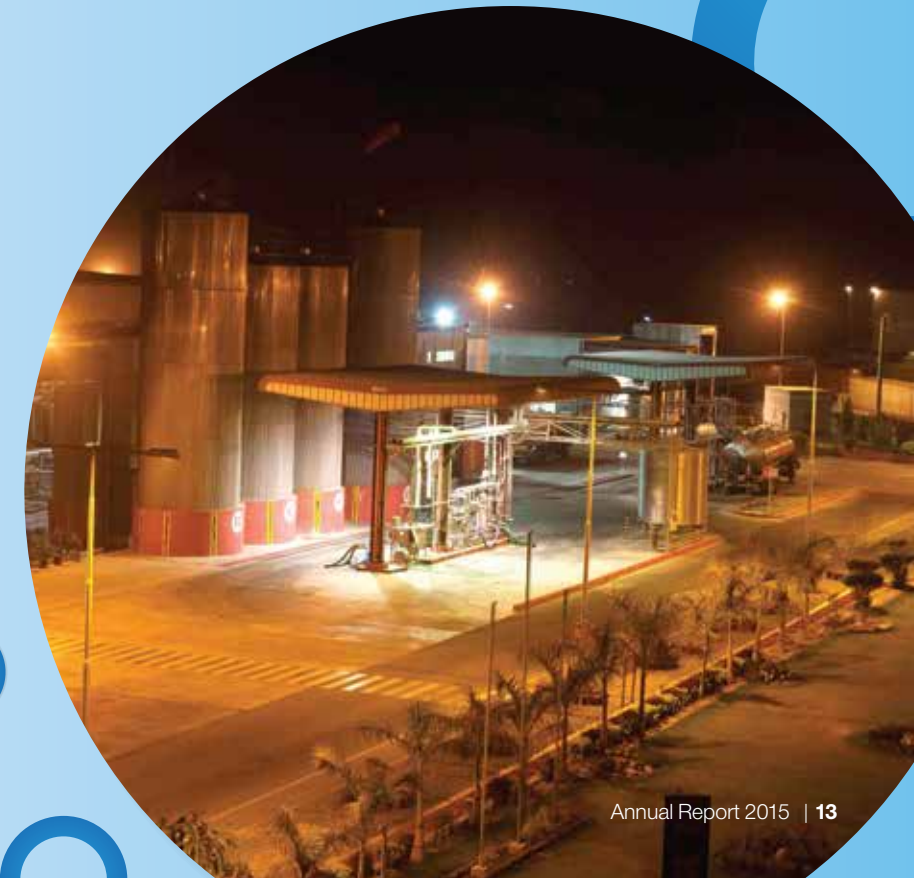
# 25,310

Total Milk Suppliers (Count) 2015

Rs.

# 63bn

in payments to dairy farmers as direct income since inception



## our portfolio

At Engro Foods, we put great emphasis on manufacturing food products that combine great taste with the best value and nutrition to enhance lives, excite consumers and exceed expectations every day.



## our footprint

Our growing market share covers over 8 regions and 300+ cities in Pakistan while our products are used by 12 million consumers every day. In our quest to expand our footprint and develop new markets, the coming years will therefore witness Engro Foods explore new product categories and bigger markets with quality food products guaranteed to leave our consumers craving for more.



**2** processing plants and a production farm

**300<sup>+</sup>** cities

**1600<sup>+</sup>** milk collection points

years of leadership



## Compliance Statement

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

## Internal Control Framework

### Responsibility

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

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

### Framework

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

### Review

The Board meets quarterly to consider Engro's financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators.

The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

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

### Audit

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

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

### Directors

As at December 31, 2015 the Board comprises of one Executive Director, three independent Directors, six non-executive of whom one is executive in other Engro Group company, who have the collective responsibility for ensuring that the affairs of Engro Foods are managed competently and with integrity.

A non-executive Director, Mr. Abdul Samad Dawood, chairs the Board and the Chief Executive Officer is Mr. Babur Sultan. Biographical details of the Directors are given later in this section.

A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval. The full Board met 7 times this year and discussed matters relating to inter alia long term planning, giving consideration both to the opportunities and risks of future strategy.

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

## Board Compensation Committee

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives remuneration and to approve all matters relating to the remunerations of the executive directors and members of the management committee.

The CEO of the Company and the Vice President HR of Engro Corp attend the Board Compensation Committee Meeting by invitation.

The committee met 5 times during 2015.

## Committee Members

The committee comprises the following members:

Rehan Hassan	Chairman
Abdul Samad Dawood	Member
Khalid Siraj Subhani	Member
Isfandiyar Shaheen	Member

## Board Audit Committee

The Board Audit Committee assists the board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or their advisors as considered appropriate.

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

The committee met 6 times during 2015.

The committee comprises the following members:

Muhammed Amin	Chairman
Abdul Samad Dawood	Member
Zafaryab Ali Khan	Member
Isfandiyar Shaheen	Member

Saleem Lallany GM Internal Audit/Secretary BAC.

## Functional Committees

### COED Committee

COED Committee is responsible for the review of compensation, organization, training and development matters.

## Corporate Committee for Food Safety, Health, Personnel Safety and Environment

The Corporate FHSE Committee develops and implements the HSE policy whilst ensuring that all Company operations adhere to the policy.

The Committee met 5 times during 2015.

The Committee comprises the following members:

Babur Sultan	Chairman
Ahsan Afzaal Ahmad	Member
Imran Husain	Member
Salman Goheer	Member
Syed Saud A. Pasha	Member
Usman Zaheer	Member
Imran Ahmed	Member
Zahid Mahmood	Member
Adnan Mahmood	Secretary

The committee comprises the following members:

Babur Sultan - CEO  
Usman Zaheer  
Imran Husain  
Zahid Mahmood  
Salman Goheer  
Ahsan Afzaal Ahmad

### Management Committee

The Management Committee is responsible for devising the overall business strategy and overseeing operations to ensure that annual business plans are aligned with the company's long-term growth vision.

The Committee comprises the following members:

Babur Sultan - CEO  
Ahsan Afzaal Ahmad  
Imran Husain  
Salman Goheer  
Syed Saud A. Pasha  
Usman Zaheer  
Imran Ahmed  
Zahid Mahmood

## directors' profiles

At Engro Foods, we draw our strength from the combined expertise, knowledge and skills of our board of directors representing a group of highly successful professionals and business leaders, who bring in a wealth of ideas and experience that can be applied to all aspects of our operations.



**Abdul Samad Dawood**  
Chairman

Abdul Samad is the Chief Executive Officer of Dawood Hercules Corporation Limited. He is the Chairman of Engro Foods Limited. He is also Director on the Boards of Dawood Corporation Private Limited, Engro Fertilizers Limited, Dawood Lawrencepur Limited, Tenaga Generasi Limited, Reon, The Hub Power Company Limited, Hub Power Holding Ltd, Patek Private Limited and Towershare Private Limited. Mr. Dawood is a graduate in Economics from University College London, UK and a certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance. He was recently appointed Italian Honorary Consul General in Lahore. Mr. Dawood is also a member of the Young President's Organization. He joined the Board in 2012.



**Babur Sultan**  
Chief Executive Officer

Babur did a post-graduation with Agriculture Science and an executive education form Santa Clara University CA, INSEAD and Harvard. He has 30 years of FMCG experience in the field of Sales & Distribution, Trade Marketing and Supply Chain Besides top management experience in setting up systems, structures, processes and effective cross functional teams for strategy building and its execution. He joined Engro Foods in 2005 and is a founder member of EFL, prior to which he worked for Wellcome Pharma, Russel Ucalf, Reckitt Benckiser and Haleeb Foods. He joined the board in 2015.



**Isfandiyar Shaheen**

Director

Isfandiyar Shaheen joined Dawood Hercules Group as Head of Growth Equity in June 2011. Currently he serves as a Director and Investment Committee member on the boards of Engro Corporation and Towershare Inc. Prior to joining Dawood Hercules Group, Mr. Isfandiyar served as Head of Investment Banking for Foundation Securities, where he co-managed the acquisition of British Petroleum's Pakistan assets by United Energy Group. Prior to joining Foundation Securities, he was the Founder and CEO of The Kadmos Initiative – a financial services company he set up in 2009. Mr. Isfandiyar started his investment banking career in New York with Seabury Group and graduated from Franklin and Marshall College with a degree in Mathematics & Economics. Currently, he teaches Financial Modelling courses at IBA's Center for Executive Education. He also serves on the advisory board of The Nest I/O (Pasha's tech incubator) and the Reading Room Project. He joined the Board in 2015.



**Muhammed Amin**

Director

Muhammed Amin is a Chartered Accountant. He has a professional work experience of over 30 years at various management levels in Finance, Strategy, Sales, Marketing and General Management.

He served as CEO of Mondelez Pakistan Limited (previously Cadbury Pakistan Limited) from 2004 to 2014. Prior to Mondelez, he was associated with Gillette for eleven years at various levels in Pakistan and overseas, the last being Regional Business Director, Gillette Middle East & Africa.

Currently, he heads a start up Sunridge Foods Private Limited. He is member of Board of Directors of Al Shaheer Corporation Limited and Board of Governors of British Overseas School. He joined the board in 2006.



**Sabrina Dawood**

Director

Sabrina Dawood is the CEO of the Dawood Foundation. She has been involved in the field of education through her involvement in several educational initiatives, such as Dawood Public School and Lady Mariam Adamjee School. She is also a member of Board of Governors of National Management Foundation (NMF) of Lahore University of Management Sciences (LUMS) and sits on the boards of Karachi School of Business and Leadership (KSBL) and Children's Literature Festival. Sabrina is also in the board of Dawood Hercules Corporation Limited.

She holds an MSc in Medical Anthropology from University College London and a BA from London School of Economics in Anthropology & Law. She joined the Board in 2013.



**Rehan Hassan**

Director

A Telecoms Executive with over 20 years of professional experience, Rehan Hassan is presently the President and CEO of Towershare, based out of Dubai, UAE.

Prior to starting Towershare, he was working with Ericsson for 8 years in the Middle East, where he served as President of GCC countries. He joined the board in 2015.



### Zafaryab Ali Khan

Director

Zafaryab Ali Khan is an electrical engineer by qualification and has 20 plus years of professional work experience, primarily in the electronics and digital data analysis industry. He commenced his career in 1992 with Avalon Computers and worked as a design engineer. Moving on to Gemstar Technology in 1994 where he was initially a technical member staff and later became a Senior Engineer in 2000. Zafaryab's got two highly cited patents in electronic consumer advertising while working for Gemstar. He then became a partner at PrimeDTV Technologies where he was responsible for software development in a transmission project. Zafaryab founded Sofizar in 2004 and by 2008 scaled it up to a 10 Million plus revenue company. This company was recognized as one of the fastest growth companies of Pakistan by All world.

Alongside his technical experience, Zafaryab has also served in key management roles. He has been the Chairman at Zacky Farms(Pvt) Limited overlooking the growth of an organic dairy farm at Burki. Furthermore, he was also instrumental in establishing Sofizar as a strong brand name in the Search Engine Marketing space, and currently serves as the CEO of Sofizar Inc.

Furthermore, he also holds the position of CTO and President ConstellationCK Inc. Zafaryab got his undergrad degree in B.S. Electrical Engineering from California Institute of Technology. Additionally, he is Senior Vice Chairman of P@SHA(Pakistan Software Houses Association). He joined the Engro Foods Board on April 27, 2015.



### Marco Spits

Director

Marco Spits graduated from University Twente, based in The Netherlands, with an Msc. in Chemical Engineering & Business Administration. He has also attended various courses from INSEAD and IMD. His Marketing career started at P&G as a brand manager in 1977 and rose through the ranks to act as a General Manager for Belgium & Luxemburg in Consumer Products group, over a span of 10 years.

He left P&G in 1986 and moved on to the "global top 5 dairy company" Royal FrieslandCampina in 1986, serving the Company to date in various senior management positions. He has excelled in international branded consumer products exhibiting strategic, marketing, innovation and organizational skills. Most recently, Marco held the CEO position in RFC's majority owned Indonesian operation. He was also a member of both the Asian & Global RFC Leadership teams. He joined the Board in 2015.



### Khalid Siraj Subhani

Director

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

He is the Chairman of the Board of Engro Fertilizers Limited., Engro Eximp (Private) Limited, Engro Eximp AgriProducts (Private) Limited, Engro Polymer & Chemicals Limited, Engro Polymer Trading (Private) Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, Engro Elengy Terminal (Private) Limited, Elengy Terminal Pakistan Limited and Thar Power Company Ltd.

He has also served as Chairman of the Board of Avanceon in the past. Mr. Subhani is a Director on the Board of Engro Corporation Limited, Engro Foods Limited, Sindh Engro Coal Mining Company Limited. He is also a Director of the Board of The Hub Power Company Limited and Laraib Energy Limited.

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

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

He graduated from NED University of Engineering and Technology, Pakistan with a degree in Chemical Engineering and has completed programs on advance management from MIT and Hass School of Business Management, University of Berkeley, USA. He joined the Board in 2015.



### Wim Torfs

Director

Wim Torfs has fifteen years of international management experience serving large corporations as an advisor. He started his career working in Brussels – Belgium, as a consultant for governments and private companies on liberalization issues.

The next 10 years, Wim worked at Mckinsey & Company where in 2009, he became a partner based out of the Middle East office. In this role, he served a diverse set of large clients on topics ranging from strategy, sales and marketing, regulatory management and operational transformations. Within McKinsey, Wim was also responsible for talent development as well as the Middle Eastern Strategy Practice.

In 2013, Wim left McKinsey to follow his passion for technology and founded Glowfish Capital – a business builder/incubator that focuses on building consumer focused technology start-ups.

Wim is also a member of the advisory board for the Minister of telecom and ICT in Qatar and he is the founder of Babouka – a charity helping Pakistani and Tanzanian women. Wim holds a masters in Management from Leuven Ghent Management School as well as a masters in Commercial Engineering from the University of Antwerp, Belgium. He joined the Board in 2015.

# board of directors

**Left to Right**

- Muhammad Amin
- Khalid Siraj Subhani
- Marco L. Spits
- Babur Sultan (CEO)
- Wim Torfs
- Abdul Samad Dawood (Chairman)
- Sabrina Dawood
- Rehan Hassan
- Isfandiyar Shaheen
- Zafaryab Ali Khan



# management committee

- Left to Right**  
Syed Saud A. Pasha  
Imran Husain  
Imran Ahmed\*  
Usman Zaheer  
Babur Sultan (CEO)  
Salman Goheer  
Ahsan Afzaal  
Zahid Mahmood



\*As of January 1, 2016



years of growth



## CEO's message

Our growth and the considerable impact that EFL has made to Pakistan's economy and to the broader community is the direct result of our employees' preparedness to reassess, adapt and constantly modernize.

Engro Foods Limited has completed a decade of outstanding sustainable growth at a remarkable pace, as a green field start-up and emerging into one of the most respected and trusted food companies in Pakistan. EFL's exponential growth means that we are now a market leader in the UHT milk category and we can take great pride in the considerable contribution we have made to the prosperity of our country's economy.

As a fast expanding company, we have achieved our goals by heavily focusing on dairy business, investing a substantial amount in processing plants, Dairy farm, milk collection capability, distribution network, brand franchising and on our people, so that today, we have built a vertically integrated dairy chain from 'Grass to Glass'. EFL is the leader in the UHT liquid milk category with our brands Olper's, Omung, Tarang and dairy business currently constituting 93% of Engro Foods' revenue. Growing our success in this sector is critical to our business vision and performance in the coming years.

At present, Pakistan is the 4th largest producer of milk in the world with an estimated 40 billion litres produced annually. The dairy sector constitutes 11% of Pakistan's GDP and EFL's market share as of December 2015 stands at 55% of UHT liquid milk industry, allowing us to envision vast growth potential in the dairy industry for our company.

With 55 million livestock holding in the country, the potential of such a huge number of animals is yet to be fully developed and exploited. Under the current farming pattern, where 10 million families are involved in farming activities nationwide, 90% are small land holdings with farmers owning less than 5 animals. While EFL works with all stakeholders modifying and adapting our practices according to the needs of our indigenous environment, we have committed ourselves to enhancing the currently fragmented dairy sector.

During 2015, the UHT liquid milk industry's growth was 7% over the preceding year, while Engro Foods grew by 18%. By gaining this position in the market, EFL is driving the liquid milk industry and we also anticipate an increased growth in the coming years. 91% of milk produced nationwide is still unprocessed and there is a huge opportunity to convert loose milk to processed milk. At present, EFL is the 5th largest customer of Tetra Pak in the world and as a key player in this sector we expect to steadily and surely drive the conversion in the coming years.

As a growing economy, key demographic and psychographic shifts in the Pakistani market are shaping the growth of the FMCG sector and our robust business strategy has been quick to evolve and adapt to these emerging changes. Pakistan's population of 200 million is growing at a sizeable rate of 1.5 percent annually with 54% percent of the population below 25 years of age. With the proliferation of television channels and digital media, which raised awareness coupled with ever growing urbanisation and the increasing spending power of consumers all translates into a constant upsurge in the demand for high quality, safe and nutritious dairy products.

This constantly changing market scenario requires a comprehensive marketing strategy and the highly responsive and innovative approach of our sales and marketing teams are the linchpin that has established Engro Foods as a formidable force to reckon with in Pakistan's dairy industry. We are a consumer centric company and we passionately stand by our commitment to deliver maximum quality and consumer value products that enhance consumer delight. Strategic decisions are based on meticulous research and information conducted in the community to ensure the customer is at the heart of all that we do. While the consumption of milk is deep seated in our culture and milk continues to be considered a high priority in the Pakistani diet, our marketing strategy has been key to building the demand for EFL dairy range of products.

At EFL, we believe that a successful business creates a much larger and enduring economic impact by investing in the community and providing value to all stakeholders. Our growth plans and strategies are geared to keep our pledge of delivering maximum value not only to our consumers, employees and share-holders but to the community at large. It is not just our state-of-the-art processing plants in Sukkur and Sahiwal that we are committed to maintaining, but for us people matter and hence a key priority for us is to maintain strong ties with the rural communities in the area. Our ongoing CSR initiatives at our Sukkur and Sahiwal plants, as well as at our Nara dairy farm, aim to raise the quality of life of all members in the community. Our capacity building and livestock development projects especially for women promote the personal economic growth in the area thus raising their awareness of the value of modern and integrated farming practices. As these women emerge as active, informed stake-holders it is not only they who benefit but their development in turn benefits the economy of Pakistan as it contributes to the continued growth and betterment of the dairy sector.

At the core of EFL's success, without a doubt, is the spirit and dedication of our incomparable employees. Our growth and the considerable impact that EFL has made to Pakistan's economy and to the broader community is the direct result of our employees' preparedness to reassess, adapt and constantly modernize. The assurance that EFL's delivery of uninterrupted product supply at maximum value to our consumers is thanks to their tireless commitment. In 2015, we have maintained an unmatched competitive edge in the market so that EFL is the fastest growing FMCG company in Pakistan. As the market keeps expanding, we envision even further growth for the company in 2016 and the years to come.

Our business provides nourishment, convenience and delight to over 12 million consumers each day through its wide array of products – that's over 4 billion consumer interventions in a year and it reflects aptly in our revenue of PKR 49.8 billion.

I thank all the stakeholders in placing their trust in us, and giving us the invaluable opportunity to contribute towards the betterment of our economy and the citizens of this country.



**Babur Sultan**  
Chief Executive Officer



## directors' report

On behalf of the Board of Directors of Engro Foods Limited (a majority owned subsidiary of Engro Corporation Limited), we are pleased to submit the annual report and the audited financial information of the Company for the year ended December 31, 2015.



### Principal Activities:

Engro Foods Limited, a majority owned subsidiary of Engro Corporation Limited, is engaged in the manufacturing, processing and marketing of dairy products, ice cream and frozen desserts. As an example of Engro's pursuit of excellence, the business has established several brands that have already become household names in Pakistan such as Olper's, Tarang, Dairy Omung and Omore amongst others.

### Business Overview

In 2015, the Company focused on consolidating its position of market leadership within the UHT category. In light of resurgent competition in all categories, the Company focused on strengthening its core competencies vis a vis product quality, communication differentiation and distribution expansion. These efforts contributed towards robust top line and bottom line growth.

The Company reported Rs. 49.8 billion in revenue vs. Rs. 42.6 billion reported last year exhibiting a growth of 17%. Brand development based on relevant consumer insights and an efficient product mix remained key elements in the achievements of growth in topline of 2015.

Gross margin improved from 18% to 23% due to declining commodity and fuel prices as well as number of efficiency projects. On an overall basis, Company's profit increased from Rs. 889 million in 2014 to Rs. 3,162 million in 2015.

### Dairy And Beverages Segment

During the year, the Company achieved highest ever UHT market share of 57% in September 2015 as compared to 55% in November 2014 as per A.C.Nielsen.

The Specialized Tea Creamer category saw the rise of multiple mushroom players jockeying for market share through heavy trade discounting as well as the entry of a new competitor backed by significant brand investment. Despite these challenges, Tarang remained steady on its path of growth, registering double digit growth on key SKUs. Brand health and distribution measures increased, enabling the brand to consolidate its position as the largest brand within the total UHT dairy market.

The Company reported Rs. 49.8 billion in revenue vs. Rs. 42.6 billion reported last year exhibiting a growth of 17%. Brand development based on relevant consumer insights and an efficient product mix remained key elements in the achievements of growth in topline of 2015.

Olper's continued its trend of impressive growth over the past year despite a resurgent competitor with an aggressive strategy. The engine of growth for the brand remained the portion pack, which grew on the back of improved distribution and differentiation against competition. The brand remains the only player in the category with unique SKUs in all sizes, and is expected to continue its upward trajectory in the years to come.

Dairy Omung has recovered from the multiple challenges it faced in the past validated by the strengthened leadership in the all-purpose economy category. The turnaround is attributable to improved availability of the product backed completely by the benefit of a single minded message that has resonated well with the consumers of the brand.

The Dairy and Beverages segment reported a topline of Rs. 46.4 billion registering a growth of 17% over last year. Segment contributed Rs. 3,227 million to the Company's profitability this year registering a growth of 88.7%.

### Ice Cream And Frozen Desserts Segment

During 2015, the Engro Foods ice-cream and frozen desserts business further built on its success in 2014 and maintained volume recovery and new product development in the brand portfolio. Innovations played a major role in achieving success in 2015 with the Funsticks portfolio reviving stagnant SKUs and a co-branding partnership with Warner Bros. to launch Omore Tom and Jerry bringing excitement in the kids category. On the sales front, Omore continued to invest in the market by deploying new freezers and tapping into new geographical territories with sustained focus on retailer and distributor ROIs to boost sales volume. The Ice Cream & Frozen Desserts business segment reported revenue of Rs. 3.5 billion, recording a growth of 18.5% over last year. The segment managed to reduce its loss from Rs. 292.5 million in 2014 to Rs. 75 million in 2015.

### Dairy Farm Segment

The Company's Nara Dairy Farm continued to remain a rich and nutritious source of quality milk for our dairy segment. The farm currently produces 35,095 (2014: 33,108) liters per day with a total herd size of 5,429 animals of which 2,739 are part of the milking cycle. Due to improved production yield the Nara farm significantly improved its results with a profit of Rs. 12.5 million in 2015 as opposed to a loss of Rs. 31.4 million in 2014.

### Social Investments

Engro Foods has an abiding commitment towards improving the life of our stakeholders, and above all that of our host communities. We contributed over Rs. 24 million under our social investments commitments in 2015, as compared to Rs. 17.4 million in 2014. Engro Foundation (the single CSR front for all Engro companies) manages EFL's social investments programs and the focal areas Engro Foundation and its partners worked on in 2015 were education, health, environmental development, infrastructure and livelihoods thus providing socio-economic opportunities to a large number of individuals and households in our host communities.

In the year 2015, our employees dedicated 6,682 volunteer hours to run a number of extremely effective and productive CSR campaigns aimed at improving the environmental, economic and social fabric of our host communities and the local areas where they reside.

**Own A Tree Campaign:** This education based campaign focused on raising awareness about the importance of plants to the environment and the invaluable contribution that individuals can make by caring for and raising a plant. 350 plants were distributed to students, local residents and to EFL's 3P workers. Each plant was named by the recipient and they were also instructed about best care practices.

**In the year 2015, our employees dedicated 6,682 volunteer hours to run a number of extremely effective and productive CSR campaigns aimed at improving the environmental, economic and social fabric of our host communities and the local areas where they reside.**

**Tree Plantation:** In a drive to go GREEN, 4,000 plants were planted across the Nara farm in different locations including the Calf section, Nara House, the Orchard, the New Milking Parlor as well as along the boundary of the fence.

**Treatments & Animal Handling Trainings:** To educate and develop the residents in the vicinity where Nara farm is situated, an initiative was undertaken to conduct training sessions about Animal Handling and the Treatment of Sick Animals. The training sessions particularly emphasized the effective use of vaccines in the prevention of diseases effecting Livestock.

**School Learning Program & Career Development:** We consider education the lynchpin for development and progress and as a result a great deal of man hours are committed to Education-based programs. We conduct regular weekly and monthly high-quality lectures in local schools concentrating on key learning areas such as English, Urdu, Computers and Science. Study trips are also organized regularly to the dairy farm with an emphasis on career counseling.

**Nara Schools:** Engro Foods in collaboration with Engro Foundation is supporting two primary schools in the Nara Desert in Nara Farm's neighborhood. Having now run for 3 years, these continue to be the only schools in the area and serve as a ray of hope for the aspirations of the children and their parents in the community. This year, we established two new computer labs in both the schools, ensuring computer literacy for all primary school children. The enrollment of the schools is 350+ and continues to grow.

**Sahiwal Schools:** Engro Foods started 4 primary schools in neighboring villages near Sahiwal city 6 years ago. In 2013, a girl's middle school was also added to this school system and the enrollment of the schools continues to grow year by year with the schools already providing education to over 1300+ children. Engro's partner organization, CARE foundation, who are considered a leading organization in working with public-sector schools, arduously work towards promoting education and enhancing quality of learning in these schools. In 2015, as in 2014, performance of the schools was again exemplary with the average rate of performance being 95% marks being achieved in these schools.

**Health Initiatives:** Engro Foods and Engro Foundation, through its partner organization The Blessings Foundation supports an OPD clinic in Sukkur next to the Engro Foods Plant. The OPD clinic provides quality health care to the marginalized and underprivileged in the area. In 2015, 9000+ patients received treatment at the clinic. Additionally 4,500+ benefitted from the health awareness activities conducted through the clinic.

# 24<sub>mn</sub>

contributed in social investments

# 1,582

employee strength in 2015

### Strengthening Entrepreneurs and Dairy Stakeholders Network [SEaDS]-Net Project

Engro Foods extensively works with farmers across rural Sindh and Punjab. Having a milk collection network of approx. 1,600 MCCs, Engro Foods arduously works to reach the smallholder dairy farmer and provide extension services along with an opportunity of buying milk from them.

In this context, Engro had partnered with USAID in 2011 to reach a large number of smallholder dairy women farmers and build their capacity. The project 'Women Empowerment Through Livestock Development' resulted in training of 18,000+ women farmers and creation of 600 women entrepreneurs in the rural market to provide essential services like livestock vaccinations and treatment for basic ailments and milk collection. Based on the learning from the project and other similar work, Engro Foundation and Engro Foods partnered to initiate the SEaDS-Net project in 2015, under which 50 WELD entrepreneurs are getting further training in animal health and nutrition services to enhance micro businesses and add new products like fodder seed etc. Project aims to train 7,000 smallholder farmers and make farmer groups. The project has been started with technical assistance grant from KFW-DEG.

### Our Family

Recognizing that our people make all the difference, we strive to consistently attract, hire, train, retain, develop and motivate high quality talent, so that together we can combine our strengths and skills to build a successful partnership that can help us sustain our competitive edge and continue our legacy of excellence. Our talent induction schemes, employee evaluation methods, training and development programs, compensation strategies, employee engagement surveys, HR synergy forums, employee volunteer programs and retirement policies are therefore, specially designed to help us foster a bond of trust, contentment, motivation, accountability and loyalty across the company whilst demonstrating our commitment to develop an organizational culture thriving on transparency, openness and fairness. We believe in diversity, and have implemented a strict non-discrimination policy that further sets us apart as a company passionate about creating a progressive and fair environment at all levels. Through these concerted efforts we continued our focus on creation of a highly passionate and dynamic team which plays a critical role in contributing to our bottom-line growth with its relentless pursuit for excellence, and drive for success.



## engro foods celebrates 10 years

In 10 years, the company has achieved phenomenal growth and made its indelible mark on the Pakistani landscape.

This year Engro Foods Limited celebrated the completion of 10 years since its inception. The company was incorporated on April 26, 2005 with the first production site set up in Sukkur. In order to celebrate this 10 year milestone, celebratory events were held simultaneously in Sukkur, Sahiwal, Nara, Jhang, Bahawalpur, Rawalpindi, Lahore and Karachi on April 24, 2015.

In 10 years, the company has achieved phenomenal growth and made its indelible mark on the Pakistani landscape. The focus has always been on innovation and fast paced growth and these 10 years would not have been possible had it not been for the hard work and commitment of all employees who have been a part of the company's journey. With such a dedicated team we can look forward to many other such milestones in the future!



### myLearning

The myLearning platform was created to enhance the development of employees at EFL by ensuring that the workforce is engaged and fully equipped with the necessary tools and skills to perform at their full potential on a daily basis. The Talent and Organizational Development team's training agenda hinges on the philosophy that by investing in its employees EFL is essentially making the most beneficial investment for the company. A set of customized programs based on the 'Leadership Competency Model' were developed targeting the soft skills and functional needs of all employees organization-wide. The myLearning training sessions were conducted throughout the year and in 2015 Engro Foods Limited achieved 18,310 training hours.

### Values Roll Out 2015

In the third quarter of 2015, Engro Foods Limited kicked off its largest employee intervention by rolling out EFL values organization-wide. Over the span of 2 months the team covered over 1700 employees and conducted 21 roll out sessions in 8 different locations. The goal of the rollout was to orient all the employees with the values currently in place at Engro Foods: Ethics and Integrity, Our People, Health Safety & Environment, Innovation & Risk Taking, Community & Society.

Values are crucial at EFL as they are embedded in our company's DNA and define our culture. The sessions received a positive response and we hope that post the roll out all the employees will continue to live by these values and identify and practice the skills which allow them to model these values and reinforce them in others around them.

### Diversity Initiatives

Engro Foods Limited has been a strong proponent of diversity and inclusiveness as we strongly believe that diversity is crucial for innovation and growth. Here at EFL, diversity is considered to be an essential part of how we do business.

This year our focus has been on gender and PWD (People with Disability) inclusion. We strongly believe that a diversified gender pool helps the company to tap a myriad of ideas and market insights leading to better problem solving and superior performance at the business level. Our female employees enjoy a lot of flexibility in terms of managing their careers and family lives. This year, the EFL diversity council celebrated gender diversity by sending senior level female employees were sent to a customized training titled 'Growing Women Leaders' and by hosting an event for all our female employees, across all locations. The event allowed female employees to network, discuss their challenges and get insights on career management from both female and male mentors. In the coming years we will be cementing our commitment even further by working more and more in this area.

Engro Foods in collaboration with Engro Corporation organized a grand event for its employees on 3rd December 2015, on International Day for Persons with Disabilities to further pledge our commitment to hiring specially-abled persons. We were very happy to host representatives from Special Olympics Pakistan and NOWPDP (Network of Organizations Working with People with Disabilities) at this event.

Concerted efforts were also made to bring in people with special abilities to work for us and in the coming year we will be connecting more with our differently abled pool of candidates. Head office locations were retrofitted to make them completely accessible and we will now be retrofitting our plants also.

We feel with these steps we are moving towards a more empowered and inclusive environment enabling all employees to bring their best to work and instill a universal feeling of inclusion irrespective of the differences that make us who we are.

By upholding our philosophy, this program instills the belief that each individual's inherent unique differences are of immense value and their inclusion serves to enhance our collective strength and humanity.

---

This year our focus has been on gender and PWD (People with Disability) inclusion. We strongly believe that a diversified gender pool helps the company to tap a myriad of ideas and market insights leading to better problem solving and superior performance at the business level. Our female employees enjoy a lot of flexibility in terms of managing their careers and family lives.

---

## Health, Safety and Environment

### Corporate Committee for Food Safety, Health, Personnel Safety and Environment

The Food Safety, Health, Safety & Environment Corporate Committee known as FHSE Corporate Committee develops and implements the HSE policy whilst also ensuring that all Company operations adhere to it. The Committee met 5 times in Year 2015. The committee comprises of the following:

Babur Sultan	Chairman
Ahsan Afzaal Ahmad	Member
Imran Husain	Member
Salman Goheer	Member
Syed Saud A. Pasha	Member
Usman Zaheer	Member
Imran Ahmed	Member
Zahid Mahmood	Member
Adnan Mahmood	Secretary

### Ensuring Employee Safety at the Workplace

At Engro Foods, we believe in doing business with a conscience and leading by example. As part of our efforts to ensure good corporate governance, we strive to implement the triple bottom line approach in all our strategic undertakings. Our consideration for our people and the planet comes well before our need to fixate on only profits. Recognizing the need to protect our planet, we go the extra mile to preserve natural resources and prevent the unnecessary wastage of them.

In order to ensure employee safety at the workplace, all Engro Foods employees and contractors are expected to conform to our HSE management systems and processes which have been designed keeping in view international best practices including Occupational Safety and Health Administration (OSHA) and DuPont Workplace Safety Standards. Our Sukkur and Sahiwal Plants along with our Nara Dairy Farm and Milk Procurement centers are now DuPont Level 3 and OSHA Compliant.

To enhance our safety management systems and to foster a culture of safety within the organization, behavior-based safety techniques have been put in place and workplace incident reporting is strongly encouraged thus enabling us to identify potential safety hazards and to ensure that the possibility of further risk is duly minimized. Leading indicators and management safety audit programs are the main pillars of evaluating these safety initiatives.

The Total Recordable Injury Rate (TRIR) amongst employees & contractors at Engro Foods has declined significantly over the last few years. The TRIR of our employees and contractors since 2014 has been maintained at 0.16 even in 2015 with not a single work day lost. The last work day on which an injury occurred was on October 27, 2014 which means 430 Safe Man Days have passed since then – the longest such tenure recorded at EFL and since date. 24.3 Million Safe Man Hours have also been recorded which is the highest record of consecutive Safe Man Hours in EFL history.

### FHSE Training:

HSE Trainings: Trainer Man Hours are 1,150+ Hours with Trainee / Participant Man Hours about 21,000+

Food Safety Trainings: Trainer Man Hours are 310+ Hours with Trainee / Participant Man Hours about 8,230+

Total: Trainer Man Hours are 1,460 Hours with Trainee / Participant Man Hours about 29,200

# 24.3<sub>mn</sub>

safe man hours achieved

We also devised SOPs to safely handle the Physical Activities that take place during HR related training – since we anticipated there may be a risk of injuries occurring during such trainings meant for team building etc.

### Safe Work Practices in Year 2015:

We gave vehicle Safety Kits not only to Field Employees who have to drive as part of their job but also to those employees who are entitled for a car earn out or a compensation car in order to ensure that employees remain safe even while away from work. This effort was in line with our FHSE Policy.

The Defensive Driving Policy was revised to make it more robust; focus was placed on emphasising and highlighting the risks of distracted driving due to the use of the latest tech gadgets in the car.

We also devised SOPs to safely handle the Physical Activities that take place during HR related training – since we anticipated there may be a risk of injuries occurring during such trainings meant for team building etc. We covered the risk and later on observed the efficacy of the safety precautions taken.

SOPs were also devised to cover the scope of Out Breaks, Larger Team Meets and Sales Conferences so that HSE Risk Assessment becomes an integral part of the design phase. This will ensure that employees are provided a safe environment regardless of the physical setting being shifted even temporarily from their daily work place to another location.

A SOP for the handover of a field vehicle to an employee was devised so that an employee who is required to drive as part of his daily work routine remains safe and does not create any unnecessary risk to other road users. This SOP details a very comprehensive set of filters and training set and thus ensures that only an eligible employee may qualify.

Considerable progress has also been made in terms of the DuPont OHIH (Occupational Health and Industrial Hygiene) Program that was launched in 2014. This year focus was on Competency Building of Line Organization, Divisional Level Procedure Development, Internal Audit and Action Plan Development & Execution.



## certifications

ISO 9001

FSSC  
22000  
SWL & SKZ  
Plant Only

ISO 14001

OHSAS  
18001

HALAL

ISO 22000  
(Milk Procurement  
Only)

BRC

Re-Certification -  
SWL & SKZ Plant -  
A Rating

Global GAP  
Dairy Farm Only

ISO 17025  
for Labs at Sahiwal  
& Sukkur Plant

## BRC Certification

The BRC is a Global Food Safety Initiative (GFSI) that is recognized as a standard benchmark for good manufacturing practices in Food Safety, Quality, and Consumer Products & Packaging. Both Engro Foods' Sukkur & Sahiwal plants have received an A grade, the highest possible, against the BRC (British Retail Consortium) standards. Sukkur and Sahiwal were the first sites across Pakistan to get Certification on BRC Revision 7 and are still the only sites that are certified to the new standard. This certification was achieved for the fourth consecutive year and Sukkur recorded the lowest ever NC against BRC Standard by any site across Pakistan across various food industries.

The Auditors from BVQI have termed our systems as some of the very best across Pakistan and proclaimed them to be comparable to international standards.

Engro Dairy Farm is still the only Dairy Farm in Pakistan that is Global GAP Certified.

### Ensuring Responsible Environmental Practices

Engro Foods' ceaselessly strives to fulfill our commitment to Environmental protection and preservation. We care about the welfare and well-being of our people and the planet we inhabit. EFL's business strategies are fully aligned with this vision and always take in to account the far-reaching environmental impact of our business decisions. We ensure the prevention of unnecessary wastage of natural resources and we are constantly exploring innovative, reliable and competitive sources of energy.

One of the most divisive challenges in the business environment continues to be access to a reliable and cost effective energy supply. As traditional energy sources are proving to be increasingly unpredictable EFL realized it was of the utmost importance to diversify our energy portfolio and as a result EFL has pioneered a number of initiatives to combat and overcome these concerns.

To ensure good environmental practices, NEQS Compliant Waste Water Treatment Plants at Sahiwal and Sukkur treat waste water before disposal to avoid any harmful toxins from going back into the environment.

In order to reinforce our commitment, initial Work has been started for British Safety Council 5 Star Program which is considered as the best in the world.

### Certifications:

ISO 14001 – Certification at Sahiwal & Sukkur Plant; Engro Dairy Farm– Nara; Area Offices of Milk Procurement

### WWF Green Office:

The Head Office of EFL, Admin Offices of Sahiwal & Sukkur Plant and Admin Office of Dairy Farm are certified as GREEN OFFICE by WWF Pakistan, whilst The Head Office of EFL is also considered the best office by WWF across Pakistan. WWF has even requested EFL to let potential candidates for Green Office certification to visit its office. EFL was also been awarded a prize for "Best in Reducing Waste" by WWF since paper consumption at WWF Green Offices has been reduced by 15 % as compared to 2014 consumption. In line with our commitment to the environment, Green Office Practices are also being adopted at Sales and Mill

Procurement in both regional and area Offices.

### Cash Flow and Working Capital Management

Higher cash was generated from operations during the year amounting to Rs. 4,517 million versus Rs. 786 million in 2014. Taxes paid for the year amounted to Rs. 1,088 million vs. Rs. 950 million last year.

### Capital Investment, Capital Structure and Finance

Net long term borrowings at year end decreased to Rs. 2,196 million (2014: Rs. 5,477 million). The balance sheet gearing (Company's long term debt to equity ratio) for the year ended 2015 is 13:87 (2014: 32:68). The liquidity position of the Company remains robust with a year-end current ratio of 1.5:1 (2014: 1.3:1).

### Major Judgment Areas

Main areas related to taxation, property, plant and equipment, intangible assets, biological assets, stock-in-trade, employee share option scheme and provision for staff retirement & other service benefits.

### Management Information Systems

Engro Foods has state of the art MIS infrastructure. Our foot print starts from milk collection deeply located in the rural areas spreading over 1,635 centers automated through Engro Milk Automation Network (EMAN). On the distribution front, we are connected to retail outlets through our secondary sales system 'Orange' and are also working on connecting to all these outlets through GPS technology. We continue to enhance the efficiencies by increasing the SAP footprint (11 modules) in the company from the existing implementation of financial, accounting, supply chain and human resource applications.

### Accounting Standards

The accounting policies of the Company reflect the requirements of the Companies Ordinance, 1984 and such approved International Accounting Standards and International Financial Reporting Standards as have been notified under this Ordinance as well as through the directives issued by the Securities and Exchange Commission of Pakistan.

### Credit Rating

Engro Foods' Sukkur issue has been assigned a medium to long term credit rating of "A+" (Single A Plus) by JCR-VIS. The rating reflects the Company's financial and management strength and denotes a low expectation of credit risk and the capacity for timely payment of financial commitment.

### Dividend

Board believes that ploughing this year's profit back into the business will generate more growth and strengthen the profitability of the Company in the longer run. Therefore, the Board decided not to recommend the payment of a dividend.

### Employee Share Option Scheme

The company operates a Share Option Scheme. The detail of each scheme is explained in note 8 of the accounts.

### Pension, Gratuity and Provident Fund

The Company maintains plans that provide post-employment and retirement benefits to its employees. These include a contributory provident fund, a defined benefit gratuity scheme.

Statement of value of investments as at latest audited financial statement date is as follows:

S.No.		Gratuity Fund (Rs. in million)
	Audited upto	June 30, 2015
1	Net assets as per audited financial statements	433
2	SSCs/PIBs/RICs	317
3	Mutual Funds	6
4	TFCs	19
5	Shares	55
6	Bank Deposits	4
7	Receivables	35
8	Payables	(1)
	Total	434

The above mentioned plan is funded scheme recognized by the tax authorities. The latest actuarial valuation of gratuity scheme was carried out at December 31, 2015 and the financial statements of these have been audited up to June 30, 2015. The Company has fully paid all its obligations on all the above schemes.

Last year the Company discontinued its provident fund scheme and replaced it with the provident fund scheme operated and managed by Engro Corporation Limited - the Holding Company. Accordingly, the employees of the Company participate in provident fund maintained by Engro Corporation Limited (ECL). Monthly contributions are made both by the Company and employees to the fund maintained by ECL at the rate of 10% of basic salary.

### Auditors

The present auditors, M/s A.F.Ferguson & Co. retire and offered themselves for re-appointed as the statutory auditors of the company. The Board Audit Committee and the Board of Directors of the Company have endorsed the recommendation.

### Pattern of Shareholding

Major shareholder of Engro Foods Limited is Engro Corporation Limited. Other Shareholders are local institutions and the general public.

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, Executives and their spouses including minor children during 2015 is shown later in this report.

### Board of Directors

#### Statement of Director Responsibilities

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

- The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements except for changes resulting on initial application of standards and amendments or interpretations to existing standards. Accounting estimates are based on reasonable prudent judgment.

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

### Board Meetings and Attendance

In 2015, the Board of Directors held 7 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Director's Name	Meetings Attended
Abdul Samad Dawood (Re-elected)*	6
Babur Sultan	2
Muhammad Amin (Re-elected)*	6
Sabrina Dawood (Re-elected)*	6
Rehan Hassan (Elected)*	4
Zafaryab Ali Khan (Elected)*	4
Isfandiyar Shaheen	3
Marco L. Spits	4
Syed Khalid Siraj Subhani	3
Wim Torfs (Elected)*	5
Sarfraz A Rehman (Re-elected)*	4
Asif Saad (Re-elected)*	1
Muhammad Aliuddin Ansari (Re-elected)*	2
Shahzada Dawood (Re-elected)*	2
Mujahid Hamid (Retired)*	2
Ruhail Mohammed(Retired)*	1
Roshaneh Zafar (Retired)*	1
Zafar Ahmed Siddiqui*	0

### Board Induction & Governance

2015 was a year of key changes in the leadership with both the board of directors and the CEO completing their terms. Mr. Sarfraz Rehman retired as the CEO and Mr. Babur Sultan was appointed as his successor by the board. Mr. Babur Sultan has a wealth of experience having led several functions at Engro Foods over the past decade.

Having a strong commitment to corporate governance, there was an extensive exercise undertaken for nomination of new directors to ensure diversity of perspectives and build on the work of the outgoing directors. Individuals were evaluated across industry, functional and geographical expertise. The ultimate goal was to

have a balanced board. This is to ensure focus on all facets of the business, also bringing a more global perspective of the consumer market and dairy landscape. There was a comprehensive board induction for the elected members to facilitate understanding of the company and set performance expectations.

In line with our commitment to continuous improvement at all levels, a comprehensive board evaluation and feedback mechanism has also been designed and implemented to build on our success over the past decade and continue the exponential growth journey.

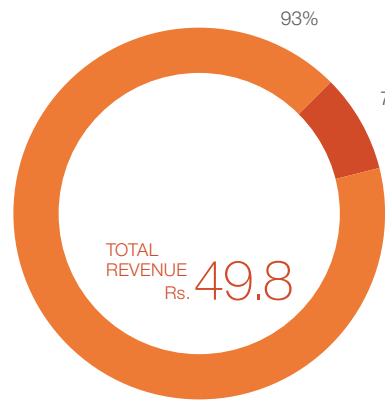
\* Zafar Ahmed Siddiqui Resigned on April 10, 2015  
 \* Election of Directors held at April 27, 2015  
 \* Muhammad Aliuddin Ansari resigned on May 11, 2015  
 \* Syed Khalid Siraj Subhani appointed on June 2, 2015  
 \* Shahzada Dawood resigned on June 11, 2015

\* Marco L. Spits appointed on June 11, 2015  
 \* Sarfraz Ahmed Rehman resigned on August 01, 2015  
 \* Babur Sultan Appointed on August 01, 2015  
 \* Asif Saad resigned on June 18, 2015  
 \* Isfandiyar Shaheen appointed on September 10, 2015

# financial review

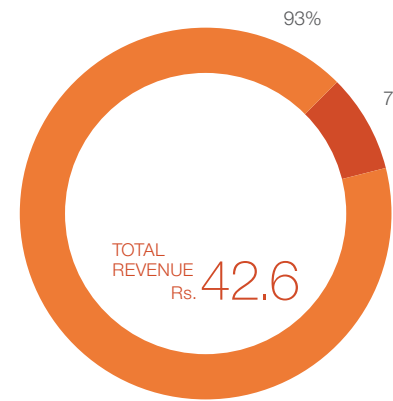
Business Revenue (Rs. in billions)  
% Segment Share

- Dairy, Beverages & Others
- Ice cream



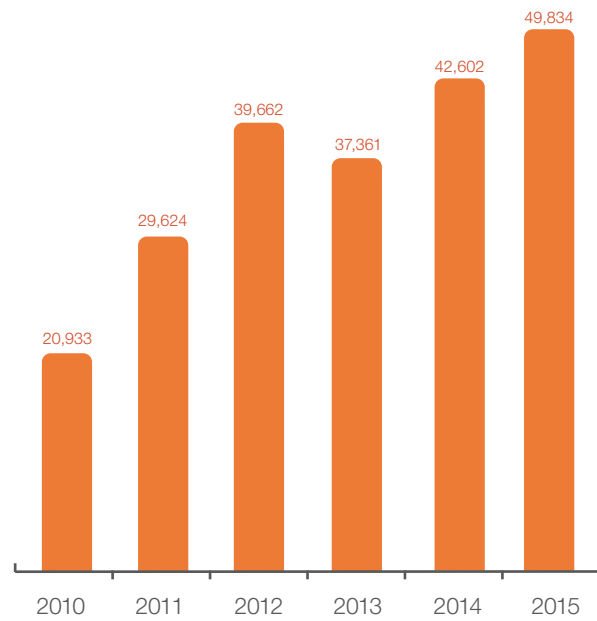
2015

- Dairy, Beverages & Others
- Ice cream

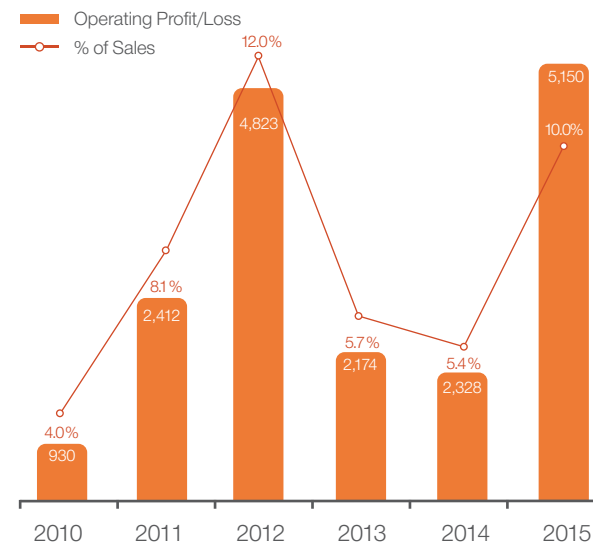


2014

Sales (Rs. in million)

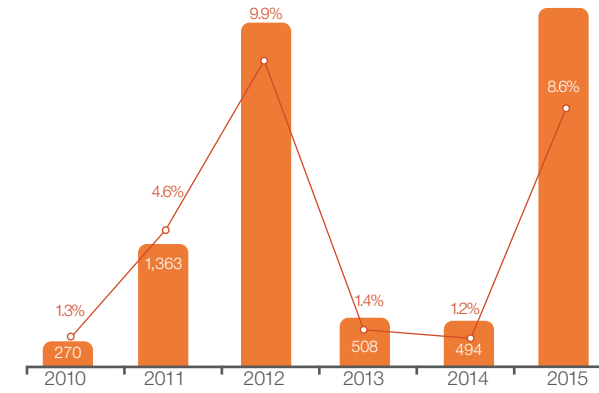


Operating Profit/Loss  
& % of Sales (Rs. in million)



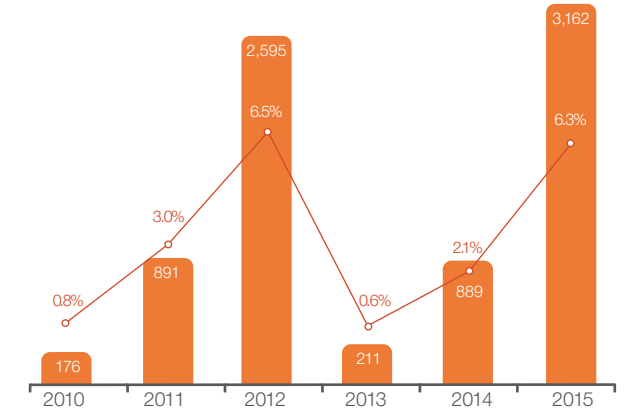
Profit / Loss Before Tax  
& % of Sales (Rs. in million)

- Profit/Loss Before Tax
- % of Sales



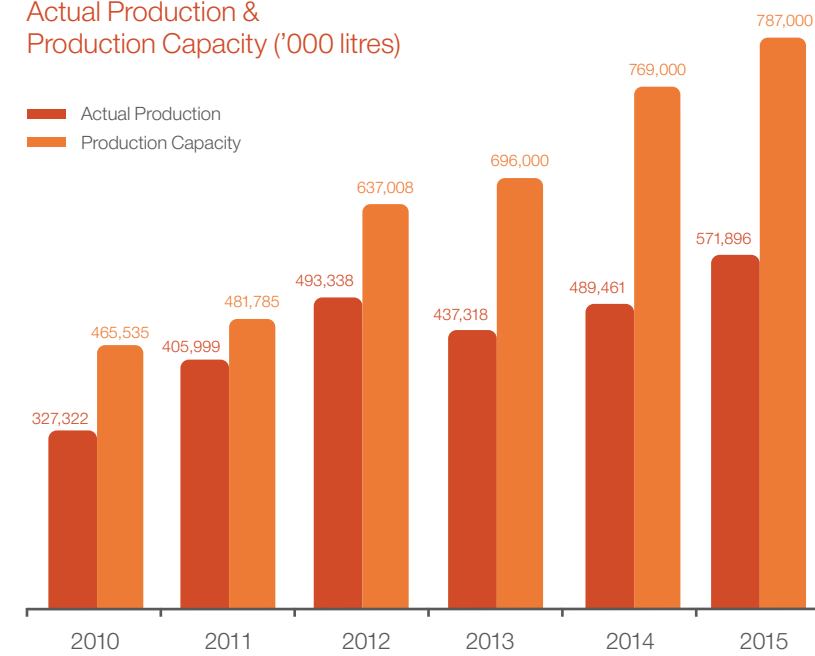
Profit / Loss After Tax  
& % of Sales (Rs. in million)

- Profit/Loss After Tax
- % of Sales

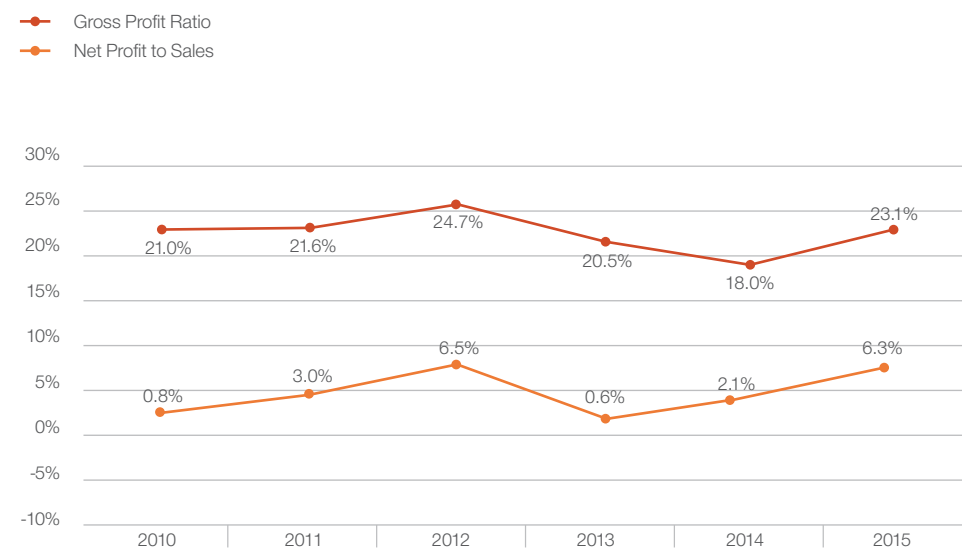


Actual Production &  
Production Capacity ('000 litres)

- Actual Production
- Production Capacity



## Profitability Ratios



## Statement of value addition & distribution

Wealth Generated	2015		2014	
	Rupees in Million	%	Rupees in Million	%
Total Revenue inclusive of sales-tax and other income	51,019	-	43,633	-
bought-in material and services	(38,598)	-	(34,247)	-
	12,421	-	9,386	-
Wealth Distributed				
To employees				
Salaries, benefits and other costs	2,836	22.83%	2,310	24.61%
To Government				
Taxes, duties and development surcharge	3,493	28.12%	2,983	31.78%
To Society				
Donations towards education, health, environment and natural disaster	23	0.19%	17	0.19%
To Providers of Capital				
Mark up/interest expense on borrowed money	856	6.89%	1,237	13.18%
Retained for reinvestment and future growth, depreciation, amortization, retained profit	5,213	41.97%	2,838	30.24%
	12,421		9,386	

## summary

2015 2014 2013 2012 2011 2010  
------(Rupees in millions)-----

### Balance Sheet

Share capital	7,666	7,666	7,666	7,616	7,518	7,000
Share premium	865	865	865	810	722	-
Employee compensation reserve	595	400	407	-	-	-
Hedging Reserve	(1)	(28)	(10)	17	(18)	-
Remeasurement of post employment benefits - Actuarial loss	(84)	(36)	(35)	(23)	(18)	-
Unappropriate profit / (Accumulated loss)	5,872	2,710	1,821	1,610	(985)	(1,876)
Shareholders' funds / Equity	14,913	11,578	10,715	10,031	7,219	5,124
Long term borrowings	2,196	5,477	7,127	6,023	5,610	4,625
Capital employed	17,109	17,055	17,842	16,054	12,829	9,949
Deferred liabilities	-	-	-	-	2	3
Property, plant & equipment	13,860	15,022	14,505	11,023	9,615	7,148
Long term assets	134	109	93	82	24	23

### Profit and Loss

Sales	49,834	42,602	37,361	39,662	29,624	20,933
Gross profit	11,531	7,676	7,642	9,814	6,394	4,381
Operating profit	5,150	2,328	2,174	4,823	2,412	930
Profit before tax	4,294	494	508	3,921	1,363	270
Profit after tax	3,162	889	211	2,595	891	176
EBITDA	7,201	3,681	2,907	6,071	3,375	1,644

### Cash Flows

Net cash flow from operating activities	4,517	786	2,356	3,214	1,080	156
Net cash flow from investing activities	(790)	(2,556)	(5,221)	(3,379)	(2,341)	(2,972)
Net cash flow from financing activities	(1,722)	(1,081)	547	1,819	2,474	2,955
Changes in cash & cash equivalents	2,005	(2,851)	(2,318)	1,653	1,212	140
Cash & cash equivalents - Year end	(121)	(2,135)	727	3,045	1,392	180

### Others (Million)

Market capitalisation	112,366	83,250	80,105	74,783	16,990	-
Numbers of shares issued	767	767	767	762	752	700

### Quantitative Data ('000 Litres)

Production Capacity						
Dairy & Beverages	748,000	730,000	657,000	601,481	446,258	446,503
Ice cream	39,000	39,000	39,000	35,527	35,527	19,032
Actual Production						
Dairy & Beverages	552,532	472,735	422,818	476,788	388,236	314,650
Ice cream	19,364	16,726	14,500	16,550	17,763	12,672

## financial performance indicators 2010 to 2015

Ratio	2015	2014	2013	2012	2011	2010
<b>Profitability Ratios:</b>						
Gross Profit ratio	23.1%	18.0%	20.5%	24.7%	21.6%	21.0%
Net Profit to Sales	6.3%	2.1%	0.6%	6.5%	3.0%	0.8%
EBITDA Margin to Sales	14.4%	8.6%	7.8%	15.3%	11.4%	7.9%
Operating leverage ratio	11.52	2.42	12.62	2.95	3.85	(17.76)
Return on Equity	21.1%	7.7%	2.0%	25.9%	12.3%	3.4%
Return on Capital employed	18.4%	5.1%	1.2%	18.0%	7.9%	2.1%
<b>Liquidity Ratios:</b>						
Current ratio	1.5	1.3	1.7	2.1	1.8	1.5
Quick / Acid test ratio	1.0	0.7	0.9	1.2	0.9	0.5
Cash to Current Liabilities	0.0	0.0	0.1	0.1	0.1	0.1
Cash flow from Operations to Sales	0.1	0.0	0.1	0.1	0.0	0.0
<b>Activity / Turnover Ratios:</b>						
No. of Days Inventory	32.2	35.4	40.4	37.5	37.1	35.9
No. of Days Receivables	0.8	1.1	1.5	1.1	0.8	0.7
No. of Days Payables	40.3	41.1	44.1	32.9	39.4	44.1
Operating cycle	(7.3)	(4.6)	(2.3)	5.6	(1.4)	(7.5)
Inventory turnover	11.3	10.3	9.0	9.7	9.8	10.2
Debtors turnover	466.8	341.5	246.9	335.8	426.3	547.1
Creditors turnover	9.1	8.9	8.3	11.1	9.3	8.3
Total Assets turnover ratio / Fixed Assets turnover ratio	1.9	1.7	1.6	1.8	1.8	1.7
<b>Investment /Market Ratios:</b>						
Earnings per Share (EPS) - basic & diluted	4.13	1.16	0.28	3.43	1.22	0.31
Price Earnings ratio	35.47	93.57	373.00	28.61	18.52	-
Cash Dividend	-	-	-	-	-	-
Stock Dividend	-	-	-	-	-	-
Market value per share at the end of the year	146.50	108.54	104.44	98.14	22.60	-
Highest market value during the year	126.25	126.25	162.22	98.90	25.97	-
Lowest market value during the year	89.80	89.80	80.37	22.30	21.80	-
Breakup value per share	19.42	15.10	13.98	13.17	9.60	7.32
<b>Capital Structure Ratios:</b>						
Long-term Debt to Equity	12.8%	32.1%	39.9%	37.5%	43.7%	47.5%

## future outlook

Engro Foods has been reaping the benefits of following a focused approach to grow its existing business. As a result the Dairy and Beverages segment grew by 17% over 2014. This growth has been punctuated by key points such as the highest ever sales numbers for Tarang and Olper's, and also the resurgence of Dairy Omung.

The aforementioned growth and momentum has been on the back of improving business parameters across all fronts. This gives us the confidence that the company will continue on this path in 2016 as well. The focus on the existing business has also been complemented by a consistent effort to explore new areas and segments that can serve as the next engines of growth for Engro Foods. This will give the company the platform which should enable it to continue its growth trajectory while adding new businesses to further cement its position as the fastest growing food company in Pakistan.

Improving law and order, macroeconomic indicators and favorable factors prices have further fueled the positive outlook on the country. With the growing proportion of youth and that too particularly in the middle class fueling increasing buying power, the Company remains confident of the potential that the country holds. Engro Foods will continue to live its purpose and bring to the fore affordable and nutritious products that guarantee wholesome goodness to its consumers.



**Abdul Samad Dawood**  
Chairman



**Babur Sultan**  
Chief Executive Officer

## key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

### 1. Associated Companies, undertakings & related parties

Engro Corporation Limited	667,374,991
---------------------------	-------------

### 2. Directors, CEO & their spouses & minor children

Abdul Samad Dawood	501
Babur Sultan	0
Muhammad Amin	1
Sabrina Dawood	1
Rehan Hassan	1
Zafaryab Ali Khan	1
Isfandiyar Shaheen	1
Marco L. Spits	1
Syed Khalid Siraj Subhani	1
Wim Torfs	1

### 3. Executives (Approximately)

400,100

### 4. Public Sector Companies & Corporations

-

### 5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds

31,013,957

### 6. Mutual Funds

CDC - TRUSTEE ABL INCOME FUND	10,500
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	7,700
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	5,000
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	26,800
CDC - TRUSTEE AKD INDEX TRACKER FUND	24,691
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1,012,000
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	18,850
CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	12,100
CDC - TRUSTEE FAYSAL INCOME & GROWTH FUND - MT	11,800
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	101,200
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	12,800
CDC - TRUSTEE FIRST HABIB STOCK FUND	10,400
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	23,100
CDC - TRUSTEE HBL MUSTAHEKUM SARMAYA FUND 1	10,000
CDC - TRUSTEE KSE MEEZAN INDEX FUND	124,800
CDC - TRUSTEE LAKSON EQUITY FUND	459,000
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	110,000
CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND	143,900
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	948,400
CDC - TRUSTEE MEEZAN BALANCED FUND	600,000
CDC - TRUSTEE MEEZAN ISLAMIC FUND	5,909,221

CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	611,000
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	35,000
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1,461,500
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	70,000
CDC - TRUSTEE PAKISTAN SARMAYA MEHFOOZ FUND	38,000
CDC - TRUSTEE PICIC INCOME FUND - MT	45,550
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	33,500
CDC - TRUSTEE PICIC STOCK FUND	12,500
CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	8,000
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	114,400
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	20,000
CDC-TRUSTEE NITPF EQUITY SUB-FUND	10,000
CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	111,200
FIRST EQUITY MODARABA	13,500
MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	3,000
Total :	<u>12,169,412</u>

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

Engro Corporation Limited	667,374,991
---------------------------	-------------

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

S.no	Name of holders	Date	Sale / Purchase	No of Shares	Rate / Per Share
01	Hassan Mansur Ale Ahmad Lodhi	6-Nov-15	Bought	1000	152
02	Ajaz Rashid	30-Oct-15	Bought	4000	150
03	Hassan Mansur Ale Ahmad Lodhi	12-Oct-15	Bought	500	159
04	Muhammad Ovais Tariq	24-Aug-15	Bought	1000	156.3
05	Syed Muhammad Salman Ali	3-Jun-15	Sold	6000	132.55
06	Muhammad Imran Khalil	21-Apr-15	Sold	2000	150

\* For the purpose of declaration of shares trade all employees of the company are considered as 'Executives'.

## pattern of shareholding as at december 31, 2015

No. of Shareholders	Shareholdings		Total Shares Held	No. of Shareholders	Shareholdings		Total Shares Held
	From	To			From	To	
751	1	100	39,412	2	290,001	295,000	583,250
3,669	101	500	1,695,656	1	310,001	315,000	313,500
1,287	501	1,000	1,236,174	1	320,001	325,000	322,055
1,242	1,001	5,000	3,336,019	1	345,001	350,000	350,000
295	5,001	10,000	2,408,180	1	355,001	360,000	357,474
75	10,001	15,000	967,939	1	395,001	400,000	395,100
47	15,001	20,000	879,094	2	440,001	445,000	885,100
37	20,001	25,000	897,096	1	455,001	460,000	459,000
20	25,001	30,000	573,904	1	530,001	535,000	531,000
15	30,001	35,000	504,400	1	595,001	600,000	600,000
13	35,001	40,000	497,360	1	610,001	615,000	611,000
12	40,001	45,000	514,300	1	645,001	650,000	650,000
20	45,001	50,000	980,558	3	665,001	670,000	2,001,885
7	50,001	55,000	369,400	1	685,001	690,000	685,500
3	55,001	60,000	174,101	1	850,001	855,000	850,234
6	60,001	65,000	369,700	2	865,001	870,000	1,736,200
6	65,001	70,000	409,500	1	895,001	900,000	900,000
2	70,001	75,000	150,000	1	945,001	950,000	948,400
5	75,001	80,000	397,300	1	975,001	980,000	980,000
2	80,001	85,000	162,500	1	985,001	990,000	988,000
2	85,001	90,000	180,000	1	995,001	1,000,000	1,000,000
4	90,001	95,000	374,000	1	1,010,001	1,015,000	1,012,000
10	95,001	100,000	998,300	1	1,140,001	1,145,000	1,141,200
4	100,001	105,000	411,400	1	1,210,001	1,215,000	1,210,400
3	105,001	110,000	327,600	1	1,235,001	1,240,000	1,237,100
6	110,001	115,000	679,000	1	1,460,001	1,465,000	1,461,500
3	115,001	120,000	355,400	2	1,515,001	1,520,000	3,035,300
9	120,001	125,000	1,115,840	1	1,540,001	1,545,000	1,542,000
1	125,001	130,000	128,000	1	1,785,001	1,790,000	1,790,000
1	135,001	140,000	140,000	1	1,795,001	1,800,000	1,797,959
2	140,001	145,000	286,900	1	2,050,001	2,055,000	2,055,000
3	145,001	150,000	448,000	1	2,160,001	2,165,000	2,161,197
2	155,001	160,000	317,800	1	2,165,001	2,170,000	2,165,547
1	165,001	170,000	168,600	1	2,225,001	2,230,000	2,226,200
1	170,001	175,000	175,000	1	2,375,001	2,380,000	2,375,300
1	175,001	180,000	178,000	1	3,000,001	3,005,000	3,002,100
3	195,001	200,000	594,800	1	5,905,001	5,910,000	5,909,221
2	205,001	210,000	412,620	1	24,170,001	24,175,000	24,173,909
1	220,001	225,000	223,700	1	163,070,001	163,075,000	163,074,991
2	230,001	235,000	461,600	1	504,295,001	504,300,000	504,300,000
1	235,001	240,000	238,300	7,622		TOTAL:=	766,596,075

## category of shareholding as at december 31, 2015

S.No.	Shareholders Category	No. of Shareholder	No. of Shares	Percentage
1.	Directors, Chief Executive Officer, and their spouse and minor children.	10	509	0.00
2.	Associated Companies, undertakings and related parties.	2	667,374,991	87.06
3.	NIT & ICP			
4.	Banks Development Financial Institutions, Non Banking Financial Institutions.	14	25,939,659	3.38
5.	Insurance Companies	6	4,857,700	0.63
6.	Modarabas and Mutual Funds	37	12,176,412	1.59
7.	Share holders holding 10%	2	667,374,991	87.06
8.	General Public (Individual)			
	a. local	7,418	21,782,131	2.84
	b. Foreign			
9.	Others	135	34,464,673	4.50



Abdul Samad Dawood  
Chairman



Babur Sultan  
Chief Executive Officer

## shareholder information

### Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on April 22, 2016 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of April 08, 2016 are encouraged to participate and vote.

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

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

### Ownership

On December 31, 2015 there were 7,622, shareholders on record of the Company's ordinary shares.

### Transmission of Annual Reports through E-Mail

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

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

### Holding of General Meetings through Video Conference Facility

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

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

### E-DIVIDEND MANDATE (OPTIONAL)

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

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

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

### Quarterly Results

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

1st quarter : 19 April, 2016  
2nd quarter: 29 July, 2016  
3rd quarter: 19 October, 2016

The Company holds quarterly briefings with Security Analysts to discuss the results and the business environment. These sessions are planned to be held on:

1st quarter : 20 April, 2016  
2nd quarter: 1 August, 2016  
3rd quarter: 20 October, 2016

All annual/quarterly reports and presentations from quarterly briefings are regularly posted at the Company's website: [www.engro.com](http://www.engro.com) and [www.engrofoods.com](http://www.engrofoods.com)

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

### Change of Address

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

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



years of diversity



Our Brands



## brand portfolio

At Engro Foods, when we talk about our commitment to deliver the highest standards of quality, our focus goes well beyond how our brands will fare, to how they will impact consumer lives and enrich their health, happiness and well-being and that is precisely why we strive to create products combining good nutrition with great taste, value and quality.



### Olper's Milk

The Milk of Choice for All Occasions

Our flagship dairy brand Olper's Milk is the country's leading All-Purpose standardized UHT processed milk brand. Olper's is sheer indulgence in every sip and is backed by its high nutrition content and strong credentials of being preservative and antibiotic free. Widely favored for its wholesome taste and full-cream richness, Olper's has steadily emerged as the leading dairy product in the market since its launch in 2006. Each of its 3 distinct SKUs has been developed with utmost care given to convenience and value; the 250 ml Ecolean mini-jug is designed with a perforated tip and an air handle making it Easy to Tear and Easy to Pour; the 1000 ml Edge pack has a slanted top to maximize the ease of pouring; the 1500 ml value pack is the only pack giving consumers added economy. Today, Olper's Milk, Pakistan's leading UHT Milk brand, dominates dining tables across the country, combining nutrition, value and taste to deliver a consistently unforgettable consumer experience to households across the nation.



### Olper's Lite

Look Great, Feel Greater

The ideal low-fat, hi-calcium milk for consumers who want to stay healthy, active and fit for life, Olper's Lite contains all the inherent nutrients of milk that can boost energy, without contributing any of the extra calories that cause weight gain. Rich in iron and calcium content, and fortified with vitamins, Olper's Lite has been specially formulated to provide nutritional benefits to the growing number of health conscious consumers in Pakistan. Launched in 2011 and available in a modern 1000 ml Edge pack, today Olper's Lite is the low-fat milk with all the necessary ingredients to help consumers reach their prime whilst keeping it light on the calories and guilt free!



### Olper's Cream

The Cream of all Creams

The cream of all creams, Olper's Cream is a rich, creamy delight that has initiated a new trend not just amongst baking enthusiasts and dessert makers, but also within conventional households, where it is generously splurged over everyday food items as the primary ingredient to enhance the culinary experience by transforming it into a scrumptious creamy sensation. Steadily garnering consumer loyalty and a growing market share since its launch in 2006, Olper's Cream ranks among the country's leading brands in the UHT cream category as it continues to make meal-times, as well as breakfast and afternoon tea rituals a rich, creamy celebration day after day.



### Olper's Tarrka

Indulge in the goodness of life

Since 2007, Olper's Tarrka has been adding luxurious extravagance to many dishes. Olper's Tarrka is a premium desi ghee known for its distinct taste and utmost richness. A leading asli desi ghee brand made from 100% dairy fat, Tarrka is the true taste of indulgence. Cook your favorite cuisines in the richness of Tarrka to ensure that every meal time becomes an opportunity to treat your taste buds.



### Dairy Omung

Rise up to a better life

Introduced in 2011, Dairy Omung partners with middle-of-the-pyramid homemakers in their quest to provide the best for their families offering them an unadulterated 'milawat sey paak' alternative to loose milk. Dairy Omung is light on the stomach, 'heek' free & 100% dairy. It is a value-for-money brand that can be used for multiple purposes- tea creaming, drinking & desert making.



### Tarang

Tarang in your tea-cup makes for sheer bliss...

Tarang gives every cup of tea the perfect color, aroma and taste. Available in liquid format with different SKUs this specialized tea-whitener fulfills everyone's needs and appeals to all pockets. Launched in 2007, Tarang aimed to deliver a tea-whitening product that stood out for its excellence in quality and affordability offering a blissful brand experience. Eight years on and Tarang has outperformed all other packaged dairy UHT products and has grown to become the number one brand in this category in Pakistan.



### Omung Dobala

The strength of a good morning

Launched in 2010, Omung Dobala is an affordable alternate to dairy-based cream. It is high in nutrition yet priced low enough to be within the reach of most. Every dollop of Omung Dobala is filled with more than a fair share of sustenance to keep your energy levels up throughout the day. Omung Dobala not only has a great demand in our north, it also has an appeal across the border: It is used in Afghanistan as a staple diet, providing the people with the strength to go through a strenuous life with vigor and vitality.



### Olper's Lassi

The goodness of milk & yoghurt in one satisfying gulp

Lassi is a refreshing beverage that combines the goodness of milk and yogurt. Deep-rooted in the cultural history of the subcontinent, consumers strongly prefer this drink in the hot summer months to quench their thirst and rejuvenate themselves. Olper's Lassi entered into this segment in 2014 with a 250 ml portion pack available in four flavors – Sweet, Salty, Mango & Strawberry. The Tetra packaging with the cap enables the consumer to enjoy the lassi experience the true way by gulping it down instead of struggling with a straw. As one of our differentiated innovations to make in-roads in the beverages space, Olper's Lassi continued to enjoy loyalty with its fans in 2015.



### Omore

Ice-cream and frozen desserts

2015 was a year of pushing boundaries and breaking barriers for Omore. The brand has always stood for innovation and this year was taken as a golden opportunity to alleviate innovation to new heights. Much was done in 2015, firmly cementing Omore as the novel brand in the ice-cream and frozen desserts category!

## olper's milk

### Hur Table Ki Jaan

In 2015, Olper's was placed at the heart of every dining table in Pakistan with our new 'hur table ki jaan' tagline. The brand highlighted how our home life revolves around the dining table which is at the heart of the home for each one of us. The launch kicked off with a festive slice-of-life film set to a remix of the iconic Nazia Hasan tune 'Dum Dum Dee Dee'. The TVC moved seamlessly from table to table and regardless of what was happening at each table, from learning to mischief to romance, the scene was brought to life with Olper's. The memorable TV commercial was supported with radio spots, outdoor sites and point-of-sales material. The original TVC was then followed up with a reminder campaign that reinforced the same message with a slight twist: All tables in Pakistan revolve around Olper's.

In 2015, Olper's was placed at the heart of every dining table in Pakistan with our new 'hur table ki jaan' tagline.



### Ramadan 2015

Carrying on its tradition of signature Ramadan campaigns, Olper's emphasized another meaningful message this year focusing on the values of 'giving' and 'sharing' during the Ramadan season. In true Olper's style, the brand occupied an even bigger canvas this year depicting two kinds of tables on either side: the fortunate and less fortunate urging people to create equality amongst all by extending the blessings on our tables to those less fortunate than us.

The ATL campaign with the message of 'giving' was supported by a very successful BTL activity where Olper's vans collected iftari from well to do areas and delivering it to the tables of thousands of the less fortunate. This activity lasted the whole month of Ramadan and the dedicated efforts and selfless spirit of our hardworking team were commendable and much appreciated.

Limited edition products such as the Olper's Date Shake and Olper's Rooh Afza were launched to mark the Holy Month and limited edition Olper's packs were also available in stores for the duration of this holy month.

### 1.5 litre

Olper's bid farewell to 2015 on an exciting note with the launch of its 1500ml campaign, this being the first campaign to promote this SKU. The 1500 ml pack offered a nutritious choice for the whole family- filling 6 glass of nutritious milk in one economically price pack. In just 15 seconds, the crisp TVC set the "Bharpor sehat, bharpoor faida" tagline to a toe-tapping beat and fresh visuals that brought out the lively, attractive and innovative Olper's packaging while reinforcing the leadership of our brand in the hearts of our consumer.



## dairy omung

### Marketing Activities

#### The fight against adulteration

The demand of our burgeoning population, diminishing resources and an absence of strict accountability have all led to an increase in the extent of adulteration in food products. Middle-of-the-pyramid women responsible for the welfare of their families face the dilemma of choosing products that are safe & healthy and also do not severely strain their limited budget.

Milk is a superfood considered a primary source of essential nutrition and the average Pakistani household spends the most amount of money buying milk. The prevalence of adulterated and contaminated milk in the market remains unhampered with the general population receiving incomplete information regarding the processes and handling mechanisms for loose milk. Consumers, adhering to the age-old wisdom that milk is the most nutritious complete food do not realise the risk they are taking and how their family members' physical and mental well-being is being harmed.

The Dairy Omung brand was launched on the premise that nutrition is the right of every individual and should be viewed as a necessity and not as a luxury. Through a rigorous quality testing system,

Engro Foods ensures that the product that is made available to the consumer is safe and nutritious for human consumption.

In 2015 Omung has maintained and continued to build on the 'milawat sey paak' platform with a highly pertinent and altogether amusing campaign that plays on a routinely experienced scenario that the majority of women in Pakistan dread- being at the receiving end of unsolicited advice or interference! The series of ads take a tongue-in-cheek look at the life of a severely put upon homemaker as she faces one after another self appointed expert who interferes and imposes their ideas of how she should run her home and her life. In each of these humorously depicted situations either an overzealous neighbor, a needlessly clever 'dhobi' or an over opinionated 'darzan' go beyond the acceptable limit testing the patience of the poor protagonist in the most annoying way imaginable.

The narrator sympathizes with the poor woman as each interfering busy body tries to 'milao' their unwelcome ideas in her 'ghar ke mamalay'. The ads then ask the consumer why we put up with 'milawat' in the pure dairy products our family members' consume when we do not tolerate similar interference in our lives in general.

### In 2015, Dairy Omung and Horlicks came together to promote good health and uncompromised growth for children, launching the 'Kamyabi Pao' pack.

All the communication based on this amusing concept with its clever analogies has outperformed all the previous highly successful ad campaigns for Dairy Omung, strengthening brand health even further this year.

In 2015, Dairy Omung and Horlicks came together to promote good health and uncompromised growth for children, launching the 'Kamyabi Pao' pack. The co-promotion offered the 250 ml Dairy Omung pack with the 10 rupee Horlicks sachet allowing mothers to provide an unadulterated child-friendly dairy beverage to their children without any fear of them rejecting it. This successful campaign has also translated in an increase in the trial of Dairy Omung.

The Mail Milap platform was another extremely effective campaign that further emphasized Dairy Omung's commitment to no adulteration. A series of branded interactive shows brought to life the risks of adulterated milk enabling women across middle-of-the-pyramid communities in Karachi, Lahore, Gujranwala & Rawalpindi to experience the Dairy Omung promise. Through 200+ shows this platform gave the brand a chance to interact with over 40,000 women in four cities.

Each event comprised of a live theater segment, a bacteria test, a quiz show, fun games & a delicious Dairy Omung based beverage. The platform shared necessary information regarding the risks of loose milk and the benefits of Dairy Omung while also giving consumers the opportunity to test for themselves the quality of Dairy Omung vs. loose milk. The bacteria test was a real time validation of the Dairy Omung Promise that the product is 'milawat sey paak'.

Through the committed efforts of the resolute team at Engro Foods and with the cooperation of every department, from sales to procurement, the Dairy Omung brand grew by 21% from last year to take ownership of 63% of its category, ending the year with brand health indicators stronger than ever before.

Omung's journey to building consumer trust will continue in 2016, with new heights to reach and with a stronger resolve to fight and eliminate adulteration in dairy products as we continue to build on our Dairy Omung promise.



## tarang

Tarang broke the media sphere with a one-of-a-kind media innovation launching an epic 2-minute song with a star studded cast that aired on 33 channels simultaneously.

### Marketing communication (2015)

The year 2015, has been a banner year for Engro Foods' prized brand— Tarang. A confluence of wonderful promotional initiatives has taken Tarang to record heights establishing the brand as an essential in the Pakistani household so much so that consumers feel that a cup of tea is not worth having if it is without Tarang.

### Tarangbaaz

The year 2015 was kick started with the unveiling of the spectacularly popular campaign, 'Tarangbaaz'. Spreading an atmosphere of festivity across the nation with the call of 'Chai ka no.1 jor' ringing in the air, 9 billion Tarang-perfected teacups were relished by tea lovers in 415 towns nationwide. With such a spectacular response, it is no wonder that Tarang continues to hold onto the title of Pakistan's largest UHT brand. The brand reaches out to the masses with this exciting, bold, larger-than-life campaign that aims to infuse life with pure joy and fun that the magical touch of glamour from the leading stars from Pakistani cinema and television provide.

Tarang broke the media sphere with a one-of-a-kind media innovation launching an epic 2-minute song with a star studded cast that aired on 33 channels simultaneously. The 'Tarangbaaz' stellar cast featured some of Pakistan's greatest superstars with none other than Fahad Mustafa, Saima Noor, Mehwish Hayat, Iman Ali, Shaan and Jawed Sheikh as the faces of the campaign. The TV commercial was a visual and auditory extravaganza with each celebrity dazzling the screen with tour de force performances of beautifully choreographed dances set to an unforgettable tune all taking place in breathtaking film sets. This magnificent Tarang campaign opened the year 2015 with a resounding bang that heralded an era of majesty and festivity and ushered in an even more thrilling future for the brand.



### Love Marriage

Tarang has always been at the forefront when it comes to redefining the advertising industry of Pakistan and following the roaring success of the extravaganza that was "Hum Hain Tarangbaaz", Pakistan's no.1 UHT brand Tarang came back with yet another communication innovation. This second campaign is the very definition of innovation as the ad is not only extremely entertaining but also employs a new camera technology called the 'Bolt Cinebot' for the very first time in Pakistan.

The functional campaign depicts a tea cup and a pot of loose milk in a lighthearted version of the age-old debate of the value of love or arranged marriage. In this quirky love story of a cup of tea, the tea rejects an arranged marriage with a vessel of loose milk and fights for the right to be united with her beloved Tarang. She puts forth all the reasons why the 'rishta' with Tarang is the ideal one for her, wittily sighting Tarang's viscosity, greater yield and better value as the reasons why she can only become the perfect cup of tea if she is united with Tarang. Happily the tea wins the argument and she is finally united with her perfect complement, Tarang in a fairy tale ending that has the perfect taste, color and aroma.

### Tarang Elaichi

The exquisite Tarang Elaichi TVC of 2015 is one that is sure to excite all viewers with its beautiful sets, resplendent costumes, celebrity gloss and clever humor. December 2015 saw a perfect mix of all four in the form of the Tarang Elaichi TVC.

Starring the ever-Tarangbaaz Fahad Mustafa and the serial sensation, Sohaili Ali Abro, this TVC is set in the magnificent Noor Mahal, evoking all the majestic glory of the Maharajas and Maharains of days gone by. The story with its witty narration, surprising plot twist and sultry product shots was bound to give viewers a laugh, whilst showcasing 'asal elaichi ka mehekta maza'.

The campaign kicked off on TV, radio and outdoor in December 2015 and will continue until January 2016. By bringing together a stellar product and outstanding distribution, this initiative was a fitting end to a brilliant remarkable year which saw the Tarang brand break its highest ever secondary sales record twice.



## omung dobala

Launched in 2010, Omung Dobala is an affordable alternate to expensive dairy-based creams. High in nutrition and yet surprisingly low in price, Omung Dobala is an energy packed treat within the reach of all consumers budgets. Every drop of Omung Dobala is filled with more than a fair share of sustenance that keeps your energy levels up throughout the day. It is no surprise then that Omung Dobala is not only in great demand in our northern areas but also in Afghanistan where it is a major part of the staple diet, providing consumers the strength to get through their strenuous routine with vigor and vitality. Omung Dobala was given a makeover this year by changing its

Omung Dobala was given a makeover this year changing its look and feel to offer consumers superior product quality along with completely reinvented packaging.

look and feel to offer consumers superior product quality along with completely reinvented packaging. While keeping the product as affordable as ever, the thicker and richer Omung Dobala is now available in its new superior Ecolean pack that guarantees freshness and functionality. Merging convenience with good taste, Omung Dobala is ready to fill lives with *lazzat bhara maza*.



# لذت بہرامزہ

## olper's cream

**Every day is a Celebration with our Crème De La Cream!**

The cream of all creams, Olper's Cream is a rich and creamy delight. A must-have, not just for dessert chefs and baking enthusiasts but, for anyone looking for that special topping that turns everyday home treats into something truly special. Try as you might you can't resist generously splurging Olper's cream over just about any food as that extra special secret ingredient because Olper's cream makes every meal-time a rich and creamy celebration.

Olper's Cream took its fans on a nostalgic journey back in time this year to the days when our traditions were truly followed and when storytelling was the medium through which we passed on our values and traditions. The first communication for Olper's Cream in 2015 evoked our taste memory of those golden times with a nostalgic recreation of the legendary Kissa Khawani bazaar of Peshawar. The carefully chosen musical score and exquisite visuals reminiscent of this past glory gave Olper's Cream consumers a taste of those authentic values and traditions that we have been guarding for centuries.

**Introduction of ECOLEAN Packaging**

With the convenience of our consumer always in the forefront of our minds, Olper's Cream introduced a new packaging design in 2015, switching from a Tetrapak brick to Ecolean packaging. With the same great taste and richness of Olper's Cream, the smart design of the Ecolean packaging gives customers an easy pour option and allowing them to use it till the last delicious drop!

Olper's Cream introduced a new packaging design in 2015, switching from a Tetrapak brick to Ecolean packaging.



## omore

### Engro Foods partnered with Warner Bros. to bring you Omore Tom & Jerry!

One memory from our childhood which depicts the mischievousness in all of us is the cat-and-mouse duo of Tom & Jerry. Realizing the strong equity that this adored cartoon has with every child, Omore teamed up with Warner Bros. to bring to Pakistan the world's FIRST officially licensed Tom & Jerry Frozen Dessert!

Available at Rs. 25, the Omore Tom & Jerry chocbars are an exciting addition to the Pakistani repertoire of ice-creams and frozen desserts. The scope of these offerings is huge which is why a funny and colourful advertisement made exactly like the old T&J cartoons was promoted on television and billboards across the nation, thrilling children and adults alike, further supplemented by an engaging and colorful Tom & Jerry puzzles page which was published for eight weeks in the kids' section of Dawn. Retailers in all our big cities were stormed by children demanding Omore Tom & Jerry, creating a buzz in the category like never before, which took volumes to unprecedented levels. The potential of this offering has just hit it off, and we look forward to an exciting year in 2016 with Omore Tom & Jerry.



### The new cones on the block- Omore Pina Colada and Orange Chocolate

Omore's cones segment has always been a ready platform for innovation; brand loyalists have lauded the novelty of flavours in

this format since the brand's inception. In March 2015, Omore kicked off the promotion of its brand new cones, Omore Pina Colada and Orange Chocolate. These additions to the portfolio are radical flavor innovations, the likes of which have never been seen before in Pakistan. Each flavor brings about a host of associations; a bite of Pina Colada is an instant hit of tropical beachy bliss whereas Orange Chocolate's loud taste builds and amplifies the vibrance of the surrounding environment.

Both of these new offerings created a sensation in urban cities; the novelty of these flavours helped achieve annual business targets far before the end of the year and the advertisement featuring the Hocane sisters was also well-received. 2016 promises yet another exciting launch in this segment, something to build this range of originality. Omore has after all always been synonymous with innovation!

### Bend, twist and join with OmoreFunsticks!

Ice-cream is more than just a sweet treat. Omore took the opportunity to couple kids' love for ice cream with their innate love for toys and launched the ground-breaking Omore Funsticks. In today's world, kids are constantly engrossed in phones, computers and tablets which restricts their learning, motor skills, creativity and the power of imagination. Omore Funsticks polishes these skills and builds their confidence with a fun-filled and engaging experience.

Omore Funsticks are made of child-friendly plastic with a unique cut-out design, which allows kids to easily join, twist and bend to make shapes of their choice. These Funsticks come in six different colors and in three exciting variants; Omore's Jumbo Chothead, Orangee and Lick-a-Flavor. The idea of endless fun continues long after they have finished eating!

In order to really drive Funsticks into the minds of Pakistani children, a complete promotional plan with school visits, live demonstrations, competitions and brochures at retail was undertaken. For the tech-savvy kids of today, the first ever website of the brand ([www.omorefunsticks.com](http://www.omorefunsticks.com)) was launched, where kids can access a variety of tutorial videos, exciting games and also submit their own Funsticks creations for the world to see. All of this was supplemented by a creative, one-of-its-kind stop-motion TVC for kids with a catchy-tareen jingle!

To date, we have received countless Omore Funsticks creations from kids all across Pakistan which include windmills, cars, bikes, swings, stars and many animals. The range of creative shapes possible is limitless as kids can make things from as small as a square box to as grand as the Empire State Building! Make sure you get your kids to try out the amazing opportunities that come with Omore Funsticks!

### Rules are made to be bitten with Omore's new premium bars!

Until some time ago, ice-cream lovers looking for premium indulgence were paralyzed for options. This niche segment was controlled by one giant brand and no other had the ability to step in. Since late 2014, Omore had been working on how to break this iron grip and after many sleepless nights, we were happy to announce that the hegemony had in fact been broken! Omore launched two stellar premium ice-cream bars in July: The Peanut Butter Extravaganza and A Case of Vanilla & Hazelnut. These value-added premium ice cream bars offer innovation that was missing from the category in the form of novelty, with first-time offerings of peanut butter and hazelnuts that are difficult to find in the Pakistani market. To supplement the products, the campaign was the talk of the town, with a very cutting-edge message that puts everything out there. An extremely premium packaging has been universally lauded and the overall product proposition has been well-received. So go ahead and bite the rules with Omore's new premium bars!

### Double the flavour with the new 2-in-1 family packs!

In line with the year's theme of innovation, packaging formats were revamped in the economy family segment with the introduction of the 2-in-1 range. Evergreen flavours were combined to create the new Omore Mango & Vanilla, Omore Strawberry & Vanilla and Omore Chocolate & Caramel. This range was the most successful new launch of 2015 with the best business results and convenience for families as they enjoyed 2 popular flavours for the price of one!



## olper's lassi

Olper's Lassi continued to reinforce the launch message of the brand in 2015 with several initiatives across TV, radio and retail. Digital played a critical role to connect with our consumers through building a fun, trendy and humorous world for our brand. At the onset of the year, we had a fully integrated campaign around the T-20 world cup. This campaign was supplemented by a first of its kind interactive message wall installed outside one of the largest malls in the country. For three days, fans and supporters put up their messages for the Pakistani team which were uploaded on our social media page.

Sponsorships of various sport events continued throughout the year with dedicated and exclusive spots on weather update segments in the summer months across major news channels.

Digital played a critical role to connect with our consumers through building a fun, trendy and humorous world for our brand.



## #KhulKeKhelo

Got something to say to your favourite cricketer?  
Record now with the #KhulKeKhelo app!



## olper's tarrka

Olper's Tarrka launched its first ever television communication reminding consumers of the asli yaad ka maza.

Since 2007, Olper's Tarrka has been adding luxurious extravagance to the culinary treats of Pakistan. Olper's Tarrka is a premium desi ghee known for its distinct pure taste and aroma. The utmost in richness, Tarrka is a leading asli desi ghee brand made because it is made from 100% dairy fat that gives it the true taste of indulgence.

Cook your favorite dishes from Pakistan's traditional cuisine with the richness of Tarrka to ensure that every meal time becomes an opportunity to treat your taste buds to the goodness and luxury that you deserve.

Olper's Tarrka launched its first ever television communication reminding consumers of the asli yaad ka maza. The TVC beautifully depicts how the memories of bygone days are instantly relived when we get the surprise of savouring our traditional food cooked in the authentic way. Consumers are transported with the character in the ad as his lovingly made paratha with Tarrka evokes his precious childhood memories of being spoiled with delicious food.



اصلی مزا جو بھولی ہوئی یاد  
کو کھٹ کھٹائے!

years of rewards





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

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

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

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

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

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

Chartered Accountants  
Karachi  
Date: March 14, 2016

Engagement Partner: Waqas A. Sheikh

# statement of compliance with the code of corporate governance

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

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

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

Category	Name
Independent Directors	Zafaryab Ali Khan
	Marco L. Spits
	Wim Torfs
Executive Director / CEO Non-Executive Directors	Babur Sultan
	Abdul Samad Dawood
	Mohammad Amin
	Sabrina Dawood
	Rehan Hassan
	Isfandiyar Shaheen
	Khalid S. Subhani

The independent directors meet the criteria of independence under clause i (b) of the CCG. Of the non-executive directors, Mr. Khalid S. Subhani is an executive in an Engro Group company.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Four casual vacancies occurring on the Board on May 11, 2015, June 11, 2015, August 01, 2015 and June 18, 2015 were filled up by the directors within 22, 11 and 84 days respectively.
5. The Company has prepared a "Code of Conduct" comprising of Ethics and Business Practices policies and has ensured that appropriate steps have been taken to disseminate it through out the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and the meeting fees payable to the non-executive directors, have been taken by the Board.
8. All meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board to chair the meeting. The Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings, except for meetings held on short notice to discuss urgent matters. The minutes of the meetings were appropriately recorded and circulated.
9. One of the directors attended the directors training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. Four other directors have already completed this course earlier, while four directors will be attending this course in the ensuing year.

10. The Board has approved appointment of the CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of four members, of whom one is an independent director and three are non-executive directors and the Chairman of the Committee is a non-executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee i.e. the Board Compensation Committee. It comprises of four members, all of whom are non-executive directors. The Chairman of the Committee is a non-executive director.
18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel that are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



Abdul Samad Dawood  
Chairman



Babur Sultan  
Chief Executive Officer

Karachi  
Date: January 27, 2016



**A. F. FERGUSON & CO.**

## independent assurance report to the members on the statement of compliance with employees share option scheme

### Scope of our work

We have performed an independent reasonable assurance engagement of Engro Foods Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Employees Share Option Scheme, as approved by the shareholders in their Extra Ordinary General Meeting held on March 22, 2013 and amended in their Annual General Meeting held on April 27, 2015 (the Scheme), and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) as of December 31, 2015.

### Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2015) is assessed comprises of the aforementioned amended Employee Share Option Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001. Our engagement was carried out as required under Rule 14 of the Rules issued by the Securities and Exchange Commission of Pakistan vide SRO 300(1) 2001 dated May 11, 2001.

### Responsibility of Company's Management

The responsibility for the preparation of the Statement (the subject matter information) and for compliance with the requirements of the Scheme and the Rules 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 accounting records.

### Our Independence and Quality Control

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

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

### Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement for the year ended December 31, 2015 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 Company's compliance with the Scheme and the Rules (the Criteria) and is free from material misstatement.

The procedures selected by us for the engagement depend on our judgment, including an assessment of the risks of material non-compliance with the requirements of the Scheme and the Rules. In making those risk assessments; we have considered internal controls relevant to the Company's compliance with the Scheme and the Rules 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 Scheme and the Rules. 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:

- Verifying that only permanent employees have participated in the Scheme in compliance with the Rules;
- Verifying that variation, if any, in the terms of the Scheme has been approved by passing a special resolution in the general meeting;
- Verifying that the share options granted, vested, lapsed, surrendered or exercised under the Scheme have been recorded in the books of accounts in accordance with the requirements of the Rules;
- Ensuring that adequate disclosures have been made in respect of the Scheme in the Annual Report as required under the Rules; and
- Ensuring that during the year no option granted to any employee has been transferred to any other person except to an entitled employee as per the Rules.

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

#### Conclusion

Based on our reasonable assurance engagement, in our opinion, the annexed Statement for the year ended December 31, 2015 has been prepared, in all material respects, in compliance with the Scheme and the Rules.



Chartered Accountants  
Karachi  
Date: March 08, 2016

Engagement Partner: Waqas A. Sheikh

## management statement of compliance with employees share option scheme

Engro Foods Limited (the Company) as of December 31, 2015 has implemented its Employees Share Option Scheme (the Scheme) as approved by the shareholders in their Extra Ordinary General Meeting held on March 22, 2013. The amendments to the Scheme were approved by the shareholders in the Annual General Meeting held on April 27, 2015 and by the Securities and Exchange Commission of Pakistan on August 31, 2015. The Company as of December 31, 2015 has complied, in all material respects, with the requirements of the Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001 issued by the Securities and Exchange Commission of Pakistan vide SRO 300(I) 2001 dated May 11, 2001.



Abdul Samad Dawood  
Chairman

Karachi  
Date: January 27, 2016



Babur Sultan  
Chief Executive Officer

## auditors' report to the members

We have audited the annexed balance sheet of Engro Foods Limited as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2015 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Chartered Accountants  
Karachi  
Date: March 14, 2016

Engagement Partner: Waqas A. Sheikh

# balance sheet as at december 31, 2015

(Amounts in thousand)

	Note	2015 ------(Rupees)-----	2014 ------(Rupees)-----
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	13,860,273	15,021,519
Biological assets	5	1,024,251	858,680
Intangible assets	6	63,923	112,208
Long term advances and deposits	7	134,451	109,174
Deferred employee share option compensation expense	8	147,456	112,581
Investment in subsidiary	9	-	-
		<u>15,230,354</u>	<u>16,214,162</u>
<b>Current Assets</b>			
Stores, spares and loose tools	10	792,929	788,141
Stock-in-trade	11	3,071,379	3,697,787
Trade debts	12	117,568	95,962
Advances, deposits and prepayments	13	133,999	113,501
Other receivables	14	598,555	53,729
Sales tax recoverable	15	3,724,441	2,811,878
Taxes recoverable		2,234,126	1,637,018
Deferred employee share option compensation expense	8	92,986	90,430
Cash and bank balances	16	289,049	196,900
		<u>11,055,032</u>	<u>9,485,346</u>
<b>TOTAL ASSETS</b>		<u><u>26,285,386</u></u>	<u><u>25,699,508</u></u>

(Amounts in thousand)

	Note	2015 ------(Rupees)-----	2014 ------(Rupees)-----
<b>Equity &amp; Liabilities</b>			
<b>Equity</b>			
Share capital	17	7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve	8	595,144	399,740
Hedging reserve		(1,770)	(27,736)
Remeasurement of post employment benefits - Actuarial loss		(84,356)	(35,715)
Unappropriated profit		5,872,468	2,710,013
		<u>14,912,801</u>	<u>11,577,617</u>
<b>Non-Current Liabilities</b>			
Long term finances	18	2,195,988	5,476,993
Deferred taxation	19	1,816,289	1,185,717
Deferred income	20	568	2,516
		<u>4,012,845</u>	<u>6,665,226</u>
<b>Current Liabilities</b>			
Current portion of long term finances	18	3,171,417	1,605,597
Current portion of deferred income	20	3,122	6,894
Trade and other payables	21	3,666,927	3,215,767
Derivative financial instruments	22	2,604	41,397
Accrued interest / mark-up on			
- long term finances		98,993	194,025
- short term finances		6,920	61,092
Short term finances	23	409,757	2,331,893
		<u>7,359,740</u>	<u>7,456,665</u>
Contingencies and Commitments	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>26,285,386</u></u>	<u><u>25,699,508</u></u>

The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood  
Chairman



Babur Sultan  
Chief Executive Officer

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

(Amounts in thousand except for earnings per share)

	Note	2015 ------(Rupees)-----	2014
Net sales	25	49,834,089	42,602,454
Cost of sales	26	(38,303,002)	(34,926,132)
<b>Gross profit</b>		<b>11,531,087</b>	<b>7,676,322</b>
Distribution and marketing expenses	27	(4,952,143)	(4,267,579)
Administrative expenses	28	(1,385,412)	(1,282,240)
Other operating expenses	29	(368,648)	(103,770)
Other income	30	325,520	304,854
<b>Operating profit</b>		<b>5,150,404</b>	<b>2,327,587</b>
Impairment of investment in Subsidiary	9.1	-	(596,328)
Finance costs	31	(856,419)	(1,236,904)
<b>Profit before taxation</b>		<b>4,293,985</b>	<b>494,355</b>
Taxation	32	(1,131,530)	394,476
<b>Profit for the year</b>		<b>3,162,455</b>	<b>888,831</b>
Earnings per share - basic and diluted	33	4.13	1.16

The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood  
Chairman



Babur Sultan  
Chief Executive Officer

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

(Amounts in thousand)

	Note	2015 ------(Rupees)-----	2014
<b>Profit for the year</b>		<b>3,162,455</b>	<b>888,831</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Loss on hedges during the year		1,410	(61,407)
Less: Adjustments for amounts transferred to initial carrying amounts of hedged items - capital work-in-progress / stock-in-trade		37,383	34,527
Income tax relating to hedging reserve		(12,827)	8,725
		25,966	(18,155)
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of post employment benefits obligation - Actuarial loss	36.6	(71,531)	(1,307)
Income tax relating to Actuarial loss		22,890	431
		(48,641)	(876)
Other comprehensive loss for the year, net of tax		(22,675)	(19,031)
<b>Total comprehensive income for the year</b>		<b>3,139,780</b>	<b>869,800</b>

The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood  
Chairman



Babur Sultan  
Chief Executive Officer

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

(Amounts in thousand)	Note	Share capital	Share premium	Reserve		Revenue		Total
				Employee share option compensation reserve	Hedging reserve	Remeasurement of post employment benefits - Actuarial loss	Unappropriated profit	
				------(Rupees)-----				
Balance as at January 1, 2014		7,665,961	865,354	407,133	(9,581)	(34,839)	1,821,182	10,715,210
Employee share option scheme	8	-	-	(7,393)	-	-	-	(7,393)
Total comprehensive income for the year		-	-	-	(18,155)	(876)	888,831	869,800
Balance as at December 31, 2014 / January 1, 2015		7,665,961	865,354	399,740	(27,736)	(35,715)	2,710,013	11,577,617
Employee share option scheme	8	-	-	195,404	-	-	-	195,404
Total comprehensive income for the year		-	-	-	25,966	(48,641)	3,162,455	3,139,780
Balance as at December 31, 2015		7,665,961	865,354	595,144	(1,770)	(84,356)	5,872,468	14,912,801

The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood  
Chairman



Babur Sultan  
Chief Executive Officer

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

(Amounts in thousand)

	Note	2015	2014
------(Rupees)-----			
<b>Cash Flows from Operating Activities</b>			
Cash generated from operations	34	6,742,073	3,111,294
Finance costs paid		(1,005,623)	(1,221,436)
Taxes paid		(1,088,003)	(949,664)
Retirement benefits paid		(106,203)	(137,940)
Long term advances and deposits - net		(25,277)	(16,042)
<b>Net cash generated from operating activities</b>		<b>4,516,967</b>	<b>786,212</b>
<b>Cash Flows From Investing Activities</b>			
Purchases of			
- property, plant and equipment		(967,231)	(2,489,355)
- intangible assets		(5,792)	(39,461)
- biological assets		(1,347)	(1,320)
Proceeds from disposal of			
- property, plant and equipment		133,046	80,124
- biological assets		51,304	63,376
Investment in Engro Foods Netherlands B.V., a subsidiary company - net		-	(169,040)
<b>Net cash utilized in investing activities</b>		<b>(790,020)</b>	<b>(2,555,676)</b>
<b>Cash Flows From Financing Activities</b>			
Repayments of long term finances		(1,721,870)	(1,081,860)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,005,077</b>	<b>(2,851,324)</b>
Cash and cash equivalents at beginning of the year		(2,134,993)	727,266
Effects of exchange rate changes on cash and cash equivalents		9,208	(10,935)
<b>Cash and cash equivalents at end of the year</b>	35	<b>(120,708)</b>	<b>(2,134,993)</b>

The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood  
Chairman



Babur Sultan  
Chief Executive Officer

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

(Amounts in thousand)

## 1. Legal Status And Operations

1.1 Engro Foods Limited (the Company), is a public listed company incorporated in Pakistan, under the Companies Ordinance, 1984, and its shares are quoted on Pakistan Stock Exchange (formerly Karachi stock exchange in which Lahore and Islamabad stock exchanges have merged). The Company is a subsidiary of Engro Corporation Limited (ECL) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company) and its registered office is situated at 6th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.

1.2 The principal activity of the Company is to manufacture, process and sell dairy products, beverages, ice cream and frozen deserts. The Company also owns and operates a dairy farm.

## 2. Summary Of Significant Accounting Policies

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

### 2.1 Basis of preparation

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

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

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

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

#### a) Standard and amendments to published standards that are effective in 2015

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

- IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.
- IAS 19 (Amendment) 'Employee benefits'. The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognize the benefit of those contributions over employee's working lives. The Company's accounting treatment is already in line with this amendment.

(Amounts in thousand)

- IFRS 2 'Share based payments' (Amendment). This amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The Company's current accounting treatment is already in line with this amendment.

- IAS 24 'Related party disclosures' (Amendment). The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The Company's current accounting treatment is already in line with this amendment.

- IFRS 8 'Operating segments' (Amendment). This amendment requires disclosure of the judgments made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. This amendment only affects the disclosures in the Company's financial statements.

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

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

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

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

- Servicing contracts – If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.
- Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

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

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

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

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

(Amounts in thousand)

## 2.2 Property, plant and equipment

### 2.2.1 Owned

These are stated at cost less accumulated depreciation and impairment, if any, except for freehold land and capital work-in-progress, which are stated at cost.

Depreciation is charged to income using the straight-line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 4.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the preceding month of disposal.

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

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

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognized in the profit and loss account. The recoverable amount is the higher of fair value, less expected selling expenses, and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in the profit and loss account, however, is restricted to the original cost of the asset.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period of disposal or retirement.

### 2.2.2 Leased

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments and the fair value of the assets acquired on lease. Outstanding obligations under the lease less finance costs allocated to future periods are shown as a liability. Depreciation on leased assets is recognized using the same basis as for owned assets.

Finance costs are allocated to the period of the lease term so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

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 profit and loss.

## 2.3 Biological assets

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

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

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

(Amounts in thousand)

## 2.4 Intangible assets - Computer software

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can also be measured reliably.

Generally, costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with 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 and related employee and other 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 a period of 5 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount in the profit and loss account. Reversal of impairment losses are also recognized in the profit and loss account.

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

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

### 2.6 Investments in subsidiaries

Investments in subsidiaries are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of the investments are adjusted accordingly.

The gain or loss on disposal of an interest in subsidiary, represented by the difference between the sales proceeds and the carrying amount of investment, is recognized as an income or expense in the period of disposal.

## 2.7 Financial instruments

### 2.7.1 Financial assets

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

#### a) At fair value through profit and loss

Financial assets at fair value through profit and 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, they 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 balance sheet date, in which case they are classified as non-current assets. The Company's loans and receivables comprise of 'trade debts', 'other receivables', 'loans, advances and deposits' and 'cash and cash equivalents' in the balance sheet.

(Amounts in thousand)

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 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 management intends to dispose off the investment within 12 months of the balance sheet date.

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account as part of 'other income'. Dividends on available-for-sale equity instruments are recognized in the profit and loss account as part of 'other income' when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity – specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the profit and loss account. Impairment losses previously recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

In the case of loans and receivables, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The impairment loss is recognized by reducing the carrying amount of the asset and the amount of loss is recognized in profit and loss account in case of financial assets carried at amortized cost. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of previously recognized impairment loss is also recognized in the profit and loss account.

2.7.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

(Amounts in thousand)

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 profit and loss account.

2.7.3 Offsetting of financial assets and liabilities

A financial asset and a financial liability are off set and the net amount is reported in the balance sheet if the Company 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.

2.8 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit, which are stated at invoice value plus other charges paid thereon till the balance sheet date. A provision is made for any excess book value over estimated realizable value of items identified as surplus to the Company's requirements. Adequate provision is also made for slow moving items.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are shown separately as major spare parts and stand by equipment.

2.9 Stock-in-trade

Stock in trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw materials in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. Cost of finished goods comprises purchase cost and other 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 estimated cost of completion and estimated costs necessary to make the sale. Provision is made for slow moving stocks where considered necessary.

2.10 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. '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.

2.11 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balances with banks on current, deposit and saving accounts, and short-term highly liquid investments subject to insignificant risk of changes in values, and short term finances. Short term finances on the balance sheet are shown as part of current liabilities.

2.12 Share capital

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

(Amounts in thousand)

#### 2.13 Employees' share option scheme

The grant date fair value of equity settled share based payments to employees is initially recognized in the balance sheet as deferred employee compensation expense with a consequent credit to equity as employee share option compensation reserve. The fair value determined at the grant date of the equity settled share based payments is recognized as an employee compensation expense on a straight line basis over the vesting period.

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

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

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

#### 2.14 Retirement and other service benefits

##### 2.14.1 Gratuity fund

The Company operates a defined benefit funded gratuity plan (the Fund) for all its permanent employees. The Fund provides for a graduated scale of benefits dependent on the length of service of an employee on terminal date, subject to the completion of minimum qualifying period of service. Gratuity is based on employees' last drawn salary.

Provisions are made to cover the obligations under the Fund on the basis of actuarial valuation carried out annually by an independent expert, using the 'Projected Unit Credit Method'.

The amount recognized in the balance sheet represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

##### 2.14.2 Provident fund

For all permanent employees of the Company, Engro Corporation Limited, the Holding Company, operates and maintains a defined contribution provident fund on behalf of the Company.

Equal monthly contribution at the rate of 10% of basic salary are made both by the Company and the employees to the Holding Company's defined contribution fund.

##### 2.14.3 Compensated absences

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

#### 2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest method.

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

(Amounts in thousand)

#### 2.16 Trade and other payables

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

#### 2.17 Provisions

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

#### 2.18 Taxation

##### 2.18.1 Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

##### 2.18.2 Deferred

Deferred income tax is accounted for using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset will be realized or the deferred income tax liability will be settled. Deferred tax is charged or credited in the profit and loss account.

#### 2.19 Foreign currency transactions and translation

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

#### 2.20 Derivatives financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
- b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The overall risk management strategy includes reasons for undertaking hedge transactions and entering into derivatives. The objectives of this strategy are to:

- minimize foreign currency exposure's impact on the Company's financial performance; and
- protect the Company's cash flow from adverse movements in foreign currency exchange rates.

(Amounts in thousand)

a) Fair value hedge

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

b) Cash flow hedge

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are reclassified to the profit and loss account in the periods when the hedged item affects income i.e. when the transaction occurs. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the profit and loss account or the cost of the related asset for which the borrowing is being utilized. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for e.g. inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory or in depreciation in case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss account or the cost of the related non-financial asset (for e.g. inventory or fixed assets) as applicable. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.21 Revenue recognition

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

- sales are recorded on despatch of goods to the customers; and
- return on deposits / bank balances is recognized on accrual basis.

2.22 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 development project will be a success and certain criteria, including commercial and technological feasibility have been met.

2.23 Borrowing costs

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

(Amounts in thousand)

2.24 Dividend and appropriation to reserves

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

2.25 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 Company that makes the strategic decisions.

### 3. Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, such differences are estimated to be insignificant and hence will not affect the true and fair presentation of the financial statements. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Taxation

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

b) Property, plant and equipment and intangible assets

The Company reviews the appropriateness of the rate of depreciation / amortization, useful life and residual values used for recording the depreciation / amortization on annual basis. Further, if required based on any indication for impairment, an estimate of recoverable amount of assets is made for possible impairment.

c) Biological assets

The fair values of biological assets (Dairy livestock) is determined semi-annually by utilizing the services of an independent expert. These valuations are mainly based on market conditions and physical attributes of livestock existing at the end of each reporting period, which are subject to change at each period end due to market conditions.

d) Stock-in-trade

The Company regularly reviews the net realizable value of stock-in-trade to assess any diminution in the carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to be incurred to make the sale.

e) Provision for staff retirement and other service benefits

The present value of the obligations is determined by an independent actuary using a number of assumptions and other factors. Any change in these assumptions and factors will impact the obligations recorded in the financial statements.

(Amounts in thousand)

f) Employees' share option scheme

Employee share option compensation reserve and deferred employee share option compensation expense have been determined using the fair values of the options granted and expected to be granted in the ensuing year, using the Black Scholes Pricing Model. The fair values of the options granted during the year have been determined with reference to the respective grant dates of the options; and fair values of options expected to be granted in the ensuing year has been determined with reference to the balance sheet date in accordance with the requirements of IFRS 2 'Share based payment' and will be reassessed on the actual grant date. The fair values and the underlying assumptions are disclosed in note 8. Any change in these assumptions may significantly impact the carrying values of the related asset and reserve in the balance sheet.

4. Property, Plant and Equipment

Operating assets (note 4.1)  
Capital work-in-progress (note 4.5)  
Major spare parts and stand by equipment (note 10)

	2015	2014
	------(Rupees)-----	
Operating assets (note 4.1)	13,281,414	14,290,892
Capital work-in-progress (note 4.5)	419,755	605,918
Major spare parts and stand by equipment (note 10)	159,104	124,709
	<u>13,860,273</u>	<u>15,021,519</u>

(Amounts in thousand)

4.1 Operating assets

	Freehold land	Buildings and civil works on freehold land	Plant, machinery and related equipment (note 4.2)		Computer equipment (note 4.2)	Office equipment and furniture & fittings	Vehicles (note 4.2)		Total
			Owned	Leased			Owned	Leased	
------(Rupees)-----									
<b>As at January 1, 2014</b>									
Cost	402,003	2,578,765	12,024,055	34,595	211,599	280,194	704,413	2,800	16,238,424
Accumulated depreciation	-	(595,008)	(3,894,675)	(34,522)	(109,130)	(147,192)	(306,351)	(2,800)	(5,089,678)
Accumulated impairment	-	-	(97,949)	-	-	-	(5,422)	-	(103,371)
Net book value	<u>402,003</u>	<u>1,983,757</u>	<u>8,031,431</u>	<u>73</u>	<u>102,469</u>	<u>133,002</u>	<u>392,640</u>	<u>-</u>	<u>11,045,375</u>
<b>Year ended December 31, 2014</b>									
Opening net book value	402,003	1,983,757	8,031,431	73	102,469	133,002	392,640	-	11,045,375
Additions, including transfers (note 4.5)	5,469	1,120,699	3,818,887	-	34,742	83,777	138,497	-	5,202,071
Disposals (note 4.4)	-	-	-	-	-	-	-	-	-
Cost	-	(8,676)	(41,190)	-	(10,933)	(10,851)	(138,647)	(1,365)	(211,662)
Accumulated depreciation	-	6,683	34,570	-	9,478	9,518	83,035	1,365	144,649
Depreciation (note 4.3)	-	(1,993)	(6,620)	-	(1,455)	(1,333)	(55,612)	-	(67,013)
Impairment (notes 26 and 27)	-	(7,001)	(36,294)	-	-	-	-	-	(43,295)
Write-off	-	-	-	-	-	-	-	-	-
Cost	-	-	(159,843)	-	(2,894)	(5,967)	(7,691)	-	(176,395)
Accumulated impairment	-	-	75,753	-	-	-	5,422	-	81,175
Accumulated depreciation	-	-	80,412	-	2,853	5,601	6,291	-	95,157
Depreciation (note 4.3)	-	-	(3,678)	-	(41)	(366)	4,022	-	(63)
Closing net book value	<u>407,472</u>	<u>2,880,381</u>	<u>10,399,884</u>	<u>-</u>	<u>92,977</u>	<u>161,546</u>	<u>348,632</u>	<u>-</u>	<u>14,290,892</u>
<b>As at December 31, 2014</b>									
Cost	407,472	3,690,788	15,641,909	34,595	232,514	347,153	696,572	1,435	21,052,438
Accumulated depreciation	-	(803,406)	(5,183,535)	(34,595)	(139,537)	(185,607)	(347,940)	(1,435)	(6,696,055)
Accumulated impairment	-	(7,001)	(58,490)	-	-	-	-	-	(65,491)
Net book value	<u>407,472</u>	<u>2,880,381</u>	<u>10,399,884</u>	<u>-</u>	<u>92,977</u>	<u>161,546</u>	<u>348,632</u>	<u>-</u>	<u>14,290,892</u>
<b>Year ended December 31, 2015</b>									
Opening net book value	407,472	2,880,381	10,399,884	-	92,977	161,546	348,632	-	14,290,892
Additions, including transfers (note 4.5)	1,108	141,974	855,459	-	12,756	14,272	131,183	-	1,156,752
Disposals (note 4.4)	-	-	-	-	-	-	-	-	-
Cost	-	(800)	(122,658)	-	(6,681)	(14,933)	(100,200)	-	(245,272)
Accumulated depreciation	-	767	35,732	-	6,210	10,554	67,738	-	121,001
Depreciation (note 4.3)	-	(33)	(86,926)	-	(471)	(4,379)	(32,462)	-	(124,271)
Impairment (notes 26 and 27)	-	(235,210)	(1,513,788)	-	(36,376)	(52,944)	(138,976)	-	(1,977,294)
Write-off (note 29)	-	-	(21,904)	-	-	-	(915)	-	(22,819)
Cost	-	(13,148)	(3,903)	-	(2,822)	(3,077)	-	(46)	(22,996)
Accumulated impairment	-	7,001	1,736	-	-	-	-	-	8,737
Accumulated depreciation	-	5,726	2,167	-	2,817	2,954	-	46	13,710
Depreciation (note 4.3)	-	(421)	-	-	(5)	(123)	-	-	(549)
Transferred to stores and spares	-	-	-	-	-	-	-	-	-
Cost	-	-	(47,024)	-	-	-	-	-	(47,024)
Accumulated depreciation	-	-	5,727	-	-	-	-	-	5,727
Depreciation (note 4.3)	-	-	(41,297)	-	-	-	-	-	(41,297)
Closing net book value	<u>408,580</u>	<u>2,786,691</u>	<u>9,591,428</u>	<u>-</u>	<u>68,881</u>	<u>118,372</u>	<u>307,462</u>	<u>-</u>	<u>13,281,414</u>
<b>As at December 31, 2015</b>									
Cost	408,580	3,818,814	16,323,783	34,595	235,767	343,415	727,555	1,389	21,893,898
Accumulated depreciation	-	(1,032,123)	(6,653,697)	(34,595)	(166,886)	(225,043)	(419,178)	(1,389)	(8,532,911)
Accumulated impairment	-	-	(78,658)	-	-	-	(915)	-	(79,573)
Net book value	<u>408,580</u>	<u>2,786,691</u>	<u>9,591,428</u>	<u>-</u>	<u>68,881</u>	<u>118,372</u>	<u>307,462</u>	<u>-</u>	<u>13,281,414</u>
Annual rate of depreciation (%)	-	5 to 33.3	8.33 to 25	20	20	20	25	25	

(Amounts in thousand)

4.2 Includes following assets held by third parties:

Description	2015		2014		Reason
	Cost	Net Book Value	Cost	Net Book Value	
	------(Rupees)-----				
Plant and machinery	234,492	107,243	230,600	123,043	Equipment mounted on transport contractors' vehicles
Plant and machinery	921,714	330,659	809,575	340,796	Freezers held with third party for ice cream sales
Computer equipment	31,526	2,390	31,526	4,647	Computer equipment managed by a third party for disaster recovery
Vehicles	116,782	50,108	113,859	52,476	Trikes held with third party for ice cream sales
	<u>1,304,514</u>	<u>490,400</u>	<u>1,185,560</u>	<u>520,962</u>	

4.3 The depreciation charge has been allocated as follows:

- Cost of sales (note 26)
- Distribution and marketing expenses (note 27)
- Administrative expenses (note 28)

	2015	2014
	------(Rupees)-----	
	1,722,663	1,593,754
	214,966	199,378
	39,665	53,051
	<u>1,977,294</u>	<u>1,846,183</u>

(Amounts in thousand)

4.4 The details of operating assets disposed off during the year are as follows:

Description and method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds
<b>Vehicles</b>					
By Company policy to existing / separating executives					
	Khurram Mahmood	1,648	(901)	747	704
	Asad Meer	1,495	(794)	701	770
	Imran Ahmed Shaikh	1,669	(1,033)	636	796
	Nida Mohsin	1,534	(920)	614	954
	Tahir Madad	1,495	(925)	570	947
	Owais Ur Rehman	1,485	(916)	569	945
	Ahmed Ali Mirza	1,646	(1,101)	545	717
	Kashif Ahmed Soomro	2,020	(1,486)	534	505
	Shabbir Hussain	1,499	(978)	521	861
	Fakhra Ashraf	1,495	(1,009)	486	832
	Atif Sultan Ali Khan	1,394	(915)	479	497
	Muhammad Faridoon	1,555	(1,078)	477	1,061
	Muhammad Iqbal	1,399	(940)	459	583
	Malik Liaquat Ali	1,699	(1,242)	457	849
	Omair Zahir Nagi	1,943	(1,531)	412	412
	Tariq Hafeez Gill	1,608	(1,206)	402	617
	Adeel Ahmed Khan	1,495	(1,121)	374	494
	Sadaf Zahra Naqvi	1,482	(1,110)	372	490
	Yousuf Kamal	676	(317)	359	381
	Atif Muhammad Ali	1,394	(1,046)	348	349
	Shakir Jamsa	1,374	(1,031)	343	344
	Shakil Ahmed	676	(342)	334	352
	Imran Ali	1,495	(1,173)	322	552
	Jawad Noor	1,495	(1,201)	294	762
	Ahmed Kamal Randhawa	1,424	(1,148)	276	496
	Rehan Saeed Khan	1,399	(1,145)	254	350
	Shameel Qasim	612	(379)	233	242
	Ghulam Hussain	1,466	(1,319)	147	293
	Sajjad Hussain	1,367	(1,230)	137	273
	Faheem Ahmed	581	(464)	117	116
	Raja Wasif	577	(462)	115	115
	Abdul Salam Khan	574	(459)	115	115
	Farooq Mahmood	557	(445)	112	111
	Asghar Anjum	557	(445)	112	111
	Salman Mazhar	554	(443)	111	111
	Imran Bashir	577	(470)	107	115
	Rizwan Ahmed	586	(482)	104	117
	M.Sohail Khan	574	(484)	90	233
	Ayaz Qamar Cheema	665	(599)	66	133
	Dawar Iqbal	665	(599)	66	133
	Usman Akram	554	(499)	55	111
	Sohail Khan	537	(483)	54	107
	Faryal Mohiuddin	537	(483)	54	107
		50,034	(36,354)	13,680	19,163
	By Company policy to existing / separating executives having net book value of less than Rs. 50	14,765	(11,097)	3,668	1,703
	<b>Balance carried forward</b>	<u>64,799</u>	<u>(47,451)</u>	<u>17,348</u>	<u>20,866</u>



(Amounts in thousand)

#### 4.5 Capital work-in-progress

	Land	Building on freehold land	Plant, machinery and equipment	IS and milk automation projects	Office equipment/ Furniture & Fitting/Computer equipment	Vehicles	Total
------(Rupees)-----							
<b>Year ended December 31, 2014</b>							
Balance as at January 1, 2014	-	321,924	2,931,228	13,855	51,899	9,457	3,328,363
Additions during the year	5,469	906,780	1,359,586	39,461	72,637	144,883	2,528,816
Transferred to:							
- operating assets (note 4.1)	(5,469)	(1,120,699)	(3,818,887)	-	(118,519)	(138,497)	(5,202,071)
- intangible assets (note 6)	-	-	-	(49,190)	-	-	(49,190)
<b>Balance as at December 31, 2014</b>	<u>-</u>	<u>108,005</u>	<u>471,927</u>	<u>4,126</u>	<u>6,017</u>	<u>15,843</u>	<u>605,918</u>
<b>Year ended December 31, 2015</b>							
Balance as at January 1, 2015	-	108,005	471,927	4,126	6,017	15,843	605,918
Additions during the year	1,108	106,101	677,539	5,792	30,621	151,862	973,023
Transferred to:							
- operating assets (note 4.1)	(1,108)	(141,974)	(855,459)	-	(27,028)	(131,183)	(1,156,752)
- intangible assets (note 6)	-	-	-	(2,434)	-	-	(2,434)
<b>Balance as at December 31, 2015</b>	<u>-</u>	<u>72,132</u>	<u>294,007</u>	<u>7,484</u>	<u>9,610</u>	<u>36,522</u>	<u>419,755</u>

#### 5. Biological Assets

Dairy livestock (note 5.1)

- mature
- immature

Provision for culling (notes 5.2 and 29)

Crops - feed stock

	2015	2014
------(Rupees)-----		
Dairy livestock (note 5.1)		
- mature	606,622	484,685
- immature	427,473	382,752
Provision for culling (notes 5.2 and 29)	1,034,095	867,437
	(24,748)	(22,314)
Crops - feed stock	1,009,347	845,123
	14,904	13,557
	<u>1,024,251</u>	<u>858,680</u>

(Amounts in thousand)

#### 5.1 Reconciliation of carrying amounts of livestock

Carrying amount at the beginning of the year

Add:

Changes in fair value due to biological transformation:

- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 168,657 (2014: Rs. 156,445)]
- Loss due to increase in age of livestock

Changes in fair value due to price changes:

- Gain / (Loss) due to currency devaluation / appreciation
- (Loss) / Gain due to (decrease) / increase in international market prices

Total gain (note 30)

Less:

- Decrease due to deaths / disposals
- Provision for culling (note 5.2)

Carrying amount at the end of the year, which approximates the fair value

	2015	2014
------(Rupees)-----		
Carrying amount at the beginning of the year	845,123	704,228
Add:		
Changes in fair value due to biological transformation:		
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 168,657 (2014: Rs. 156,445)]	250,179	224,817
- Loss due to increase in age of livestock	(14,244)	(10,245)
	235,935	214,572
Changes in fair value due to price changes:		
- Gain / (Loss) due to currency devaluation / appreciation	36,287	(37,403)
- (Loss) / Gain due to (decrease) / increase in international market prices	(28,619)	68,337
	7,668	30,934
Total gain (note 30)	243,603	245,506
Less:		
- Decrease due to deaths / disposals	(54,631)	(82,297)
- Provision for culling (note 5.2)	(24,748)	(22,314)
Carrying amount at the end of the year, which approximates the fair value	<u>1,009,347</u>	<u>845,123</u>

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

5.3 As at December 31, 2015, the Company held 2,739 (2014: 2,206) mature assets able to produce milk and 2,129 (2014: 1,998) immature assets that are being raised to produce milk in the future. During the year, the Company produced approximately 12,809,590 (2014: 12,084,302) gross litres of milk from these biological assets with a fair value less estimated point-of-sale costs of Rs. 782,234 (2014: Rs. 734,120), determined at the time of milking.

5.4 As at December 31, 2015, the Company held 561 (2014: 522) immature male calves.

5.5 The valuation of dairy livestock as at December 31, 2015 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the farm conditions and relied on the representations made by the Company as at December 31, 2015. Further, in the absence of an active market of the Company's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in USA, Germany, Argentina and Australia, have been used by the independent valuer as a basis of his valuation. Immature male calves have not been included in the fair valuation due to the insignificant value in use.

(Amounts in thousand)

## 6. Intangible Assets – Computer software

### Net carrying value

	2015	2014
	------(Rupees)-----	
Balance at beginning of the year	112,208	122,838
Add: Additions at cost (note 4.5)	2,434	49,190
Less: Amortization charge for the year (notes 6.1 and 28)	(50,719)	(52,966)
Less: Impairment	-	(6,854)
Less: Write-off		
- Cost	(7,712)	-
- Accumulated amortization	858	-
- Accumulated impairment	6,854	-
	-	-
Balance at end of the year	<u>63,923</u>	<u>112,208</u>
<b>Gross carrying value</b>		
Cost	328,972	334,250
Less:		
- Accumulated amortization	(265,049)	(215,188)
- Accumulated impairment	-	(6,854)
Net book value	<u>63,923</u>	<u>112,208</u>

6.1 The cost is being amortized over a period of 5 years.

## 7. Long-term Advances and Deposits - Unsecured, considered good

	2015	2014
Advances to Executives (notes 7.1, 7.2 and 7.3)	64,694	64,371
Less: Recoverable within one year shown under current assets (note 13)	(19,965)	(26,584)
	<u>44,729</u>	<u>37,787</u>
Deposits	<u>89,722</u>	<u>71,387</u>
	<u>134,451</u>	<u>109,174</u>

7.1 Reconciliation of the carrying amount of advances to executives

	2015	2014
Balance as at January 1	64,371	57,694
Add: Disbursements	46,144	45,827
Less:		
- Repayments	(21,770)	(13,657)
- Amortization	(24,051)	(25,493)
Balance as at December 31	<u>64,694</u>	<u>64,371</u>

7.2 This includes interest free advances to executives for vehicles given in accordance with the terms of employment under the vehicle earn-out scheme. These advances are amortized over a period of 48 months, unless repaid as a result of change in employee classification level or leaving the Company. This also includes investment loan plan assistance repayable after 3 years in lump sum and long-term incentive given to certain employees which is amortized over a period of 3 years, unless repaid as a result of leaving the Company.

(Amounts in thousand)

7.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 75,098 (2014: Rs. 71,075).

7.4 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 ever.

## 8. Employees' Share Option Scheme

In 2013, the shareholders of the Company approved Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee

Under the Scheme, options were to be granted in the years 2013 to April 2015. 50% of the options granted were to vest in two years whereas the remaining 50% were to vest in three years from the date of the grant of options. These options are exercisable within 3 years from the end of vesting period. During the year, 800,000 share options have been granted to an employee. The details of share options granted to date under the Scheme, which remained outstanding as at December 31, 2015 are as follows:

- number of options	5,200,000
- range of exercise price	Rs. 182.85 - Rs. 253.77
- weighted average remaining contractual life	3.16 years

The weighted average fair value of options granted to date, as estimated at the date of grant using the Black-Scholes model was Rs. 24.81 per option, whereas weighted average fair value of options to be granted has been estimated as Rs. 39.84 per option. The following weighted average assumptions have been used in calculating the fair values of the options:

	Options granted in 2013	Options granted in 2015	Options to be granted
- number of options	4,400,000	800,000	11,700,000
- share price	Rs. 133.58	Rs. 107.67	Rs. 146.59
- exercise price	Rs. 191.89	Rs. 182.85	Rs. 182.85
- expected volatility	32.54%	30.32%	34.36%
- expected life	3 years	3.5 years	3.75 years
- annual risk free interest rate	9.42%	7.93%	6.69%

The volatility has been measured as the standard deviation of quoted share prices over the last one year from each respective / expected grant date.

The time period under the Scheme for granting of share options expired during the year in April 2015. However, the Company obtained approval of shareholders for extension in share options grant period for further 3 years in the Annual General Meeting held on April 27, 2015. The approval from SECP for aforementioned modification in the Scheme and the related vesting period has also been received through letter dated August 31, 2015.

In respect of the Scheme, Employee share option compensation reserve and the related deferred expense amounting to Rs. 595,144 has been recognized, out of which Rs. 354,702 has been amortized to date, including Rs. 157,973 being charge for the current year, in respect of related employees services received to the balance sheet date.

## 9. Investment in Subsidiary

Cost of investment  
Less: Impairment thereon (note 9.1)

	2015	2014
	------(Rupees)-----	
Cost of investment	-	1,269,328
Less: Impairment thereon (note 9.1)	-	(1,269,328)
	<u>-</u>	<u>-</u>

(Amounts in thousand)

9.1 Last year the Company exited from its halal foods business in North America which was owned and managed by Engro Foods Netherlands B.V. (the Subsidiary Company). As the Subsidiary Company had no operations of its own, the investment in Subsidiary Company was tested for impairment following the completion of transaction for sale of North American business by the Subsidiary Company. The fair value less cost to sell of the Subsidiary Company was estimated as Nil and the entire carrying amount of investment in the Subsidiary Company was considered impaired as at December 31, 2014, and impairment charge of Rs. 596,328 was recorded last year.

During the year, the Company applied to Netherlands Chamber of Commerce (NCC) for dissolution / liquidation of the Subsidiary Company. Such dissolution was confirmed / approved by NCC through its letter dated September 21, 2015.

## 10. Stores, Spares and Loose Tools

Stores  
Spares and loose tools, including in-transit  
Rs. 592 (2014: Rs. 15,749) (note 10.1)  
Less: Major spare parts and stand by equipment - shown  
under Property, plant and equipment (note 4)

	2015	2014
	------(Rupees)-----	
Stores	130,374	136,697
Spares and loose tools, including in-transit Rs. 592 (2014: Rs. 15,749) (note 10.1)	821,659	776,153
Less: Major spare parts and stand by equipment - shown under Property, plant and equipment (note 4)	(159,104)	(124,709)
	<u>792,929</u>	<u>788,141</u>

10.1 These are net of provision against slow moving items amounting to Rs. 24,700 (2014: Rs. 6,781).

## 11. Stock-in-trade

Raw and packaging material (notes 11.1 and 11.3)  
Work-in-process  
Finished goods (notes 11.2 and 11.3)

	2015	2014
	------(Rupees)-----	
Raw and packaging material (notes 11.1 and 11.3)	2,103,805	2,300,790
Work-in-process	169,194	529,977
Finished goods (notes 11.2 and 11.3)	798,380	867,020
	<u>3,071,379</u>	<u>3,697,787</u>

11.1 Includes Nil (2014: Rs. 7,000) in respect of raw material carried at net realizable value and Rs.15,187 (2014: Nil) in respect of stock held by third parties.

11.2 Includes Rs. 65,752 (2014: Nil) in respect of finished goods carried at net realizable value and Rs. 163,084 (2014: Rs. 17,353) in respect of stock held by third parties.

11.3 These are net of provision against expired / obsolete stock amounting to Rs. 47,092 (2014: Rs. 81,403). Stock amounting to Rs. 80,380 (2014: Rs. 66,270) has been written off against the provision during the year.

## 12. Trade Debts, Unsecured

Considered good (notes 12.1 and 12.2)  
Considered doubtful (note 12.3)  
  
Less: Provision for impairment (note 12.3)

	2015	2014
	------(Rupees)-----	
Considered good (notes 12.1 and 12.2)	117,568	95,962
Considered doubtful (note 12.3)	282	4,959
	<u>117,850</u>	<u>100,921</u>
Less: Provision for impairment (note 12.3)	(282)	(4,959)
	<u>117,568</u>	<u>95,962</u>

(Amounts in thousand)

12.1 As at December 31, 2015, trade debts aggregating to Rs. 5,900 (2014: Rs. 2,028) were past due but not impaired. These relate to various customers and have either been confirmed / acknowledged by the customer or cleared subsequent to the year end. These debts are less than 6 months old.

12.2 As at December 31, 2015, trade debts aggregating to Rs. 111,668 (2014: Rs. 93,934) were neither past due nor impaired. The credit quality of these receivables can be assessed with reference to their historical performance with no defaults ever.

12.3 As at December 31, 2015, trade debts aggregating to Rs. 282 (2014: Rs. 4,959) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

Balance as at January 1  
Add: Provision made / (reversed) during the year (note 28)  
Less: Receivables written-off against provision  
Balance as at December 31

	2015	2014
	------(Rupees)-----	
Balance as at January 1	4,959	5,389
Add: Provision made / (reversed) during the year (note 28)	902	(430)
Less: Receivables written-off against provision	(5,579)	-
Balance as at December 31	<u>282</u>	<u>4,959</u>

## 13. Advances, Deposits and Prepayments - Unsecured, considered good

Advances to:  
- Executives (notes 13.1 and 13.2)  
- Other employees (note 13.3)

Add: Current portion of long term advances  
to executives (note 7)

Advances to suppliers (note 13.4)  
Deposits  
Prepayments

	9,958	7,152
	<u>28,977</u>	<u>22,703</u>
	38,935	29,855
	<u>19,965</u>	<u>26,584</u>
	58,900	56,439
	33,213	14,235
	10,945	12,513
	30,941	30,314
	<u>133,999</u>	<u>113,501</u>

13.1 This represents interest free advances to executives for house rent, given in accordance with the Company's policy.

13.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 13,029 (2014: Rs. 7,152).

13.3 This represents advances for incurring expenses for the Company's business.

13.4 Includes advances to Engro Fertilizers Limited amounting to Nil (2014: Rs. 364).

13.5 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 ever.

(Amounts in thousand)

#### 14. Other Receivables

Receivable from related parties:

- Engro Foundation
- Engro Eximp (Private) Limited
- Sindh Engro Coal Mining Company Limited

Receivable from Tetra Pak Pakistan Limited (note 14.1)

Receivable from Ecolean AB (note 14.1)

Others

	2015	2014
	------(Rupees)-----	
	-	899
	-	176
	-	4,645
	-	5,720
Receivable from Tetra Pak Pakistan Limited (note 14.1)	462,509	3,171
Receivable from Ecolean AB (note 14.1)	132,474	44,838
Others	3,572	-
	<u>598,555</u>	<u>53,729</u>

14.1 Represents reimbursement of expenses and other receivable under cost sharing agreements.

14.2 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 their historical performance with no defaults ever.

#### 15. Sales Tax Recoverable

The movement of sales tax recoverable is as follows:

	2015	2014
	------(Rupees)-----	
Balance as at January 1	2,811,878	1,835,054
Add: Refunds claimed during the year	1,102,477	1,247,746
Less: Refunds received during the year	(189,914)	(270,922)
Balance as at December 31	<u>3,724,441</u>	<u>2,811,878</u>

Sales tax has been zero rated on Company's supplies (output) and raw materials, components and assemblies, imported or purchased locally by the Company for manufacturing, in respect of its dairy operations.

#### 16. Cash and Bank Balances

	2015	2014
	------(Rupees)-----	
Cash in transit (note 16.1)	-	850
Cash at bank on:		
- current accounts [including foreign currency account of Rs. 107,172 (2014: Rs. 97,017)]	110,336	98,483
- savings accounts [including foreign currency account of Rs. 178,713 (2014: Rs. 97,567)]	178,713	97,567
	<u>289,049</u>	<u>196,050</u>
	<u>289,049</u>	<u>196,900</u>

16.1 Represented banking instruments received from distributors at regional offices in respect of advance against future sales but not deposited in the Company's bank account.

(Amounts in thousand)

#### 17. Share Capital

Authorized capital

850,000,000 (2014: 850,000,000) Ordinary shares of Rs. 10 each

Issued, subscribed and paid-up capital

766,596,075 (2014: 766,596,075) Ordinary shares

of Rs. 10 each fully paid in cash (note 17.1)

	2015	2014
	------(Rupees)-----	
Authorized capital	8,500,000	8,500,000
Issued, subscribed and paid-up capital	7,665,961	7,665,961

17.1 As at December 31, 2015, Engro Corporation Limited (the Holding Company) holds 667,374,991 (2014: 667,374,991) Ordinary shares of Rs. 10 each.

#### 18. Long Term Finances, Secured (Non-participatory)

Long term finances utilized under mark-up arrangements:

	Number	Installments Commencing from	Interest Rate	2015	2014
				------(Rupees)-----	
<b>Long term finances</b>					
Syndicated Finance I	4 half yearly	February 20, 2015	6 months KIBOR + 0.69%	1,275,000	1,500,000
Syndicated Finance III	6 half yearly	February 16, 2013	6 months KIBOR + 2.0%	-	333,333
Habib Bank Limited					
- LTFF Facility	8 half yearly	February 27, 2014	SBP LTFF Rate + 2.5%	-	177,847
- Conventional term loan	6 half yearly	November 2, 2014	6 months KIBOR + 0.65%	388,817	634,353
NIB Bank Limited	6 half yearly	June 5, 2015	6 months KIBOR + 0.60%	992,604	1,488,780
The Bank of Punjab	6 half yearly	April 3, 2015	6 months KIBOR + 0.70%	332,234	498,277
United Bank Limited	6 half yearly	May 12, 2016	6 months KIBOR + 0.65%	1,500,000	1,500,000
				<u>4,488,655</u>	<u>6,132,590</u>
<b>Certificate</b>					
Sukuk Certificates	4 half yearly	July 13, 2015	6 month KIBOR + 0.69%	878,750	950,000
				<u>5,367,405</u>	<u>7,082,590</u>
Less: Current portion shown under current liabilities				(3,171,417)	(1,605,597)
				<u>2,195,988</u>	<u>5,476,993</u>

18.1 The proceeds from these finances are carried net of unamortized portion of transaction costs amounting to Rs. 8,595 (2014: Rs. 15,280).

18.2 The above finances and Ijarah arrangements (note 24.5) are secured by registered floating charges / mortgages over the present and future fixed assets of the Company upto a maximum of Rs. 10,562,500 (2014: Rs. 10,604,167).

18.3 LTFF facility from HBL is based on State Bank LTFF rate which ranged from 10.85% to 12.35% (2014: 10.85% to 12.35%) per annum throughout the year. The said facility has been prepaid during the year. Rest of the finances are KIBOR based and mark-up ranged from 7.07% to 7.75% (2014: 10.86% to 12.18%) per annum, during the year.

(Amounts in thousand)

18.4 In view of the substance of the transactions, the sale and repurchase of assets under long term finances have not been recorded as such in these financial statements.

## 19. Deferred Taxation

Credit balances arising due to:

- Accelerated tax depreciation / amortization
- Gain on biological assets
- Long term finances
- Others

Debit balances arising due to:

- Provisions for stock-in-trade, store & spares and receivables
- Minimum turnover tax (notes 32.1.4)
- Derivative financial instruments, net to equity
- Share issuance cost, net to equity
- Unutilized tax losses
- Others

	2015	2014
	------(Rupees)-----	
	1,525,906	1,818,037
	310,290	240,401
	1,291	5,042
	15,806	13,431
	<u>1,853,293</u>	<u>2,076,911</u>
	(23,064)	(30,737)
	-	(811,049)
	(834)	(13,661)
	(13,106)	(13,106)
	-	(19,105)
	-	(3,536)
	<u>(37,004)</u>	<u>(891,194)</u>
	<u>1,816,289</u>	<u>1,185,717</u>

## 20. Deferred Income

Deferred income under Ijarah arrangement:

Balance as at January 1  
Less: Amortization for the year

Less: Current portion  
Balance as at December 31

	9,410	17,390
	(5,720)	(7,980)
	<u>3,690</u>	<u>9,410</u>
	(3,122)	(6,894)
	<u>568</u>	<u>2,516</u>

## 21. Trade and Other Payables

Trade payables (note 21.1)  
Accrued liabilities (note 21.2)  
Advances from customers  
Retention money  
Security deposits  
Withholding tax payable  
Payable to provident fund  
Payable to gratuity fund (note 36.4)  
Workers' profits participation fund (note 21.3)  
Workers' welfare fund  
Others (note 21.1)

	1,482,176	1,495,915
	1,297,894	994,375
	457,618	421,390
	18,361	46,338
	1,485	750
	71,157	45,979
	23,086	19,975
	51,664	-
	(4,478)	26,539
	230,052	144,171
	37,912	20,335
	<u>3,666,927</u>	<u>3,215,767</u>

(Amounts in thousand)

21.1 Includes amount due to following related parties:  
- Engro Corporation Limited, the Holding Company  
- Engro Polymer and Chemicals Limited

	2015	2014
	------(Rupees)-----	
	2,937	6,677
	-	706
	<u>2,937</u>	<u>7,383</u>

21.2 Includes Rs. 60,840 (2014: Rs. 66,123) on account of Gas Infrastructure Development Cess (GIDC).

21.3 Workers' profits participation fund

Balance as at January 1  
Add: Allocation for the year (note 29)

Less: Amount paid to the Fund  
Balance as at December 31

	2015	2014
	------(Rupees)-----	
	26,539	27,933
	230,818	26,864
	<u>257,357</u>	<u>54,797</u>
	(261,835)	(28,258)
	<u>(4,478)</u>	<u>26,539</u>

## 22. Derivative Financial Instruments

The Company has entered into various foreign currency forward contracts with banks to manage its foreign currency exposure. These contracts have maturity dates approximately matching with the anticipated payment dates for commitments with respect to import of plant and machinery and stock-in-trade. The fair value of the outstanding forward contracts as at December 31, 2015 amounts to a liability of Rs. 2,604 (2014: liability of Rs. 41,397).

## 23. Short Term Finances - Secured

23.1 The facilities for short term running finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 8,000,000 (2014: Rs. 6,000,000). The unutilized balance against these facilities as at year end was Rs. 7,590,243 (2014: Rs. 3,668,107). The rates of mark-up on these finances are KIBOR based and range from 7.26% to 8.10% (2014: 10.54% to 12.21%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

23.2 The facilities for opening letters of credit and bank guarantees as at December 31, 2015 amounts to Rs. 6,015,000 (2014: Rs. 5,515,000), of which the amount remaining unutilized as at year end was Rs. 3,871,198 (2014: Rs. 2,896,087).

## 24. Contingencies and Commitments

24.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 62,842 (2014: Rs. 56,199) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (2014: Rs. 34,350) under the contract for supply of gas;
- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 258,712 (2014: Rs. 258,712) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs. 172,000 (2014: Rs. 172,000) have been received to-date;

(Amounts in thousand)

- Controller Military Accounts, Rawalpindi amounting to Rs. 9,001 (2014: Rs. 5,953), as collateral against supplies;
  - Parco Pearl Gas Co. (Private) Limited amounting to Rs. 1,000 (2014: Rs. 600) as collateral against supplies; and
  - Officer Commanding PAF Faisal Base amounting to Rs. 4,745 (2014: Rs. 3,818) as collateral against supplies.
- 24.2 As at December 31, 2015 post-dated cheques amounting to Rs. 467 (2014: Nil) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notifications dated July 8, 2011 and August 1, 2011.
- 24.3 Commitments in respect of capital expenditure contracted for but not incurred as at December 31, 2015 amounts to Rs. 791,590 (2014: Rs. 271,727).
- 24.4 Commitments in respect of purchase of certain commodities as at December 31, 2015 amounts to Rs. 1,090,580 (2014: Rs. 1,955,039).
- 24.5 Commitments for rentals payable under the Ijarah agreement as at December 31, 2015 amounts to Rs. 214,005 (2014: Rs. 319,055) as follows:

	2015	2014
	------(Rupees)-----	
Not later than one year	93,111	95,054
Later than one year but not later than five years	120,894	224,001
	<u>214,005</u>	<u>319,055</u>

## 25. Net Sales

Manufactured goods	52,015,858	44,319,610
Less:		
- Sales tax	(858,778)	(726,054)
- Trade and other discounts	(1,354,435)	(1,034,460)
	<u>49,802,645</u>	<u>42,559,096</u>
Raw milk	31,444	43,358
	<u>49,834,089</u>	<u>42,602,454</u>

- 25.1 Includes export sales amounting to Rs. 993,848 (2014: Rs. 1,115,077).

(Amounts in thousand)

## 26. Cost of Sales

	2015	2014
	------(Rupees)-----	
Raw and packaging material consumed (note 26.1)	30,776,179	28,310,065
Salaries, wages, and staff welfare (note 26.2)	1,378,792	1,082,852
Fuel and power (note 26.3)	1,159,798	1,717,099
Repair and maintenance	591,287	508,112
Freight inwards	618,053	723,485
Depreciation (note 4.3)	1,722,663	1,593,754
Impairment of operating assets (note 4.1)	17,197	28,115
Travelling	121,142	144,492
Communication and other office expenses	165,859	128,191
Insurance	130,339	125,717
Rent and utilities	577,937	461,932
Research and business development	16,630	16,040
Legal and professional	9,424	3,523
Purchased services	492,847	462,566
Provision against:		
- stock-in-trade	46,069	15,121
- slow moving spares (note 10.1)	17,919	3,627
Manufacturing cost	37,842,135	35,324,691
Add: Opening stock of work-in-process	529,977	390,133
Less: Closing stock of work-in-process	(169,194)	(529,977)
Cost of goods manufactured	38,202,918	35,184,847
Add: Opening stock of finished goods manufactured	867,020	564,947
Less: Closing stock of finished goods manufactured	(798,380)	(867,020)
	<u>38,271,558</u>	<u>34,882,774</u>
Add: Cost of Raw milk sold directly (note 26.1)	31,444	43,358
	<u>38,303,002</u>	<u>34,926,132</u>

### 26.1 Raw and packaging material consumed

Opening stock of raw and packaging material	2,300,790	2,128,503
Add: Purchases	31,392,872	29,259,830
Less:		
- Fair value of milk produced from biological assets (note 5.3)	(782,234)	(734,120)
- Raw milk sold directly	(31,444)	(43,358)
- Closing stock of raw and packaging material	(2,103,805)	(2,300,790)
Raw and packaging material consumed	<u>30,776,179</u>	<u>28,310,065</u>

- 26.2 Includes Rs. 103,701 (2014: Rs. 91,763) in respect of staff retirement benefits referred to in notes 36 and 46.

- 26.3 This is net of reversal of accrual of Gas Infrastructure Development Cess of prior periods amounting to Rs. 37,778.

(Amounts in thousand)

## 27. Distribution and Marketing Expenses

	2015	2014
	------(Rupees)-----	
Salaries, wages, and staff welfare (note 27.1)	782,774	674,362
Advertising	2,419,328	1,831,820
Freight outward	1,117,467	1,149,151
Travelling	107,539	128,728
Communication and other office expenses	79,158	50,891
Depreciation (note 4.3)	214,966	199,378
Impairment of operating assets (note 4.1)	5,622	15,180
Fuel and power	3,102	5,447
Repairs and maintenance	82,780	61,052
Rent, rates and taxes	27,658	21,984
Insurance	13,373	12,899
Research and business development	113	53,646
Legal and professional	10,743	516
Ijarah rentals	86,658	57,597
Purchased services	862	4,928
	<u>4,952,143</u>	<u>4,267,579</u>

27.1 Includes Rs. 58,874 (2014: Rs. 57,147) in respect of staff retirement benefits referred to in notes 36 and 46.

## 28. Administrative Expenses

	2015	2014
	------(Rupees)-----	
Salaries, wages and staff welfare (notes 28.1 and 28.2)	636,386	552,649
Training and development	108,100	69,845
Communication and other office expenses	214,282	132,480
Rent, rates and taxes	84,769	102,938
Travelling	42,437	35,002
Depreciation (note 4.3)	39,665	53,051
Amortization (note 6)	50,719	52,966
Impairment of intangible assets (note 6)	-	6,854
Fuel and power	10,434	12,229
Repairs and maintenance	15,578	15,748
Insurance	3,889	3,751
Research and business development	67	35,532
Legal and professional	111,097	146,190
Auditors' remuneration (note 28.3)	3,575	4,544
Software maintenance and license cost	19,264	23,202
Provision for / (Reversal of) impairment of trade debts (note 12.3)	902	(430)
Purchased services	44,248	35,689
	<u>1,385,412</u>	<u>1,282,240</u>

28.1 Includes Rs. 50,743 (2014: Rs. 52,770) in respect of staff retirement benefits referred to in notes 36 and 46.

28.2 Includes Rs. 157,973 (2014: Rs. 94,614) in respect of Employees' share option compensation expense.

(Amounts in thousand)

## 28.3 Auditors' remuneration

	2015	2014
	------(Rupees)-----	
Fee for:		
- audit of annual financial statements	1,100	945
- review of half yearly financial information	225	215
- tax advisory services	-	200
- review of compliance with the Code of Corporate Governance	40	50
- audit of retirement benefit funds	325	205
- special certifications and other assurance services	1,430	2,634
	<u>3,120</u>	<u>4,249</u>
Reimbursement of expenses	455	295
	<u>3,575</u>	<u>4,544</u>

## 29. Other Operating Expenses

Workers' profits participation fund (note 21.3)	230,818	26,864
Workers' welfare fund	85,881	9,887
Donations (note 29.1)	23,086	17,435
Loss on death / disposals of biological assets	3,327	18,921
Provision for culling of biological assets (note 5)	24,748	22,314
Exchange loss	-	8,226
Operating assets written-off (note 4.1)	549	63
Others	239	60
	<u>368,648</u>	<u>103,770</u>

29.1 Includes donation to Engro Foundation, a related party, amounting to Rs. 16,000 (2014: Rs. 17,000). The Directors including the Chief Executive and their spouses do not have any interest in the donee, except that one of the Director - Mr. Khalid S. Subhani and CEO - Mr. Babur Sultan are trustees on the Board of Trustees of Engro Foundation.

## 30. Other Income

	2015	2014
	------(Rupees)-----	
From financial assets		
Interest on bank deposits / saving accounts	2,430	2,198
Gain realized on disposal of short term investments	1,014	11,538
	<u>3,444</u>	<u>13,736</u>
From other than financial assets		
Gain arising from changes in fair value of biological assets (note 5.1)	243,603	245,506
Gain on disposal of operating assets	8,775	13,111
Exchange gain	11,381	-
Scrap sales	47,331	24,392
Others	10,986	8,109
	<u>322,076</u>	<u>291,118</u>
	<u>325,520</u>	<u>304,854</u>

(Amounts in thousand)

### 31. Finance Costs

	2015	2014
	------(Rupees)-----	
Mark-up on		
- short-term finances	243,754	361,515
- long-term finances	585,071	843,585
	<u>828,825</u>	<u>1,205,100</u>
Bank charges	27,594	31,804
	<u>856,419</u>	<u>1,236,904</u>

### 32. Taxation

Current		
- for the year	1,324,834	101,671
- for prior years	-	(337,181)
	<u>1,324,834</u>	<u>(235,510)</u>
Deferred	(193,304)	(158,966)
	<u>1,131,530</u>	<u>(394,476)</u>

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

32.1.1 The Company in accordance with section 59 B (Group Relief) of the Income Tax Ordinance (ITO), 2001 has surrendered to ECL, the Holding Company, 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.

The Company has 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 59 B(2)(g) of the Ordinance 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 the Company to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of the Holding Company, whereby, allowing the surrender of tax losses by the Company to the Holding Company. The tax department has filed reference application thereagainst before the Sindh High Court, which are under the process of hearings. However, in any event, should the reference application be upheld and the losses are returned to the Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to the Holding Company for refund of the consideration received. As such there will be no effect on the results of the Company.

In 2013, the Appellate Tribunal also decided similar appeal filed by the Holding Company for the year ended December 31, 2008 in favour of the Holding Company.

32.1.2 The Company's appeal against the order of Commissioner Inland Revenue (CIR) for reduction of tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007, is currently in the process of being heard. However, the Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the balance of taxes recoverable has not been reduced by the effect of the aforementioned disallowance.

(Amounts in thousand)

32.1.3 In 2013, the Commissioner Inland Revenue 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 the year, in response to the appeal filed against the audit proceedings, the Commissioner Appeals issued an appellate order in favour of the Company 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, however, no hearing has been conducted to date. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.1.4 In 2013, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum tax paid cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. The Company's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by the Supreme Court, which they intend to approach, if required. Therefore, the Company has maintained the adjustment of carried forward minimum turnover tax amounting to Rs. 1,107,039 including Rs. 811,049 adjusted in current year.

32.1.5 In 2014, the Additional Commissioner Inland Revenue 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. The Company has obtained a stay order from the Sindh High Court against the recovery proceedings and has also filed an appeal thereagainst before the Commissioner Appeals. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

32.2 Relationship between tax expense and accounting profit

	2015	2014
	------(Rupees)-----	
Profit before taxation	<u>4,293,985</u>	<u>494,535</u>
Tax at the applicable tax rate of 32% (2014: 33%)	1,374,075	163,137
Tax effect of:		
- differential of reduction in tax rate	(153,974)	(51,330)
- lower tax rate on exports and gain on short-term investments	(36,115)	(43,868)
- inadmissible expenses	7,387	5,753
- impairment of investment in Subsidiary	-	196,788
- prior year credits	-	(337,181)
- tax credits under section 65B of ITO, 2001	(57,150)	(329,859)
- others	(2,693)	2,084
	<u>(242,545)</u>	<u>(557,613)</u>
	<u>1,131,530</u>	<u>(394,476)</u>

(Amounts in thousand)

### 33. Earnings Per Share - Basic and Diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2015	2014
	------(Rupees)-----	------(Rupees)-----
Profit for the year	<u>3,162,455</u>	<u>888,831</u>
	Number of shares in thousand	
Weighted average number of ordinary shares in issue during the year	<u>766,596</u>	<u>766,596</u>

### 34. Cash Generated from Operations

	2015	2014
	------(Rupees)-----	------(Rupees)-----
Profit before taxation	4,293,985	494,355
Adjustment for non-cash charges and other items:		
- Depreciation	1,977,294	1,846,183
- Impairment of operating assets	22,819	43,295
- Exchange (gain) / loss	(9,208)	10,935
- Operating assets written off, net	549	63
- Impairment of intangible assets	-	6,854
- Amortization of intangible assets	50,719	52,966
- Amortization of deferred income	(5,720)	(6,894)
- Amortization of arrangement fees on long term finances	6,685	5,448
- Amortization of deferred employee share option compensation reserve	157,973	94,614
- Loss on death / disposal of biological assets	3,327	18,921
- Gain on disposal of operating assets	(8,775)	(13,111)
- Gain arising from changes in fair value of biological assets	(243,603)	(245,506)
- Provision for culling of biological assets	24,748	22,314
- Provision for retirement and other service benefits	86,336	78,323
- Provision for stock-in-trade	46,069	15,121
- Provision for slow moving spares	17,919	3,627
- Provision for / (Reversal of) impairment of trade debts	902	(430)
- Impairment of investment in Subsidiary	-	596,328
- Finance costs	856,419	1,236,904
Working capital changes (note 34.1)	<u>(536,365)</u>	<u>(1,149,016)</u>
	<u>6,742,073</u>	<u>3,111,294</u>

(Amounts in thousand)

### 34.1 Working capital changes

(Increase) / Decrease in current assets

- Stores, spares and loose tools
- Stock-in-trade
- Trade debts
- Advances, deposits and prepayments
- Sales tax recoverable
- Other receivables

Increase / (Decrease) in current liabilities

- Trade and other payables - net

	2015	2014
	------(Rupees)-----	------(Rupees)-----
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(15,805)	(45,773)
- Stock-in-trade	580,339	(629,325)
- Trade debts	(22,508)	58,041
- Advances, deposits and prepayments	(20,498)	67,579
- Sales tax recoverable	(912,563)	(976,824)
- Other receivables	(544,826)	465,497
	<u>(935,861)</u>	<u>(1,060,805)</u>
Increase / (Decrease) in current liabilities		
- Trade and other payables - net	399,496	(88,211)
	<u>(536,365)</u>	<u>(1,149,016)</u>

### 35. Cash and Cash Equivalents

Cash and bank balances (note 16)  
Short term finances (note 23.1)

	2015	2014
Cash and bank balances (note 16)	289,049	196,900
Short term finances (note 23.1)	(409,757)	(2,331,893)
	<u>(120,708)</u>	<u>(2,134,993)</u>

### 36. Staff Retirement and Other Service Benefits

36.1 As stated in note 2.14.1, the Company operates an approved funded gratuity scheme (the Fund), for all its permanent employees subjected to minimum prescribed period of service. Actuarial valuation of the Fund is carried out every year and the latest actuarial valuation was carried out as at December 31, 2015.

36.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Fund. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The Board of Trustees must be composed of representatives of the Company and plan participants in accordance with the Trust deed of the Fund.

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

	2015	2014
	------(Rupees)-----	------(Rupees)-----
36.4 Balance sheet reconciliation		
Present value of defined benefit obligation (note 36.7)	(526,803)	(382,274)
Fair value of plan assets (note 36.8)	475,217	383,822
(Deficit) / Surplus	(51,586)	1,548
Payable to group companies	(78)	(1,548)
Net liability at end of the year	<u>(51,664)</u>	<u>-</u>

### 36.5 Movement in net liability in the balance sheet

Net liability at beginning of the year  
Charge for the year (note 36.9)  
Contribution made during the year to the Fund (note 36.8)  
Remeasurements recognized in Other Comprehensive Income (OCI) (note 36.6)  
Net liability at end of the year

	2015	2014
Net liability at beginning of the year	-	(58,310)
Charge for the year (note 36.9)	(86,336)	(78,323)
Contribution made during the year to the Fund (note 36.8)	106,203	137,940
Remeasurements recognized in Other Comprehensive Income (OCI) (note 36.6)	(71,531)	(1,307)
Net liability at end of the year	<u>(51,664)</u>	<u>-</u>

(Amounts in thousand)

	2015	2014
	------(Rupees)-----	
<b>36.6 Remeasurement recognized in Other comprehensive income</b>		
Loss from changes in financial assumptions	(12,729)	(991)
Experience (loss) / gain	(48,715)	3,228
Remeasurement of defined benefit obligation	(61,444)	2,237
Actual return on plan assets	40,462	33,336
Expected return on plan assets	(50,549)	(36,880)
Remeasurement of fair value of plan assets	(10,087)	(3,544)
	(71,531)	(1,307)
<b>36.7 Movement in present value of defined benefit obligations/unfunded obligations</b>		
Present value of defined benefit obligations at beginning of the year	382,274	312,434
Current service cost	86,336	71,193
Interest cost	50,549	44,010
Liability in respect of transfers - Inter Group	(73)	(1,514)
Liability in respect of transfers - Inter Fund	-	(848)
Benefits paid during the year	(53,727)	(40,764)
Remeasurement on obligation (note 36.6)	61,444	(2,237)
Present value of defined benefit obligation at end of the year	526,803	382,274
<b>36.7.1 Analysis of present value of defined benefit obligation</b>		
Vested Benefits	524,023	376,769
Non-Vested benefits	2,780	5,505
	526,803	382,274
Accumulated benefit obligation	219,784	143,131
Amounts attributed to future salary increases	307,019	239,143
	526,803	382,274
<b>36.8 Movement in fair value of plan assets</b>		
Fair value of plan assets at beginning of the year	383,822	253,792
Expected return on plan assets	50,549	36,880
Contributions for the year	106,203	137,940
Assets in respect of transfers - Inter Group	(1,543)	366
Assets in respect of transfers - Inter Fund	-	(848)
Benefits paid during the year	(53,727)	(40,764)
Remeasurement (note 36.6)	(10,087)	(3,544)
Fair value of plan assets at end of the year	475,217	383,822
<b>36.9 Cost charged to profit and loss account</b>		
Current service cost	86,336	71,193
Net interest cost	-	7,130
Cost for the year	86,336	78,323

(Amounts in thousand)

	2015	2014	
	------(Rupees)-----		
<b>36.10 Charge for the year has been allocated as follows:</b>			
Cost of sales	41,971	35,637	
Distribution and marketing expenses	23,828	22,193	
Administrative expenses	20,537	20,493	
	86,336	78,323	
<b>36.11 Principal actuarial assumptions used are as follows:</b>			
Financial assumptions			
- Discount rate - per annum compound	10.00%	12.25%	
- Expected rate of increase in salaries - per annum			
• First year	10.00%	10.00%	
• Long-term	9.00%	11.25%	
- Expected rate of return on plan assets - per annum	10.00%	12.25%	
Demographic assumptions			
- Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)	
- Withdrawal rates / Rate of employees turnover	Moderate	Moderate	
<b>36.12 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:</b>			
	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	------(Rupees)-----		
Discount rate	1%	471,784	592,624
Expected rate of increase in salaries - long term	1%	580,110	480,992
<b>36.13 The above sensitivity analysis 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 gratuity liability recognized within the statement of financial position.</b>			

(Amounts in thousand)

36.14 Plan assets comprise of following:

	2015				2014			
	Quoted	Un-Quoted	Total	(%)	Quoted	Un-Quoted	Total	(%)
	------(Rupees)-----				------(Rupees)-----			
<b>Equity Instruments</b>								
Quoted Shares	50,521	-	50,521	11%	46,682	-	46,682	12%
Mutual Funds	5,412	-	5,412	1%	5,097	-	5,097	1%
	<u>55,933</u>	<u>-</u>	<u>55,933</u>	<u>12%</u>	<u>51,779</u>	<u>-</u>	<u>51,779</u>	<u>13%</u>
<b>Debt Instruments</b>								
Government Bonds	-	300,418	300,418	63%	-	205,104	205,104	53%
Term Finance Certificates	-	-	-	0%	6,657	-	6,657	2%
Engro Rupiya Certificates	17,736	-	17,736	4%	17,566	-	17,566	5%
Regular Income Certificates	-	14,780	14,780	3%	-	14,638	14,638	4%
	<u>17,736</u>	<u>315,198</u>	<u>332,934</u>	<u>70%</u>	<u>24,223</u>	<u>219,742</u>	<u>243,965</u>	<u>64%</u>
Cash and Cash Equivalents	-	86,056	86,056	18%	-	86,766	86,766	23%
Others	-	294	294	0%	-	1,312	1,312	0%
<b>Total</b>	<u><u>73,669</u></u>	<u><u>401,548</u></u>	<u><u>475,217</u></u>	<u><u>100%</u></u>	<u><u>76,002</u></u>	<u><u>307,820</u></u>	<u><u>383,822</u></u>	<u><u>100%</u></u>

36.15 The expected return on plan assets has been 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. Expected return on equity investments reflect the long-term real rates of return experienced in the market.

36.16 Expected contributions to the Fund for the year ending December 31, 2016 are Rs. 103,738.

36.17 The weighted average duration of the defined benefit obligation is 11.48 years.

36.18 Historical information of staff retirement benefits:

	2015	2014	2013	2012	2011	2010
	------(Rupees)-----					
Present value of obligations	(526,803)	(382,274)	(312,434)	(241,468)	(171,407)	(137,469)
Fair value of plan assets	475,217	383,822	253,792	200,821	129,997	82,509
Surplus / (Deficit)	<u>(51,586)</u>	<u>1,548</u>	<u>(58,642)</u>	<u>(40,647)</u>	<u>(41,410)</u>	<u>(54,960)</u>

(Amounts in thousand)

### 37. Remuneration Of Chief Executive, Directors And Executives

The aggregate amount charged in the financial statements in respect of remuneration and benefits to the Chief Executive, directors and executives are as follows:

	2015			2014		
	Directors Chief Executive	Others	Executives	Directors Chief Executive	Others	Executives
	------(Rupees)-----					
Managerial remuneration	37,788	-	1,192,590	35,219	-	1,061,058
Contribution for staff retirement benefits	918	-	154,817	-	-	151,051
Bonus paid	1,831	-	41,587	1,302	-	21,313
Fees	-	31,659	-	-	4,500	-
<b>Total</b>	<u>40,537</u>	<u>31,659</u>	<u>1,388,994</u>	<u>36,521</u>	<u>4,500</u>	<u>1,233,422</u>
Number of persons, including those who worked part of the year	<u>2</u>	<u>13</u>	<u>667</u>	<u>1</u>	<u>7</u>	<u>605</u>

37.1 The Company also provides company owned and maintained vehicles for use of the Chief Executive and certain executives.

37.2 Premium charged in respect of non-executive directors indemnity insurance amounts to Rs. 627 (2014: Rs. 759).

### 38. Financial Instruments by Category

38.1 Financial assets as per balance sheet

	2015	2014
	------(Rupees)-----	
- Loans and receivables at amortized cost		
Long term deposits	89,722	71,387
Trade debts	117,568	95,962
Advances and deposits	20,903	19,665
Other receivables	598,555	53,729
Cash and bank balances	289,049	196,900
	<u>1,115,797</u>	<u>437,643</u>

38.2 Financial liabilities as per balance sheet

- Financial liabilities measured at amortized cost		
Long term finances	5,367,405	7,082,590
Trade and other payables	2,837,828	2,557,713
Accrued interest / mark-up	105,913	255,117
Short term finances	409,757	2,331,893
	<u>8,720,903</u>	<u>12,227,313</u>

(Amounts in thousand)

### 38.3 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 39. Financial Risk Management Objectives And Policies

### 39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's risk management program focuses on unpredictability of the financial markets for having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to the shareholders. Risk management is carried out by the Company's finance department under the policies approved by the Company's Board of Directors.

#### a) Market risk

##### i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company's exposure to currency risk is limited as all the foreign purchases are made against on sight letters of credit where the payment is made on the date of delivery with no credit period. The Company imports plant and machinery and certain raw materials which exposes it to currency risk, primarily with respect to liabilities denominated in US Dollars. The Company manages the currency risk relating to US Dollar and Euro through forward exchange contracts.

At December 31, 2015, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, the effect on post-tax profit for the year would have been immaterial.

##### ii) Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises primarily from long and short term borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk. As there are no borrowings at fixed rates, the Company is not exposed to fair value interest rate risk.

The Company analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available. For borrowing at variable rates, the rates are determined in advance for stipulated periods with reference to KIBOR.

At December 31, 2015, if interest rates on the Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 35,457 (2014: Rs. 58,138) mainly as a result of higher / lower interest exposure on variable rate borrowings.

##### iii) Other price risk

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk as it carries no price sensitive financial instrument.

(Amounts in thousand)

### b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

As at December 31, 2015, the Company has significant concentration of credit risk resulting from receivable from Tetra Pak Pakistan Limited, Ecolean AB and deposits with banks and financial institutions amounting to Rs. 884,032 (2014: Rs. 244,909). The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings as follows:

Banks	Rating Agency	2015	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank of Punjab	PACRA	A1+	AA-
Habib Bank Limited	JCR-VIS	A1+	AAA
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA
National Bank of Pakistan	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A1+	AA+
Habib Metropolitan Bank	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A1+	AA
Al-Baraka Bank Pakistan Limited	JCR-VIS	A1	A
Standard Chartered Bank Pakistan Limited	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
NIB Bank Limited	PACRA	A1+	AA-
Citi Bank N.A.	Moody's	P1	A2
Bank Al-Habib Limited	PACRA	A1+	AA+
Deutsche Bank AG	Moody's	P2	A3
Samba Bank Limited	JCR-VIS	A1	AA
Industrial & Commercial Bank of China	Moody's	P1	A1
Summit Bank	JCR-VIS	A1	A

(Amounts in thousand)

The Company attempts to control credit risk arising on receivable from Tetra Pak Pakistan Limited and Ecolean AB, through legally binding agreements that are signed between the two parties. The Company is not materially exposed to credit risk on trade debts as the Company has the policy of receiving the sales value prior to or at the time of supply of the products and credit is only granted to few reputed customers with good credit standings, with whom the Company has written terms of arrangement.

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. The Company's liquidity management involves projecting cash flows and consider the level of liquid funds necessary to meet these, monitoring balance sheet liquidity ratios against external regulatory requirements and maintaining debt financing plans. These objectives are achieved by maintaining sufficient cash and readily marketable securities and availability of funding through committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

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

	2015			2014		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	------(Rupees)-----					
Long term finances	3,171,417	2,195,988	5,367,405	1,605,597	5,476,993	7,082,590
Trade and other payables	2,837,828	-	2,837,828	2,557,713	-	2,557,713
Accrued interest / mark-up	105,913	-	105,913	255,117	-	255,117
Short term finances	409,757	-	409,757	2,331,893	-	2,331,893
	<u>6,524,915</u>	<u>2,195,988</u>	<u>8,720,903</u>	<u>6,750,320</u>	<u>5,476,993</u>	<u>12,227,313</u>

#### 40. Capital Risk Management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt. The Company also manages capital by maintaining gearing and current ratios at certain levels. The Company's strategy is to maintain the gearing and current ratio in accordance with the Prudential Regulations issued by the State Bank of Pakistan and in accordance with agreements with financial institutions.

The Company manages capital by maintaining gearing ratio at certain level. The ratio is calculated as long term finances (note 18) divided by total capital. Total capital is calculated as 'equity' in the balance sheet plus long term finances. The gearing ratio as at December 31 is as follows:

	2015	2014
	------(Rupees)-----	
Long term finances	2,195,988	5,476,993
Total equity	14,912,801	11,577,617
Total capital	<u>17,108,789</u>	<u>17,054,610</u>
Debt to Equity ratio	<u>0.13</u>	<u>0.32</u>

(Amounts in thousand)

#### 41. Transactions with Related Parties

41.1 Transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Nature of relationship	Nature of transactions	2015	2014
		------(Rupees)-----	
Holding company	Arrangement for sharing of premises, utilities, personnel and assets	197,383	248,813
	Reimbursement of expense paid on behalf of	35,639	-
	Reimbursement of net cost incurred for meat pilot project	-	50,607
Subsidiary and associated companies	Investment in Subsidiary	-	253,716
	Refund of advance against issue of shares	-	84,676
	Arrangement for sharing of premises, utilities, personnel and assets	12,338	50,428
	Reimbursement of expense paid on behalf of	19,341	-
	Purchases of goods	55,302	106,883
	Sale of goods	2,979	-
	Purchases of services	75	32,386
	Donations	16,000	17,000
Contribution for staff retirement funds	Managed and operated by the Company :		
	- Provident fund	-	155,935
	- Gratuity fund	106,203	137,348
	Managed and operated by the Holding Company :		
	- Pension fund	358	1,226
	- Provident fund	253,964	82,870
- Gratuity fund	1,252	802	
Key management personnel	Managerial remuneration	152,615	136,108
	Contribution for staff retirement benefits	10,946	10,694
	Bonus payments	11,370	7,071
	Other benefits	1,127	759

41.2 There are no transactions with key management personnel other than under the terms of employment.

41.3 The related party status of outstanding receivables and payables as at December 31, 2015 are included in respective notes to the financial statements.

(Amounts in thousand)

## 42. Segment Information

42.1 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. Management has determined the operating segments based on the information that is presented to the Board of Directors of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Company is organized into the following four operating segments:

- Dairy, beverages and others;
- Ice cream;
- Dairy farm; and
- Business development

Management monitors the operating results of the abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in table below, is measured differently from profit and loss in the financial statements. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated assets include long term investments, long and short term advances, deposits and prepayments, other receivables, taxes recoverable and cash and bank balances. Liabilities are not segment-wise reported to the Board of Directors. All the unallocated results and assets are reported to the Board of Directors at entity level. Inter-segment sales of processed milk and powder are made by Dairy, beverages and others to Ice cream and inter-segment sales of raw milk are made by Dairy farm to Dairy, at market value.

The following information presents operating results information regarding operating segments for the year ended December 31, 2015 and asset information regarding operating segments as at December 31, 2015:

	2015					2014					
	Dairy & Beverages	Ice cream	Dairy farm	Others	Total	Dairy & Beverages	Ice cream	Dairy farm	Business Development	Others	Total
<b>Results for the year</b>											
Net sales	46,521,474	3,478,879	782,234	-	50,782,587	39,705,065	2,935,634	734,120	85,436	-	43,460,245
Inter-segment sales	(197,708)	-	(782,234)	-	(979,942)	(154,405)	(60)	(734,120)	(12,564)	-	(901,149)
	46,323,766	3,478,879	-	-	49,802,645	39,550,650	2,935,574	-	72,872	-	42,559,096
Raw milk sales	31,444	-	-	-	31,444	43,358	-	-	-	-	43,358
Depreciation, impairment and amortization	46,355,210	3,478,879	-	-	49,834,089	39,594,008	2,935,574	-	72,872	-	42,602,454
Finance costs	1,627,768	354,289	68,775	-	2,050,832	1,494,140	343,667	68,769	42,723	-	1,949,299
	422,740	284,610	149,069	-	856,419	716,275	337,627	167,932	15,070	-	1,236,904
Net profit / (loss) after tax	3,227,478	(75,228)	12,530	(2,325)	3,162,455	1,710,175	(292,515)	(31,388)	(238,294)	(259,147)	886,831
<b>Assets</b>											
- Segment assets	14,453,470	2,278,947	2,090,922	-	18,823,339	18,829,236	2,453,786	1,932,461	130,508	-	23,345,991
- Unallocated assets	-	-	-	-	7,462,048	-	-	-	-	-	2,353,517
	14,453,470	2,278,947	2,090,922	-	26,285,386	18,829,236	2,453,786	1,932,461	130,508	-	25,699,508

(Amounts in thousand)

### 43. Seasonality

The Company's 'Ice cream' and 'Beverages' businesses are subject to seasonal fluctuation, with demand of ice cream and beverages products increasing in summer. The Company's dairy business is also subject to seasonal fluctuation due to lean and flush cycles of milk collection.

### 44. Production Capacity

	Designed Annual Capacity (note 44.1)		Actual Production		Remarks
	2015	2014	2015	2014	
	------(Litres in thousand)-----				
Dairy and Beverages	748,000	730,000	552,532	472,735	Production planned as per market demand
Ice cream	39,000	39,000	19,364	16,726	

44.1 Represents capacity as at balance sheet date.

### 45. Number of Employees

	Number of employees as at		Average number of employees	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Management employees	1,382	1,415	1,414	1,414
Non-management employees	200	197	199	200
	<u>1,582</u>	<u>1,612</u>	<u>1,613</u>	<u>1,614</u>

(Amounts in thousand)

### 46. Provident Fund

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

	June 30, 2015	June 30, 2014
	------(Rupees)-----	
Size of the fund - Total assets	<u>3,161,499</u>	<u>2,091,284</u>
Cost of the investments made	<u>2,333,996</u>	<u>1,679,824</u>
Percentage of investments made	<u>87%</u>	<u>89%</u>
Fair value of investments	<u>2,736,879</u>	<u>1,861,191</u>

The break-up for value of investments is as follows:

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

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

46.3 An amount of Rs. 126,982 (2014: Rs. 123,354) has been charged during the year in respect of contribution to the provident fund.

(Amounts in thousand)

2015                      2014  
------(Rupees)-----

**47. Supplementary Information**

47.1 Details of expenses allocated to export business are as follows:

Salaries, wages and staff welfare	23,973	13,925
Freight outward	24,819	49,968
Rent and utilities	599	332
Communication and other office expenses	1,597	2,482
Travelling	1,626	2,423
Legal charges	239	1,435
Bank charges	3,006	4,312
	<u>55,859</u>	<u>74,877</u>

47.2 Represents all expenses directly attributable to exports and incremental expenses incurred due to exports.

**48. Corresponding Figures**

For better presentation, following reclassification has been made in these financial statements:

Description	Rupees	Head of account in financial statements for the year ended December 31, 2014	Head of account in financial statements for the year ended December 31, 2015
Profit and loss account			
Trade offers and volume rebates	424,923	Distribution and marketing expenses - Advertising	Net sales - Trade and other discounts

The effects of other rearrangements and reclassifications are not material.

**49. Date Of Authorization For Issue**

These financial statements were authorized for issue on January 27, 2016 by the Board of Directors of the Company.



Abdul Samad Dawood  
Chairman



Babur Sultan  
Chief Executive Officer

# employee share option scheme 2013

The Company in the Extra Ordinary General Meeting held on March 22, 2013, has approved an Employee Share Option Scheme (ESOS) for granting of options to its certain critical employees. As disclosed in note 8 to the financial statements time period under the Scheme for granting of share options expired during the year in April 2015. However, the Company obtained approval of shareholders for extension in share options grant period for further 3 years in the Annual General Meeting held on April 27, 2015 and the Securities and Exchange Commission of Pakistan approval on August 31, 2015. The fair value of the option was determined by management using the Black-Scholes model.

According to this scheme, 16.9 million shares can be granted to certain critical employees. 50% of the options granted will vest in two years whereas the remaining 50% will vest in three years from the date of the grant of options. Granted options are exercisable within 3 years from the end of vesting period. There has been no variation in the terms of the options during the year.

During the year 800,000 new options have been granted to an employee. Till date 5,200,000 shares have been granted to the following senior management personnel:

S.No.	Name	No. of Options
1	Ahsan Afzal Ahmed	800,000
2	Babur Sultan	1,000,000
3	Imran Anwer (Ex-employee)	1,000,000
4	Salman Goheer	800,000
5	Usman Zaheer	800,000
6	Imran Hussain	800,000

The following employees were given more than 5% of total options issued:

S.No.	Name	No. of Options
1	Babur Sultan	1,000,000
2	Imran Anwer (Ex-employee)	1,000,000

None of the employees were issued with options exceeding 1% of the paid up capital of Company.

# proxy form

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a member of ENGRO FOODS LIMITED  
and holder of \_\_\_\_\_  
(Number of Shares)

Ordinary shares as per share Register Folio No. \_\_\_\_\_ and/or CDC  
Participant I.D. No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_, hereby appoint  
\_\_\_\_\_ of \_\_\_\_\_ or failing him  
\_\_\_\_\_ of \_\_\_\_\_

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on the 22nd day of April, 2016 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

## WITNESSES:

1) Signature : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_

\_\_\_\_\_

CNIC or : \_\_\_\_\_

Passport No.: \_\_\_\_\_

\_\_\_\_\_

2) Signature : \_\_\_\_\_

Name : \_\_\_\_\_

Address : \_\_\_\_\_

\_\_\_\_\_

CNIC or : \_\_\_\_\_

Passport No.: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Signature  
Signature should agree with the specimen  
registered with the Company

## Note:

Note: Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

# electronic transmission consent form

The Securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor's report and directors' report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

CDC shareholders are requested to submit their Electronic Transmission Consent Form along with their CNIC directly to their broker (participant)/CDC; while shareholders having physical shares are to send the forms and a copy of their CNIC to the Company's Registrar, FAMCO Associates (Pvt) Limited, 8-F, Block 6, P.E.C.H.S, next to Hotel Faran, Nursery, Shahrah-e-Faisal, Karachi.

## Electronic Transmission Consent Form

Pursuant to the directions given by the Securities & Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I, Mr. /Ms. \_\_\_\_\_ S/o, D/o, W/o \_\_\_\_\_

hereby consent to have the Engro Foods Limited's Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

Name of Member/Shareholder	
Folio/CDC Account Number	
CNIC	
Email Address	

It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of the Meeting.

\_\_\_\_\_  
Signature of Member/Shareholder

Date: \_\_\_\_\_

# request for video conferencing facility form

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

In this regard please fill up the following form and submit it to registered address of the Company 10 days before holding of the annual general meeting.

I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of Engro Foods Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Register Folio No/CDC A/c No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

\_\_\_\_\_  
Signature of Member/Shareholder

Date: \_\_\_\_\_



مندرجہ بالا پلان ایک فنڈ اسکیم ہے جسے ٹیکس حکام کی طرف سے منظوری حاصل ہے۔ گریجویٹ اسکیم کی تازہ ترین اکچوریل ریلیوشن 31 دسمبر 2015 میں کی گئی اور ان کے فنانشل اسٹیٹمنٹس 30 جون 2015 تک آڈٹ کئے گئے ہیں۔ کبھی نے ان اسکیموں سے جڑی اپنی تمام مالی ذمہ داریوں کی ادائیگی کردی ہے۔ پچھلے سال کبھی نے پروڈیٹس فنڈ اسکیم کو بند کر دیا تھا اور اس کی جگہ نئی پروڈیٹس فنڈ اسکیم دی جسے اینگرو کارپوریشن لمیٹڈ- ہولڈنگ کبھی منیج اور آپریٹ کرتی رہی۔ اس کے مطابق کبھی کے ایسپلائرز نے اینگرو کارپوریشن لمیٹڈ ( ای سی ایل ) کے پروڈیٹس فنڈ میں حصہ لیا۔ ماہانہ بنیادوں پر کبھی اور ملازمین نے اپنی تنخواہ کا 10 فیصد اس فنڈ میں ڈالا۔

### آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے بعد ازرینائزمنٹ اور اہل ہونیہر خود کو دوبارہ اپائنٹمنٹ کے لیے پیش کیا ہے۔ بورڈ کی آڈٹ کمیٹی 31 دسمبر، 2016 کو ختم ہونے والے سال کے لئے ان کی باحیثیت آڈیٹر اپائنٹمنٹ کی سفارش کرتی ہے۔

### شیر ہولڈنگ کے پیئرن

اینگرو فوڈز کے زیادہ شیر ا اینگرو کارپوریشن لمیٹڈ کی ملکیت ہیں دیگر حصص یافتگان میں مقامی اداروں اورعوام ہیں۔ حصص یافتگان کے جنرل پیئرن کا اسٹیٹمنٹ اور شیر ہولڈرز کی مخصوص کلاس کا اسٹیٹمنٹ جو ضروری ہے رپورٹنگ فریم ورک کے تحت اورڈائریکٹرز، کبھی سیکرٹری، ان کے شریک حیات بشمول چھوٹے بچوں کے خریدے اور بیچے گئے شیر کا اسٹیٹمنٹ اس رپورٹ کے آخر میں موجود ہے۔

### بورڈ آف ڈائریکٹرز

### ڈائریکٹرز کی ذمہ داریوں کا اسٹیٹمنٹ

ڈائریکٹرز تصدیق کرتے ہیں کہ کارپورہٹ اور مالیاتی رپورٹنگ فریم ورک SECP کے کارپوریٹ گورننس کے کوڈ کے عین مطابق ہے۔

- کمپنی کی انتظامیہ کی طرف سے تیار کئے جانے والے مالیاتی اسٹیٹمنٹس منصفانہ طور پر اس کے امور، اس کے آپریشنز کے نتائج، یکیش فلوز اور ایکویٹی میں تبدیلی بیان کرتے ہیں
- کمپنی کے اکاؤنٹس بکس کو مناسب طریقے سے برقرار رکھا گیا ہے
- مناسب اکاؤنٹنگ پالیسیوں کو مالی بیانات کی تیاری میں لاگو کیا گیا ہے سوائے موجودہ سٹینڈرڈز کی تشریحات، سٹینڈرڈز یا ترامیم کی ابتدائی درخواست کے نتیجے میں ہونے والی تبدیلیوں کے۔ اکاؤنٹنگ تخمینے معقول دانشمندانہ فیصلے پر مبنی ہیں
- بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جو پاکستان میں بھی لاگو ہیں، ان کی تمام فنانشل اسٹیٹمنٹس میں مکمل بیروی کی گئی ہے اور جہاں نہیں کی گئی وہاں مناسب طور پر ذکر کیا ہے اور مکمل وضاحت کی گئی ہے
- اندرونی کنٹرول کے نظام کا ڈیزائن بالکل ٹھیک ہے اور اسے مؤثر طریقے سے لاگو اور مانیٹر کیا گیا ہے

6- کبھی کے جاری رہنے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں

7- لسٹنگ ریکولیشنز میں تفصیلی طور پر درج کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی میٹریل ڈیپارجمنٹس

### بورڈ اینڈ کزن اینڈ گورننس

2015 بورڈ آف ڈائریکٹرز اور سی ای او سمیت قیادت میں اہم تبدیلیوں کا سال تھا جنہوں نے اپنی ٹرمنز کو مکمل کر لیا تھا۔ جناب سرفراز رحمان سی ای او کے عہدے سے سبکدوش ہوئے اور مسٹر باہر سلطان بورڈ کی طرف سے ان کے جانشین مقرر ہوئے۔ مسٹر سلطان و منیج تجربہ رکھتے ہیں اور اینگرو فوڈز کے کئی کلیدی عہدوں پر فرائض سرانجام دے چکے ہیں۔

کارپوریٹ گورنس کے مضبوط عزم کی بنیاد پر نئے ڈائریکٹرز کی نامزدگی اور تقرری کے لیے ایک طویل طریقہ کار سے گزرنا پڑتا ہے تاکہ تنوع کو یقینی بنانے کے ساتھ ساتھ چھوڑ جانے والے ڈائریکٹرز کے کام کو آگے بڑھایا جاسکے۔ اسٹخاص کوچرفائیٹی، صنعت اور فنکشنل صلاحیتوں پر پرکھا جاتا ہے۔ اور ایک متوازن بورڈ کا قیام ہوتا ہے تاکہ کاروبار سے جڑے ہر پہلو پر مکمل یکسوئی سے توجہ دی جاسکے اور ڈیری اور صارفین کے حوالے عالمی تناظر میں کاروبار کے تمام پہلوؤں پر خصوصی توجہ کو یقینی بنانا ہے۔

تمام لیولز پر مسلسل بہتری سے ہماری وابستگی سے مطابقت رکھتے ہوئے جامع بورڈ کی تنقیص اور فیڈ بیک کا طریقہ کار بھی تیار اور لاگو کیا گیا ہے تاکہ گزشتہ ایک دہائی کے دوران ہمیں حاصل ہونے والی کامیابی کے تسلسل کو برقرار رکھا جائے اور ترقی کے سفر کو جاری رکھا جائے۔

### مستقبل کا آؤٹ لک

اینگرو فوڈز اب اپنی کاروباری سرمایہ کاری کے عمدہ نتائج حاصل کر رہا ہے اس کا نتیجہ یہ رہا کہ ڈیری اور مشروبات کے سیکمنٹ میں 2014 کے مقابلے 17 فیصد بڑھوتی دیکھی گئی۔ اس نمو کی بنیادی وجوہات اوپرز اور ترنگ کی بڑھتی سبلز ہے۔ مزید برآں ڈیری امنگ کی مانگ میں اضافہ ہو رہا ہے۔ مذکورہ بالا نمو اور رفتار کو کاروباری پیرامیٹرز میں بہتری لا کر یقینی بنایا گیا۔ ہم پر اعتماد ہیں کہ سال 2016 بھی کمپنی کے لیے مزید کامیابیاں لائیگا۔ نمو پر توجہ مرکوز رکھنے کی بدولت ہم نے نئے ایریا بھی دریافت کئے جو مستقبل میں اینگرو فوڈز کی ترقی میں معاون ثابت ہونگے۔ یہ کمپنی کو ایک ایسا پلیٹ فارم مہیا کریں گے، جس کے ذریعے کمپنی اپنی نمو برقرار رکھے گی اور ساتھ ساتھ نئے کاروبار بھی شامل کرتی جائے گی۔

امن وامان کی بہتری، اقتصادی میکرو اکنامک انڈیکیٹرز اور سازگار عوامل و قیمتوں نے ملک کا اقتصادی آؤٹ لک بہتر کر دیا ہے۔ نوجوانوں کی بڑھتی تعداد خصوصاً جو مدل کلاس سے تعلق رکھتی ہے، ان کی خریدنے کی صلاحیت میں اضافہ ہوا ہے۔ اس بنیاد پر کمپنی پاکستان کے بہتر مستقبل کے حوالے سے پر امید ہے۔ اینگرو فوڈز اپنے معزز صارفین کو صحت مند اور غذائیت سے بھرپور مصنوعات فراہم کرتی رہے گی۔

# پراکسی فارم

میں رہم -----
کے -----
اینگرو فوڈز لمیٹڈ کے رکن اور عام شیئرز کے حامل کی حیثیت کے -----
( شیئرز کی تعداد ) -----
رجسٹر کا فوئیو نمبر -----
اور یا سی ڈی سی فوئیو کا آڈی ڈی نمبر -----،
اور ڈیلی اکاؤنٹ نمبر -----
کے -----
یا -----
کے -----

کو کبھی کے سالانہ عام اجلاس جو 22 اپریل 2016ء کو منعقد ہوگا، میں میرے / ہمارے لئے اور میری / ہماری طرف سے بحیثیت اپنا پراکسی، ووٹ دینے کے لئے نامزد کرتا ہوں / کرتے ہیں۔

دستخط -----	بروز -----	بتاریخ -----	-----	2016-
گواہان:				
•	دستخط <span> </span> :	-----		
	نام <span> </span> :	-----		
	پتہ <span> </span> :	-----		
	-----			
	کمپیوٹرائزڈ قومی شناختی کارڈ نمبر <span> </span> :	-----		
	پاسپورٹ نمبر <span> </span> :	-----		
	-----			
•	دستخط <span> </span> :	-----		
	نام <span> </span> :	-----		
	پتہ <span> </span> :	-----		
	-----			
	کمپیوٹرائزڈ قومی شناختی کارڈ نمبر <span> </span> :	-----		
	پاسپورٹ نمبر <span> </span> :	-----		

نوٹ : نمائندے کو فعال بنانے کے لئے نامزدگی کا فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جانا چاہیئے۔ نمائندے کو کمپنی کا رکن ہونا ضروری نہیں۔

سی ڈی سی شیئرز ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پراکسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔



### باہر سلطان

چیف ایگزیکٹو آفیسر

*Dr. Amjad*

### عبدالصمد داود

چیئر مین

محفوظ ڈرائیونگ پالیسی کا ازسرنو جائزہ لیا گیا تاکہ اسے زیادہ مربوط بنایا جاسکے۔ دوران ڈرائیونگ ٹیکنالوجی تکلیف کو استعمال کرنے کے خطرات پر زیادہ توجہ رکھی گئی۔ ہم نے فزیکل سرگرمیوں کو محفوظ طریقے سے مکمل کرنے کے لیے سٹینڈرڈ آپریٹنگ پروسیجر تیار کیا جسکی تریخیمون ریسورس کی سرگرمیوں کے دوران دی گئی۔ کیونکہ ان فزیکل سرگرمیوں میں حادثات اور انجری کا امکان بہر حال رہتا ہے اس لیے ہم نے اس رسک کا احاطہ کیا اور SOP کی افادیت کا مشاہدہ کیا۔ آٹ بریک، بڑے پیمانے پر ٹیم میٹنگ اور سیلز کانفرنس کے SOPs بھی بنائے گئے تاکہ رسک اسٹیمٹ ڈیزائن مرحلے کا لازمی حصہ بن جائے۔

اس طرح یہ یقینی بنایا جاسکتا ہے کہ ایچلائنز کو محفوظ انوورمنٹ مل سکے تاکہ انہیں ایک مقام سے دوسرے مقام پر کام کی وجہ سے عارضی طور پر منتقل کرنا پڑے۔

کمپنی کے ڈرائیور ملازمین جن کی ذمہ داریوں میں روزانہ گاڑی چلانا شامل ہے، کو گاڑی دینے کا بھی SOP بنایا گیا ہے تاکہ وہ اپنے اور دوسرے لوگوں کے لیے سڑک پر غیر ضروری خطرہ پیدا نہ کرے۔ اس SOP میں بہت باریکی سے تفصیلات دی گئی ہیں تاکہ صرف اہل ملازم ہی کو گاڑی دی جائے۔

ڈیوپونٹ OHIH کی شرائط کے حوالے سے کافی بہتری ہو چکی ہے۔ ڈیوپونٹ OHIH پروگرام 2014 میں لاؤنچ ہوا تھا۔ سال 2015 میں توجہ کا مرکز ادارے میں مہارت کا فروغ، ڈویژنل لیول پر مضابطے اور ڈویلپمنٹ، اندرونی آڈٹ اور ایکشن پلان کی ڈویلپمنٹ اور ایگزیکیشن رہے۔

### سربقیات

9001
14001ISO
--22000FSSC صرف سکھ اور ساہیوال پلانٹ
18001OHSAS
حلال
22000ISO (صرف دودھ حصولی)
BRC ربرٹیٹیکیشن- سکھ اور ساہیوال پلانٹ - A ریٹنگ
گلوبلGAP- صرف ڈیری فارم
17025ISO - ساہیوال اور سکھ پلانٹ کی لیبارٹریوں کے لئے

## بی آر سی BRC سرٹیفیکیشن

BRC ایک گلوبل فوڈ سیفٹی انیشی ایٹو (GFSI) ہے جسے فوڈ سیفٹی، معیار، اور صارفین کی مصنوعات اور پیکنگ میں اچھی مینوفیکچرنگ کے طریقوں کے لئے ایک معیار کے طور پر تسلیم کیا جاتا ہے۔ اینگروفوڈز کے دونوں ساہیوال اور سکھ پلانٹس نے BRC کی A ریٹنگ حاصل کی ہے۔ سکھ اور ساہیوال پاکستان بھر میں چلی اور اب تک واحد سائٹس ہیں جنہیں BRC کی جانب سے revision 7 کے سرٹیفکیٹس سے نوازا گیا۔ یہ سرٹیفکیٹ مسلسل چوتھے سال حاصل کئے گئے ہیں۔ اس کے ساتھ ساتھ سکھ پلانٹ نے پاکستان کی دیگر فوڈ کمپنیوں کے برخلاف سب سے کم NC ریکارڈ کی۔

BVQI کے آڈیٹرز نے ہمارے سسٹمز کو پاکستان بھر میں بہترین قرار دیا ہے اور بین الاقوامی معیار کے ہم پلا گردانا ہے۔

اینگروفڈیری فارم اب بھی پاکستان بھر میں واحد ڈیری فارم ہے جسے گلوبلGAP نے سرٹیفکا کیا۔

## ذمہ دارانہ ماحولیات دوست طرز عمل کو یقینی بنانا

اینگروفوڈز مسلسل ماحولیاتی تحفظ اور اسکی حفاظت کے ہمارے عزم کو پورا کرنے میں کوشاں ہے۔ ہم عوام کی فلاح و بہبود اور اپنے سیارے کی حفاظت کرنا چاہتے ہیں۔ امی ایف ایل کی کاروباری حکمت عملی مکمل طور پر اس وژن کے ساتھ منسلک ہیں اور ہم اپنے کاروباری فیصلے کرتے وقت ماحولیات پر پڑنے والے دوررس ماحولیاتی اثرات پر بھی غور کرتے ہیں۔ ہم قدرتی وسائل کی غیر ضروری ضیاع کی روک تھام کو یقینی بنانے کے ساتھ ساتھ ہم مسلسل انرجی کے جدید، متبادل اور مستاتی ذرائع کی کھوج بھی کر رہے ہیں۔

کاروبار کو درپیش چیلنجز میں سب سے زیادہ حل طلب چیلنج سستی اور موثر توانائی تک رسائی ہے۔ توانائی کے روایتی ذرائع تیزی سے کم ہوتے جا رہے ہیں اس لیے امی ایل ایف کے توانائی پورٹ فولیو کو متنوع کرنا انتہائی اہم ہے اس کے نتیجے میں امی ایل ایف نے ان ممکنہ مسائل سے نبرد آزما ہونے کے لیے متعدد اقدامات کئے ہیں۔ مثبت ماحولیاتی طرز عمل کو یقینی بنانے کے لیے ساہیوال اور سکھ کے پلانٹس پر NEQS کے مطابق ویٹ وائرٹریٹنٹ پلانٹ انسٹال کئے ہیں تاکہ اخراج سے پہلے پانی میں موجود زہریلے مواد کو ماحولیات میں شامل ہونے سے روکا جاسکے۔ اپنے عزم کو مزید پختہ کرنے کے لیے ہم نے برطانوی سیفٹی کونسل کے 5 سٹار پروگرام پر ابتدائی کام شروع کر دیا ہے۔ اس پروگرام کو دنیا میں سب سے بہتر سمجھا جاتا ہے۔

## سربقیات:

14001ISO – ساہیوال اور سکھ پلانٹس کے سرٹیفیکیشن؛
اینگروفڈیری فارم – نارا؛
دودھ حصولی کے ایریڈا فائر

## WWF گرین آفسز

امی ایف ایل کا ہیڈ آفس، سکھ ساہیوال کے پلانٹس اور نارا ڈیری فارم کے ایڈمن دفتر کو WWF کی جانب سے گرین آفس سرٹیفائی کیا گیا۔ اس کے علاوہ امی ایف ایل کے صدر دفتر کو WWF کی جانب سے پاکستان بھر میں بہترین آفس کے اعزاز سے بھی نوازا گیا۔ WWF نے اینگرو کی مینجمنٹ سے درخواست کی ہے کہ دوسری امیدوار کمپنیوں کو اپنے آفس کا دورہ کرنے کی اجازت دیں۔ امی ایف ایل کو ایک اور پرائز بھی ایوارڈ کیا گیا جو WWF نے" میسٹ ان رڈ یوسنگ ویسٹ" کئنگری میں دیا۔ امی ایف ایل کے دفاتر میں کانغذ کی کھپت 2014 کے مقابلے اس سال 15 فیصد گھٹ چکی ہے۔ ماحولیات کے متعلق ہمارا عزم اس بات سے بھی ظاہر ہے کہ ہمارے علاقائی اور ریجنل دفاتر، سیلز اوپل میں گرین آفس پریکٹسز اختیار کی جا رہی ہیں۔

### کیش فلواورورنگنگ کیپٹل مینجمنٹ

دوران سال 2015ء آپریشنز سے 4,517 ملین روپے کیش حاصل کیا گیا جبکہ پچھلے سال 2014 میں 786 ملین روپے نقد حاصلکئے گئے تھے۔ ٹیکسوں کی مد میں اس سال 1,088 ملین روپے ادا کئے گئے جو پچھلے سال 950 ملین روپے تھے۔

## کیپٹل انویسٹمنٹ کیپٹل اسٹریکچر اور فنانس

سال 2015ء کے آخر تک طویل مدتی قرضے میں کمی واقع ہوئی ہے۔ قرضے گھٹ کر 2,196 ملین روپے رہ گئے (25,477 ملین روپے)۔ بیلنس شیٹ گنیر بیگ (ایکویٹی تناسب کرنے کے لئے کمپنی کی طویل مدتی قرض) برائے اختتام سال 2015 87:13 رہی (2014:32:68)۔ کمپنی کی لیکویڈیٹی کارینٹوسال کے اختتام پر 1.5:1 رہا (2014:1.3:1)۔

## بڑے فیصلہ طلب ایریاز

ٹیکسیشن، پراپرٹی، پلانٹ اور ایکویٹمنٹ، غیر محسوس اثاثہ جات، بائیو لوجیکل اثاثے، اسٹاک ان ٹریڈ، ایچپلائی شیئر آپشن اور اسٹاف کی ریٹائرمنٹ اور سروس مراعات کی حق۔

### مینجمنٹ انفارمیشن سسٹمز

اینگروفوڈز اسٹیٹ آف دی آرٹ MIS انفرا سٹریکچر کو آپریشنز میں استمال کرتی ہے۔ ہمارا فوٹ پرنٹ 1,635 سے زائد سینٹرز سے دودھ کے حصول سے شروع ہوتا ہے جسے اینگرو ملک آٹومیشن نیٹ ورک کہا جاتا ہے۔ ڈسٹریبوشن کے محاز پر ہم بذریعہ سیکنڈری سیلز سسٹم "اورنچ" ریشیلرز سے جڑے ہوے ہیں۔ مزید براس GPS ٹیکنالوجی کے ذریعے ان آڈٹ پلیٹس سے کنٹیکٹ ہونے پر کام کر رہے ہیں۔ ہم کمپنی میں فنانشل، اکاؤنٹنگ، سپلائی چین اور انسانی وسائل کی موجودہ ایپلیکیشنز پر بذریعہ SAP footprint (modules 11) صلاحیتوں میں اضافہ کر رہے ہیں۔

### اکاؤنٹنگ سٹینڈرڈز

کمپنی کی اکاؤنٹنگ پالیسیاں کمپنیز آرڈیننس، 1984 کے تحت اور بین الاقوامی اکاؤنٹنگ معیار، بین الاقوامی مالیاتی رپورٹنگ کے معیار کو برقرار رکھنے کی عکاسی کرتی ہیں۔ اس کے علاوہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری دیگر ہدایات پر بھی مکمل عمل درآمد کیا گیا۔

## کریڈٹ ریٹنگ

اینگروفوڈز کے اجراء کردہ سکوک بانڈ کو VIS-JCR کی طرف سے درمیانے تا طویل مدتی کریڈٹ ریٹنگ "A" + "(سنگل A پلس) دی گئی۔ ریٹنگ کمپنی کی مالی اور انتظامی طاقت کی عکاسی اور کریڈٹ رسک کے کم ہونے کی توقع کرتی ہے۔

## ڈیویڈنڈ

بورڈ اس بات پر یقین رکھتا ہے کہ اس سال حاصل ہونے والا منافع آگر کاروبار میں لگایا جائے تو اگلے سال مزید منافع متوقع ہے اور کمپنی کی طویل مدتی کارکردگی اور نمو میں اضافہ ہوگا۔ لہذا بورڈ نے یہ سفارش کی ہے کہ اس سال ڈیویڈنڈ کی مد میں ادائیگی نہ کی جائے۔

## ایچپلائی شیئر آپشن سکیم

کمپنی شیئر آپشن سکیم آپریٹ کرتی ہے۔ ہر سکیم کی تفصیل اکاؤنٹس کے نوٹ 8 میں بیان کی گئی ہے۔

## پنشن، گریجویٹی اور پروویڈنٹ فنڈ

کمپنی اپنے ملازمین کو بعد از ملازمت اور ریٹائرمنٹ فوائد فراہم کرتی ہے اور اس ضمن میں پلان تیار ہیں جن میں کسٹری بیوٹری پروویڈنٹ فنڈ اور ڈیفائنڈ پینٹنٹ گریجویٹ اسکیم شامل ہیں۔

تازہ ترین مالیاتی تفصیلات تاریخ کی بنیاد پر سرمایہ کاری کی قدر کا اسٹیٹمنٹ June 30, 2015

گریجویٹی فنڈ		ملین روپے میں
1	نیٹ اثاثے آڈٹ ہوئے فنانشل سٹیٹمنٹس کے مطابق	433
2	SSCs/PIBs/RICs	317
3	میوچل فنڈ	6
4	TFCs	19
5	حصص	55
6	بینک ڈپازٹ	4
7	وصولیا بنیاں	35
8	اداائیگیاں	(1)
	کل	434

منصوبے کا مقصد 7,000 چھوٹے پیمانے پر کسانوں کو تربیت دینا اور کسانوں کے گروپ بنانا ہے۔ اس منصوبے کو KFWDEG کی تکنیکی معاونت گرانٹ کی مدد سے شروع کیا گیا ہے۔

اس بات کو تسلیم کرتے ہوئے کہ کھیتی کی کامیابی باصلاحیت لوگوں کی موجودگی سے مشروط ہے، ہم مسلسل باصلاحیت لوگوں کو اپنی ٹیم کا حصہ بنانے، تربیت دینے، کھیتی میں انہیں رکھنے، تسلسل کے ساتھ اپنی طرف متوجہ کرنے اور اعلیٰ معیاری ٹیلنٹ کی حوصلہ افزائی کرنے کی کوشش کرتے ہیں تاکہ ہم مشترکہ طور پر ایک کامیاب شراکت داری کی تعمیر کرسکیں۔ اس طرح ہم اپنی مسابقتی برتری کو برقرار رکھ سکتے ہیں۔ ہماری باصلاحیت اشخاص کو اپنا حصہ بنانے کی سکیمنیں، ملازمن کی تخصیص کے طریقے، ٹریننگ اور ڈویلپمنٹ کے پروگرام، کمپنیشن کی حکمت عملی، ملازمین کے انگیجمنٹ سروے، forum synergy HR، ملازم رضا کار پروگرام اور ریٹازمنٹ کی پالیسیوں کو اس طریقے سے وضع کیا جاتا ہے کہ کھیتی اور ملازمن کے درمیان اعتماد، حوصلہ افزائی، احساب اور وفاداری کا پائیدار رشتہ قائم ہو اور شفافیت، کثادگی اور جانبداری پر قائم تنظیمی ثقافت فروغ پذیر ہو۔

ہم تنوع میں یقین رکھتے ہیں اسی لیے ایک خت غیر امتیازی سلوک کی پالیسی کو سطح پر نافذ کیا جو ہمیں دیگر سے ممتاز کرتی ہے۔ ان کوششوں کے ذریعے سے ہم نے انتہائی پرجوش اور متحرک ٹیم کی تشکیل دی ہے جو کھیتی کی نمو، ایکسیلنس اور کامیابی میں کلیدی کردار ادا کرتی ہے۔

ادارہ چھوڑنے کی شرح

ملازمین کی کل تعداد 1,582 (2015)

### اینگرفوڈز کا 10 سال مکمل کرنے کا جشن

اس سال اینگرفوڈز لمیٹڈ نے اپنے قیام کے آغاز سے اب تک کے 10 سال کی تکمیل کا جشن منایا۔ کمپنی کو پہلی بار 26 اپریل 2005 میں انکارپوریٹ تب کیا گیا جب پہلی پروڈکشن سائٹ سکھر میں قائم کی گئی۔ اس 10 سالہ سنگ میل کو منانے کے لئے 24 اپریل 2015 کو سکھر، ساہیوال، ناراء، جٹنگ، بہاولپور، راولپنڈی، لاہور اور کراچی میں ایک وقت جشن کی تقریبات منعقد کی گئیں۔ گزشتہ دس سالوں میں کمپنی نے تیزی سے ترقی کی ہے اور پاکستانی مظن نامے پر انٹ نشان چھوڑا ہے۔ کمپنی نے ہمیشہ جدت اور تیز نمو پر توجہ مرکوز رکھی ہے اور کمپنی کی یہ ترقی ہرگز ممکن نا ہوتی اگر اسکے ملازمین پر عزم و اہنگی اور محنت نہ کرتے جو اس سفر میں مسلسل کمپنی کے ساتھ رہے۔ اس طرح کی محنتی ٹیم کے ساتھ ہم مستقبل میں بہت سے دیگر سنگ میل طے کریں گے۔

### مائی لرننگ

مائی لرننگ پلیٹ فارم اینگرفوڈز لمیٹڈ نے اپنے ملازمین کی دانشورانہ صلاحیتوں کو بہتر بنانے کے لیے بنایا گیا تاکہ افرادی قوت روزانہ کی بنیاد پر اپنی ذمہ داریوں کو انجام دینے کے لیے ضروری مہارت اور صلاحیت سے لیس رہے۔ اپنے ایپلائنرز میں سرمایہ کاری EFL کمپنی کے لئے سب سے نفع مند سرمایہ کاری ہے یہ فلسفہ ٹیلنٹ اور آرگنائزیشنل ڈویلپمنٹ کی ٹیم کے تربیتی ایجنڈے کی بنیاد ہے۔

لیڈرشپ مہارتی ماڈل کی بنیاد پر کسٹمائزڈ پروگرامز تیار کئے گئے تاکہ ادارے کے ایپلائنرز کو وزمرہ کے آپریشنز کے حوالے سے سوئٹ ٹریننگ دی جاسکے۔ مائی لرننگ ٹریننگ سیشن پورے سال جاری رہے اور سال 2015 میں اینگرفوڈز لمیٹڈ نے 18,310 ٹریننگ گھنٹے مکمل کئے۔

### اینگرفوڈز لمیٹڈ کی اقدار سے متعلق آگاہی پروگرام 2015ء

2015 کی تیسری سدماہی میں اینگرفوڈز نے آرگنائزیشن بھر میں اپنی اب تک کی سب سے بڑی انٹرویشن ہم کا آغاز کیا۔ دو مہینوں کی مدت میں ٹیم نے 1700 ملازمین کو کوور کیا اور آٹھ مختلف لوکیشنز پر 21 سیشن منعقد کئے۔ ویلیوز کو متعارف کروانے کا مقصد ایپلائنرز میں اینگرفوڈز میں رائج اقدار سے متعلق تربیت دینا ہے جیسے اخلاقیات، سالمیت، ہمارے لوگ، حمت حفاظت اور ماحولیات، جدت، رسک لینا، کمیونٹی اور سوسائٹی وغیرہ ہیں۔

اینگرفوڈز کے لیے اقدار نہایت اہم ہیں کیونکہ یہ کمپنی کے ڈی این اے میں سرانیت کر چکی ہیں اور ہماری کارپوریٹ ثقافت کی وضاحت کرتی ہیں۔ ہمیں یقین ہے کہ ان رول آؤٹ کے بعد ملازمین ان ویلیوز پر کار بند رہیں گے اور دوسروں کو بھی پابند کریں گے۔

### تنوع کے اقدامات

اینگرفوڈز تنوع اور سب کو ساتھ لیکر چلنے کے اصول کی حامی ہے۔ کیونکہ تنوع کمپنی میں جدت اور نمو کے لیے ضروری ہے۔ اینگرفوڈز میں تنوع کو ہمارے کاروبار کا اہم حصہ سمجھا جاتا ہے۔ اس سال ہماری توجہ معذور افراد اور خواتین کو شامل کرنے پر رہی۔ مرد و خواتین پر مشتمل تنوع افرادی قوت کمپنی کو مارکیٹکے متعلق تفصیلات اور نئے خیالات کی شکل میں مسائل کا حل اور اعلیٰ کارکردگی میں مدد دیتا ہے۔ ہماری کمپنی خواتین ایپلائنرز کو فیملی اور کیریئر کے معاملات سنبھالنے کے لیے اوقات میں چلک فراہم کرتی ہے۔ اس سال ای ایف ایل ڈائیورسٹی کونسل نے سینئر لیول کی خواتین کو کسٹمائزڈ ٹریننگ، جس کا عنوان تھا" گروینگ ویمن لیڈرز" میں بھیجا اور ایک ایونٹ کا بھی انعقاد کیا جس میں تمام مقامات پر کام کرنے والی خواتین ملازمین نے شرکت کی۔ ان خواتین کو یہ موقع ملا کہ وہ مرد اور عورت میٹھورز سے اپنے کیریئر اور درجہ پیش چیلنجز پر رہنمائی حاصل کرسکیں۔ آنے والے سالوں میں ہم اپنے عزم کو مزید مضبوط بنائیں گے اور اس ضمن میں اپنا کردار جاری رکھیں گے۔

اینگرفوڈز نے اینگروفائڈیشن کے تعاون سے مورخہ 3 دسمبر 2015 کو اپنے ملازمین کے لیے بین الاقوامی دن برائے معذور افراد کے حوالے سے شاندار تقریب کا انعقاد کیا۔ یہ عمل ہمارے معذور افراد کو اپنے ساتھ شامل کرنے کے عزم کی ترجمانی کرتا ہے۔ یہ امر ہمارے لیے باعث مسرت تھی کہ ہم نے اسمٹل اوپنکس میں پاکستان کی نمائندگی کرنے والوں اور NOWDPD کے مندوبین کی میزبانی کی

مزید براں اس ضمن میں ٹھوس اقدامات کئے گئے جیسے صدر دفاتر کو قابل رسائی بنانے کے لیے retrofitted کیا گیا اور اب یہی اقدامات پائٹس کے حوالے سے بھی لیے جا رہے ہیں۔ ہم محسوس کرتے ہیں کہ ان اقدامات کے ذریعے ہم اپنے ایپلائنرز کے لیے زیادہ بااختیار اور جامع ماحول پروان چڑھایا جاسکے تاکہ ملازمین اپنا زیادہ سے زیادہ آؤٹ پتدے سکیں۔

مزید براں اس ضمن میں ٹھوس اقدامات کئے گئے جیسے صدر دفاتر کو قابل رسائی بنانے کے لیے retrofitted کیا گیا اور اب یہی اقدامات پائٹس کے حوالے سے بھی لیے جا رہے ہیں۔ ہم محسوس کرتے ہیں کہ ان اقدامات کے ذریعے ہم اپنے ایپلائنرز کے لیے زیادہ بااختیار اور جامع ماحول پروان چڑھایا جاسکے تاکہ ملازمین اپنا زیادہ سے زیادہ آؤٹ پٹ ڈے سکیں

#### صحت حفاظت اور ماحولیات

**کارپوریٹ کمیٹی برائے فوڈ سیفٹی، صحت، عملے کی حفاظت اور ماحولیات**

فوڈ سیفٹی، صحت، سیفٹی اور ماحولیات کی کارپوریٹ کمیٹی نے HSE پالیسی وضع اور لاگو کی ہے اور اس بات کو بھی یقینی بنایا ہے کہ کمپنی کے تمام آپریشنز اس پالیسی کے مطابق ہوں۔ اس کمیٹی نے 2015 ء میں پانچ دفعہ میٹنگ کی۔

### کمیٹی مندرجہ ذیل اراکین پر مشتمل ہے

بابر سلطان	(چیئرمین)
احسن افضل احمد	(ممبر)
عمران حسین	(ممبر)
سلمان گوچر	(ممبر)
سید سعود احمد پاشا	(ممبر)
عثمان ظہیر	(ممبر)
عمران احمد	(ممبر)
زاہد محمود	(ممبر)
عدنان محمود	(سکیئرزی)

### دفتر پر ملازمین کی حفاظت کو یقینی بنانا

اینگرفوڈز میں ہم اصولوں کے ساتھ کام کر کے ایک مثال قائم کرنے پر یقین رکھتے ہیں۔ اچھی کارپوریٹ گورننس کو یقینی بنانے کے لئے ہم ٹرپل باٹم لائن طریقہ کار کو اپنے تمام اسٹریٹجک فیصلوں پر لاگو کرنے کے خواہشمند ہیں کیونکہ ہمارے لیے ہمارا سیارہ اور ہمارے لوگ منافع سے زیادہ اہم ہیں۔ سیارے کی حفاظت کرنے کی ضرورت کا ادراک کرتے ہوے ہم قدرتی وسائل کو محفوظ کرنے اور ان کے غیر ضروری ضیاع کو روکنے کے لئے ہر ممکن اقدام اٹھاتے ہیں۔

کام کی جگہ پر ملازمین کی حفاظت کو یقینی بنانے کے لئے اینگرفوڈز کے ملازمین اور کنٹریکٹرز سے توقع رکھی جاتی ہے کہ وہ ہمارے HSE مینجمنٹ سسٹمز اور پرائیس سے مطابقت رکھیں جو بین الاقوامی پریکٹسز او کیو پیشنل سیفٹی اینڈ ہیلتھ ایڈمنسٹریشن اور ڈیو پونٹ ورک پلیٹس سیفٹی شینڈرڈز کو مد نظر رکھتے ہوئے وضع کئے گئے ہیں۔ ہمارے سکھر ساہیوال کے پائٹس، ساتھ ساتھ نارڈیری فارم اور دودھ کی پیداوار کے سینٹر ڈیو پونٹ کے لیول 3 پر اور OSHA کے عین مطابق ہیں۔

ہمارے سیفٹی مینجمنٹ سسٹم کو یقینی بنانے کے لیے اور آرگنائزیشن میں حفاظت کے کلچر کو فروغ دینے کے لیے رویے پر حقائق تکنیکوں کو ورک پلیٹس پر لاگو کیا گیا ہے جس میں حادثات کی فوری رپورٹنگ کرنے کی حوصلہ افزائی کی گئی ہے۔ اس کی بدولت ممکنہ خطرات کی نشاندہی اور شناخت کرنے میں مدد ملی ہے اور اس طرح مزید خطرات کو بہت حد تک کم کر دیا گیا ہے۔ اس حقائق پروٹوکول میں انڈیکیشنز اور مینجمنٹ سیفٹی آڈٹ بنیادی جز ہیں جن کی بنیاد پر حقائق تدابیر لی گئیں۔

#### FHSE ٹریننگ:

HSE ٹریننگ: ٹرینز کے اوقات کار 1150 گھنٹے ساتھ ٹرینی/شرکا کے اوقات کار 21000 گھنٹے

فوڈ سیفٹی ٹریننگ: ٹرینز کے اوقات کار 310 گھنٹے جبکہ ٹرینی/شرکا کے اوقات کار تقریباً 8230 گھنٹے

کل: ٹرینز کے اوقات کار 1460 گھنٹے اور ٹرینی/شرکا کے اوقات کار 29200 گھنٹے

### سال 2015ء میں محفوظ ورک کی پریکٹس

سال 2015ء میں ہم نے وہیکل سیفٹی کٹ نہ صرف فیلڈ ملازمین کو فراہم کی جن کی ذمہ داری ڈرائیونگ ہے بلکہ ان ملازمین کو بھی دی جنھیں گاڑی کمپنیشن پر ملی یا جو حقدار ہیں تاکہ وہ کام سے دوری کے باوجود محفوظ رہیں۔ ہماری یہ کاوش FHSE پالیسی کے عین مطابق ہے۔

## ڈائریکٹرز رپورٹ

**اینگروفوڈز لمیٹڈ** (اینگروکارپوریشن لمیٹڈ کی اکثریت ملکیتی ماتحت کمپنی) کے بورڈ آف ڈائریکٹرز کی جانب سے ہم کمپنی کی سالانہ رپورٹ اور آڈٹ ہوئی مالیاتی معلومات برائے سال، جو **31 دسمبر 2015 کو اختتام ہوا ہے، مسرت سے پیش کر رہے ہیں۔**

### پرنسپل سرگرمیاں

اینگروفوڈز لمیٹڈ، جو اینگروکارپوریشن لمیٹڈ کی اکثریت ملکیتی ماتحت کمپنی ہے، ڈیری مصنوعات، آئس کریم اور منجمد ڈیزرٹ کی تیاری، پروسیسنگ اور مارکیٹنگ میں مصروف عمل ہے۔ معیار کے حصول میں سرگرم اپینگروفوڈز نے کئی ایسی مصنوعات متعارف کروائی ہیں جیسے اولپرز، تزنگ، ڈیری امنگ، اومورا اور دیگر جو گھروں میں جانے پہچانے برانڈ بن چکے ہیں۔

### کاروبار کا جائزہ

2015 میں کمپنی نے UHT کیلنگری میں اپنی مارکیٹ لیڈر کی پوزیشن کو مستحکم رکھنے پر توجہ مرکوز رکھی۔ تمام کیلنگریوں میں بروہتی مسابقت کی روشنی میں کمپنی نے مصنوعات کے معیار، رابطوں میں تفرق اور ڈسٹریوشن کی توسیع کو مضبوط بنانے پر توجہ مرکوز کی۔ انہی کوششوں نے تمام مصنوعات میں زبردست نمو اور ترقی کی سمت بڑھنے میں اہم کردار ادا کیا۔

2015 میں کمپنی نے 49.8 ارب روپے کی آمدنی رپورٹ کی جو پچھلے سال 2014 میں 42.6 ارب روپے تھی یعنی نمو میں 17 فی صد کا اضافہ ریکارڈ ہوا۔

2015 میں برانڈز کی ترقی میں موثر پروڈکٹس کا مہیاہی کے بنیادی عنصر ہیں جن کی بدولت نمو حاصل ہوئی۔ مجموعی مارجن اجناس اور ایندھن کی قیمتوں میں کمی کے ساتھ ساتھ کارکردگی بہتر کرنے کے کئی مضویوں کی وجہ سے 18 فیصد سے بڑھ کے 23 فیصد ہو گیا۔ مجموعی طور پر کمپنی کا منافع 2014 ء میں 889 ملین روپے سے بڑھ کر 2015 میں 3.162 ملین روپے ہوا۔

### ڈیری اور مشروبات سیکمنٹ

سال کے دوران A.C.Nielsen کے مطابق کمپنی نے ستمبر 2015 میں بلند ترین 57 فیصد UHT مارکیٹ شیئر حاصل کیا جبکہ نومبر 2014 میں مارکیٹ شیئر 55 فیصد تھا۔

اسپیشلائزڈ ٹی کریمر کی کیلنگری میں موجودہ مسابقتی کمپنیوں کی بھاری ٹریڈ ڈسکاؤنٹ اور نئی کمپنی کی جانب سے کی گئی بھاری برانڈ سرمایہ کاری کی بدولت مارکیٹ شیئر کے لیے تنگ دودھ دیکھی گئی۔ ان چیلنجز کے باوجود تنگ مستحکم طور پر ترقی کی جانب گامزن رہا اور سال کے اختتام پر بنیادی SKUs پر دو ہندسے کی نمو کو رجسٹر کیا۔ برانڈ کی ہیلتھ اور ڈسٹریوشن کو بہتر بنانے کے اقدامات کئے جاتے رہے۔ اس وجہ سے برانڈ UHT ڈیری مارکیٹ میں اپنی اولین پوزیشن پر قائم رہا۔

اولپرز پورے سال متاثر کن کارکردگی کا مظاہرہ کرتا رہا باوجود کہ مسابقتی کمپنیوں کی طرف سے اپنے اپنے پروڈکٹس کے لیے بھرپور مہم چلائی گئیں۔ برانڈ کی نمو، بہتر ڈسٹریوشن کی وجہ سے مسابقت میں دوسروں سے بہتر رہی۔ برانڈ اپنی کیلنگری کا واحد پلیئر رہا جس میں منفرد SKUs تمام سائز میں ہیں اور نونو قح کی جارہی ہے کہ آنے والے سالوں میں اس کی گرتھ مسلسل جاری رہے گی۔

ڈیری امنگ آل پر پز اکانومی کیلنگری میں مضبوط قیادت کی بدولت ماضی کے درپیش متعہد چیلنجوں سے نکل گیا ہے۔ یہ ٹرن اراؤنڈ مصنوعات کی بہتر دستیابی سے منسوب ہے جس کی وجہ سے ڈیری امنگ صارفین کی مسلسل دسترس میں رہا۔

ڈیری اور مشروبات سیکمنٹ نے سال 2015 میں 46.4 ارب روپے کا ٹاپ لائن کاروبار رپورٹ کیا جبکہ نمو کی شرح پچھلے سال کے مقابلے 17 فیصد زیادہ رہی۔ سیکمنٹ نے کمپنی کے مجموعی منافع میں اس سال 88.7 نمو کے ساتھ 3,227 ملین روپے کا حصہ ڈالا۔

### آئس کریم اور منجمد ڈیزرٹ سیکمنٹ

2015 کے دوران اینگروفوڈز آئس کریم اور منجمد ڈیسرٹ سیکمنٹ نے 2014 میں ہونے والی کامیابی کے تسلسل کو برقرار رکھا۔ برانڈ پورٹ فولیو میں حجم کی بحالی اور نئی مصنوعات کی ڈویلپمنٹ جاری رہی۔ 2015 میں حاصل ہونے والی کامیابیوں میں جدت نے اہم کردار ادا کیا جیسے "فن آئکس" پورٹ فولیو نامی منجمد SKUs کو بحال کیا اور اومونا ایٹم ڈیجری متعارف کروانے کے لیے وارنر برادرز کے ساتھ برانڈ پارٹنرشپ کی بدولت بچوں کی کیلنگری تک رسائی ملی۔

سیلز کے محاز پر اہمو ر نے فروخت کے حجم کو فروغ دینے کے لیے سیلز پر مسلسل توجہ مرکوز رکھنے کے ساتھ ساتھ نئے جغرافیائی علاقوں میں فروخت بڑھانے کے لیے مارکیٹ میں نئے ریٹیلرز اور ڈسٹریبیوٹروں فریئر متعارف کروا کر سرمایہ کاری کرنے کا سلسلہ جاری رکھا۔ آئس کریم اور منجمد ڈیسرٹ برنس سیکمنٹ نے 2015 میں 3.5 ارب روپے کی آمدنی رپورٹ کی، گزشتہ سال کے مقابلے نمو میں 18.5 فی صد کا اضافہ ریکارڈ ہوا۔ سال 2015 میں سیکمنٹ نے پچھلے سال کے نقصان کو کافی کم کیا۔ خسارہ سال 2014 ء کے 292.5 ملین روپے سے کم ہو کر اس سال 75 ملین روپے ہو گیا۔

### ڈیری فارم سیکمنٹ

کمپنی کا نار اڈیری فارم پورے سال غذائیت سے بھرپور کوالٹی دودھ کی پیداوار کرتا رہا۔ فارم فی الوقت 35,095 لیٹر دودھ روزانہ کی بنیاد پر پیدا کر رہا ہے(33, 108:2014)۔

5,429 جانوروں کے ریوڑ میں سے 2,227 مویشی دودھ دہنے کی سائیکل کا حصہ ہیں۔ بہتر پیداواری نتائج کے بدولت نار اڈیری فارم نے سال 2015 میں 12.5 ملین روپے کا منافع کمایا جبکہ 2014 ء میں نار اڈیری فارم کا نقصان 31.4 ملین روپے تھا۔

### سماجی انویسٹمنٹ

اینگروفوڈز اپنے اسٹیک ہولڈرز کی زندگی کو بہتر بنانے کے لیے ایک مستقل عزم رکھتی ہے اور ان اسٹیک ہولڈرز میں ہم اپنی میزبان کمیونٹیوں کے مسائل کو فوفیت دیتے ہیں۔ 2015 ء میں ہم نے سماجی انویسٹمنٹ کے وعدوں کے تحت 24 ملین روپے سے اپنا حصہ ڈالا جبکہ پچھلے سال ہم نے 17.4 ملین روپے سماجی کاموں میں خرچ کئے تھے

اینگروفوڈیشن (تمام اینگرو کمپنیوں کی سی ایس آر) اور شراکت داروں نے سب سے زیادہ توجہ طلب علاقوں میں EFL کے سماجی انویسٹمنٹ پروگراموں کے ذریعے 2015 میں سماجی بہبود، تعلیم، صحت، ماحولیاتی ترقی، انفراسٹرکچر اور معیار زندگی کو بہتر بنانے کے لیے بھرپور کوششیں کی اور اس طرح اپنی میزبان کمیونٹیز میں افراد اور گھرانوں کی ایک بڑی تعداد کے لئے معاشی مواقع فراہم کئے۔

سال 2015 میں ہمارے ملازمین نے میزبان برادریوں اور مقامی آبادیوں میں جہاں وہ رہائش پذیر ہیں، ماحولیاتی، اقتصادی اور سماجی تانے بانے کو بہتر بنانے کے لیے انتہائی موثر اور نتیجہ خیز سی ایس آر مہم چلائیں اور ہمارے ملازمین نے 6,682 رضا کارانہ گھنٹے سماجی کاموں میں وقف کئے۔

### ایک درخت اپناؤ مہم

یہ تعلیمی مہم عوام الناس میں پودوں کی ماحولیات میں افادیت واہمیت اور پودوں کی دیکھ بھال کر کے ماحولیات کی بہتری میں ایک انسان کے انمول کردار کو اجاگر کرنے کرنے کے لیے چلائی گئی۔ اس ضمن میں 350 پودے طلباء مقامی لوگوں اور EFL کے 3P ورکرز میں تقسیم کیے گئے۔ ہر پلانٹ کا نام وصول کنندہ کی طرف سے نامزد کیا گیا اور انہیں پودوں کی دیکھ بھال کے طریقوں کے متعلق ہدایات اور سہولیات دی گئیں۔

### افزائش درخت

ماحول کو سربز کرنے کے لیے نارافارم کے اطراف مختلف جگہوں پر 4,000 پودے بوئے گئے جو چھٹرا سکیشن، نارا ہاؤس، گارڈن، نئے ملکنگ پارر کے ساتھ ساتھ ہاڑکی حد پر لگائے گئے۔

<p>علاج معالجہ اور جانوروں کی ہینڈلنگ پر ٹریننگ(HandlingAnimal&amp;Treatments)</p>
--

نارافارم میں موجود رہنشیوں کو جانوروں کی ہینڈلنگ اور بیمار جانوروں کے علاج کے متعلق آگاہی اور انہیں تیار کرنے کے لیے تربیتی سیشن کا اہتمام کیا گیا۔ ان تربیتی سیشن میں ہاتھو ص لائیوسٹاک میں امراض کی روک تھام اور ویکسین کے موثر استعمال پر زور دیا گیا۔

### اسکول لرننگ پروگرام اور کیریئر ڈویلپمنٹ

ہم تعلیم کو ترقی اور سماجی بہبود کے لیے انتہائی ضروری سمجھتے ہیں اس لیے تعلیم پر مبنی مضویوں پر خصوصی توجہ دی گئی۔ ہم نے ہفتہ وار اور ماہانہ بنیادوں پر مقامی اسکولوں میں لیکچرز کا انعقاد کیا اور توجہ کمیوٹر، انگلش، سائنس اور اردو پر رکھی۔ کیریئر کونسلنگ پروردیا اور باقاعدگی سے ڈیری فارم پراسٹڈی ٹرپس منعقد کئیں۔

### نار ا اسکولز

اینگروفوڈز نے اینگروفوڈیشن کے تعاون سے نار گیٹان میں نارافارم کے قریب بنے دو پرائمری اسکولوں کی مدد کرنا شروع کی۔ یہ منصوبہ کامیابی سے تین سال سے جاری ہے اور یہ اسکول علاقے میں واحد ہیں جو بچوں کے لیے بہترین تعلیم حاصل کرنے کی جگہ اور ان کے والدین کے لئے امید کی کرن ہیں۔ اس سال ہم نے پرائمری اسکول کے بچوں میں کمپیوٹر خواندگی کو یقینی بنانے کے لیے دونوں اسکولوں میں دو نئی کمپیوٹر لیبز قائم کئیں۔ ان اسکولوں میں بچوں کی انرولمنٹ 350 سے زائد ہے اور مسلسل اضافہ جاری ہے۔

### سایہ چال اسکولز

اینگروفوڈز نے سایہ چال شہر سے ملحقہ گوشوں میں 6 سال قبل 4 پرائمری اسکول قائم کئے۔ 2013 میں لڑکیوں کے نڈل اسکول کو بھی اسکولوں کے اس نظام میں شامل کیا گیا۔ اب یہ اسکول 1300 سے زائد بچوں کو تعلیم فراہم کر رہے ہیں اور مزید بچوں کی انرولمنٹ مسلسل جاری ہے جو بہت خوش آئند بات ہے۔ اینگرو کی پارٹنر تنظیم کیئر فاؤنڈیشن پبلک سیکٹر کے اسکولوں کے ساتھ کام کرنے والی اہم تنظیم تصور کی جاتی ہے۔ کیئر فاؤنڈیشن نے 2015 میں تعلیم کے فروغ اور اسکولوں میں تعلیم کے معیار کو بڑھانے کے لئے بھرپور کام کیا۔ اس سال بھی ان اسکولوں کی کارکردگی مثالی رہی اور بچوں کی تعلیمی پرفارمنس کی اوسط شرح 95 فیصد نمبر رہی۔

### صحت عامہ سے متعلق لیے گئے اقدامات

اینگروفوڈز اور اینگروفوڈیشن نے پارٹنر تنظیم دی ہلینگروفوڈیشن کے ذریعے اینگروفوڈز پلانٹ سکھر سے ملحقہ او پی ڈی کلینک کو سپورٹ کرنا شروع کیا۔ یہ او پی ڈی کلینک علاقے کے پسماندہ اور غرب لوگوں کو معیاری میڈیکل سہولیات فراہم کرتا ہے۔ 2015 میں 9000 سے زائد مریضوں نے کلینک میں علاج معالجے کی سہولیات سے فائدہ اٹھایا۔ مزید برآں 4500 سے زائد اشخاص نے کلینک کے ذریعے دی جانے والی بنیادی صحت سے متعلق آگاہی حاصل کی۔

### [SEaDS]

اینگروفوڈز بڑے پیمانے پر دہلی سندھ اور پنجاب بھر میں کسانوں کے شانہ بشانہ کام کرتی ہے۔ تقریباً 1,600 MCCs کا دودھ کلیکشن نیٹ ورک ہونے کے باوجود اینگروفوڈز چھوٹے پیمانے پر ڈیری کا کام کرنے والے کسانوں تک رسائی کے لیے مسلسل کوشش کرتی ہے اور ان سے دودھ خریدنے کے مواقعوں کے ساتھ ساتھ انہیں مفصل خدمات فراہم کرتی ہے۔ اس تناظر میں چھوٹے پیمانے پر ڈیری کا کام کرنے والی خواتین کسانوں کی ایک بڑی تعداد تک پہنچنے اور ان کی صلاحیتوں کو بڑھانے کے لئے 201 ء میں یو ایس ایڈ کے ساتھ شراکت داری کی تھی۔ ویمن امپاورمنٹ بزرگیہ لائیوسٹاک ڈویلپمنٹ(WELD) کے عنوان سے شروع ہونے والے منصوبے کے نتیجے میں 18000 سے زائد خواتین کسانوں کو تربیت دی گئی اور 600 سے زائد خواتین کو انٹر پنیور بنایا گیا۔ اس منصوبے میں جانوروں میں پائی جانے والی بنیادی بیماریوں سے آگاہی، مویشیوں کی ویکسین اور علاج اور دودھ جمع کرنے کے جدید طریقوں کے متعلق ٹریننگ دی گئی۔ اس منصوبے کی کامیابی کے بعد اینگروفوڈیشن اور اینگروفوڈز نے سال 2015 میں SEaDS نیٹ منصوبے کا اجرا کیا جس کے تحت 50 ماٹکر وائزر پرنیور خواتین کو اپنے کاروبار کو بڑھانے، نئے پروڈکٹ متعارف کروانا جیسے فوڈ ریڈ، جانوروں کی صحت اور دودھ کی غذائیت کو برقرار رکھنے کے حوالے سے مزید تربیت دی جارہی ہے۔