



nourishing by nature

Annual Report 2017



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DCP/ITHE/D/HAMIDI/PARTNERSHIP



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company
information



company information

Board of Directors

Abdul Samad Dawood (Chairman)
Ali Ahmed Khan (Chief Executive)
Wim Torfs
Ghias Khan
Heidi Van der Kooij
Jaska Marianne de Bakker
Johannes Petrus Fransiscus Laarakker
Piet Johannes Hilarides
Sabrina Dawood

Chief Financial Officer

Imran Husain

Company Secretary

Muneeza Iftikar

Bankers

Conventional

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Citibank N.A.
Deutchse Bank AG
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank Pakistan Limited
Summit Bank Limited
Tameer Micro Finance Bank Limited
The Bank of Punjab
United Bank Limited

Shariah Compliant

Al-Baraka Bank Pakistan Limited
Bank Al-Habib Limited - Islamic Banking
Meezan Bank Limited
Standard Chartered Bank Pakistan Limited - Saadiq

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

Share Registrar

M/s. FAMCO Associates (Private) Limited
8-F, Next to Hotel Faran, Block-6, PECHS,
Shahrah-e-Faisal Karachi - Pakistan
Tel: +92(21) 34380104-5, 34384621-3
Fax +92(21) 34380106

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

notice of the meeting

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of Engro Foods Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Thursday 26th April 2018, 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, 2017 and the Directors' and Auditors' Reports thereon.
- (2) To declare a final dividend at the rate of Re. 0.4 (4%) for the year ended December 31, 2017.
- (3) To appoint Auditors and fix their remuneration.
- (4) To elect 7 directors in accordance with the Companies Act, 2017. The retiring Directors are Messrs. Abdul Samad Dawood, Ali Ahmed Khan, Wim Torfs, Ghias Khan, Heidi Van der Kooij, Jaska Marianne de Bakker, Johannes Petrus Fransiscus Laarakker, Piet Johannes Hilarides and Sabrina Dawood.

N.B

- (1) The Directors of the Company have fixed, under sub section (1) of Section 159 of the Companies Act, 2017, the number of elected directors of the Company at 7.
- (2) The Share Transfer Books of the Company will be closed from Thursday, April 19, 2018 to Thursday, April 26, 2018 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO ASSOCIATES (PVT.) LTD, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahr-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 Wednesday, April 18, 2018 will be treated as being in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.
- (3) A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.
- (4) **SUBMISSION OF THE CNIC/NTN DETAILS (MANDATORY) FOR SHAREHOLDERS / JOINT HOLDERS**

Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2017, the rates of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as: for filers of Income Tax return 15%; and Non-filers of Income Tax return 20%. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

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

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

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

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

- (5) Further, all the shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 20.00% rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.
- (6) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to FAMCO Associates (Pvt) Ltd., by the first day of Book Closure.
- (7) In accordance with the provisions of Section 242 of the Companies Act, 2017 and Circular No. 18/2017, a listed company, is required to pay cash dividend to the shareholders **ONLY** through electronic mode directly into the bank account designated by the entitled shareholders. In compliance with the said law, in order to receive your future dividends directly in your Bank account, you are required to provide the information mentioned on the Form placed on the Company's website www.engrofoods.com and send the same to your brokers/the Central Depository Company Ltd. if the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in paper certificate form.
- (8) Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the Company i.e. Messrs. FAMCO ASSOCIATES (PRIVATE) LIMITED, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahr-e-Faisal, Karachi PABX Nos (+9221) 34380101-5 and email info.shares@famco.com.pk

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

Signature of member

(9) E-Voting

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

By Order of the Board

Karachi,
February 09, 2018.

Muneeza Iftikar
Company Secretary

corporate
governance



directors' profile

We are privileged to have a good blend of board members with FrieslandCampina representatives having global dairy expertise and Engro Corporation nominees, who are able to provide strategic guidance and input regularly.



Abdul Samad Dawood

Chairman

Abdul Samad Dawood is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance.

He currently serves as Director on the Boards of Dawood Hercules Corporation Limited, Dawood Lawrencepur Limited, The Hub Power Company Limited, Engro Foods Limited, Engro Corporation Limited, Engro Fertilizers Limited and Tenaga Generasi Limited. He is a member of Young Presidents' Organization, Pakistan Chapter.



Ali Ahmed Khan

Director

Mr. Ali Ahmed Khan, Managing Director, Engro Foods, has a vast experience of over 25 years as a senior level executive. His previous roles include CEO at IFFCO Dubai, General Manager, Reckitt Benckiser Pakistan, Marketing and Sales Director Pakistan Tobacco Company and Head of Marketing Pepsi Cola International. Mr. Khan has an MBA degree from the Institute of Business Administration. He joined Engro foods in March, 2017.



Ghias Khan

Director

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

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

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

Ghias holds an MBA from the Institute of Business Administration in Karachi. He joined the Engro Foods' Board in 2016.



Sabrina Dawood

Director

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

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



Hans Laarakker

Director

Hans Laarakker leads the M&A and Business Development department of FrieslandCampina worldwide. He has 25 years of experience in various financial and general management roles with companies such as DSM, Perfetti van Melle and FrieslandCampina.

During this period he has worked and lived in various Asian and Central European countries. Since 2011 Hans is responsible for all the M&A activities and as such recently been responsible for the closing of transactions in Europe, Africa, South East Asia and China. He joined the Engro Foods' Board in 2016.



Jaska de Bakker

Director

Jaska de Bakker is the Chief Financial Officer, Member of the Executive Board and statutory director of Royal FrieslandCampina. She has extensive experience in the domains of controlling, accounting, tax, treasury, risk management and internal audit. Prior to joining FrieslandCampina, she has held leadership positions in Royal HaskoningDHV, Leaf and was a strategy consultant at The Boston Consulting Group. She joined the Engro Foods' Board in 2016.





Piet Hilarides

Director

Piet Hilarides is the Chief Operating Officer of the Consumer Products Asia business group. He has been responsible for the Cheese, Butter and Milk powder business group and is also the member of the Executive Board of Royal FrieslandCampina N.V. in 2009. Before that he held a variety of management positions at Campina and Melkunie. In the past he has also served at Pepsico and at Smiths' Food Group. He joined the Board in 2016.



Heidi Van Der Kooij

Director

Heidi van der Kooij is the Corporate Director – General Counsel & Company Secretary of Royal FrieslandCampina N.V. Before that she held a.o. legal director positions at Royal Wessanen NV and at Corporate Express NV and was a non-executive director at Opra. She holds an MBA from William E. Simon School at Rochester University – NY and Nyenrode University – the Netherlands; in addition to being a civil law graduate from University of Utrecht – the Netherlands. She joined the Board in 2016.



Wim Torfs

Director

Wim Torfs has over 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 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 Engro Foods' Board in 2015.



board of directors



Sabrina Dawood

Hans Laarakker

Jaska de Bakker

Ali Ahmed Khan
(CEO)

Abdul Samad Dawood
(Chairman)

Wim Torfs

Heidi van der Kooij

Ghias Khan

Piet Hilarides

chairman's message
and directors' report



chairman's message

Dear Shareholders,

It's a great honor for me to have an opportunity to write to you. Despite the recent challenges being faced by Engro Foods, the success of this Company over the years has been the outcome of our shared business vision, strategic business partnerships and the collective efforts of all stakeholders of the Company.

During 2017, the Company faced various challenges and opportunities. Since the acquisition of majority shareholding in the Company by FrieslandCampina, the Company is in process of aligning its practices with the global structure of FrieslandCampina. Further strategic benefits in the field of Research & Development, innovation and operational efficiencies will continue in the year 2018 and beyond.

The dairy industry is currently facing the challenge of an adverse regulatory environment. However, the Company remains committed to delivering the best nutrition and positively impact the lives of our consumers. In this regard, the Company continues to explore avenues to address such challenge by engaging directly with the regulators as we strongly believe that there is huge potential for expansion to fulfill the nutritional need of growing population base. The Company is also committed to its goal of providing improved livelihood for its farmers and bringing prosperity to Pakistan's rural communities.

We are privileged to have a good blend of board members with FrieslandCampina representatives having global dairy expertise and Engro Corporation nominees who are able to provide strategic guidance and input regularly. I would like to commend the Board for ensuring the stability of strategic planning process, healthy engagement with leadership team and ensuring the highest levels of ethical, legal and risk management standards.

In the end I would like to acknowledge the enormous contribution and commitment of each member of the leadership team and the employees of the Company, who ensured the Company's continued progress.



Abdul Samad Dawood
Chairman



directors' report

On behalf of the Board of Directors of Engro Foods Limited (a majority owned subsidiary of FrieslandCampina Pakistan Holdings B.V. – incorporated in the Netherlands), we are pleased to present the annual report and the audited financial information of the Company for the year ended December 31, 2017.



Business Overview

2017 turned out to be another challenging year for the dairy industry which saw an overall decline in volumes. The industry is facing consistent challenges due to misalignment between Federal and Provincial food laws and tax legislative changes announced in Federal Budget 2016. This has put cost pressures on the industry, compelling it to take price increases, leading to a widening price differential versus loose milk, which already benefits from being undocumented and untaxed.

The Company reported a revenue of Rs. 34.6 billion in 2017 as compared to a revenue of Rs. 43.9 billion last year. Gross margin in 2017 declined to 16% from 23% in 2016 primarily due to lower volumes. On an overall basis, the Company reported a net profit of Rs. 379 million in 2017 as compared to a net profit of Rs. 2,387 million in 2016 (EPS 2017: Rs. 0.49, 2016: Rs. 3.11).

Dairy And Beverages Segment

During the year, the dairy industry witnessed a volumetric decline due to various challenges on multiple fronts. The fact that loose milk is unregulated and untaxed has not only created an uneven playing field but is also a major health hazard for the general public. The change in sales tax regime and imposition of regulatory duty on imported dairy raw material in Federal budget 2016 continues to hamper the growth of dairy industry. Consequently, the Company's Dairy and Beverages segment reported a revenue of Rs. 31.4 billion registering a decline of 22% over last year.

Ice Cream And Frozen Desserts Segment

The ice-cream and frozen desserts business took 2017 as an efficiency building year. During the year, the segment carried out route rationalization and promotion of the mother-brand. Innovations continued to play a major role in achieving successes throughout the year, with a number of products making their mark across formats which will yield positive results in years to come. The business segment reported a revenue of Rs. 3.2 billion, recording a decline of 5% over last year due to portfolio rationalization. The segment recorded a loss of Rs. 24 million in 2017 compared to a profit of Rs. 43 million in 2016.

Dairy Farm Segment

The Dairy Farm continues to be a rich and nutritious source of quality milk for our dairy segment. The segment reported a profit of Rs. 28 million in 2017 versus a loss Rs. 130 million in 2016 on account of higher yield and revaluation gain on biological assets.

Social Investments

Keeping up with our commitment to improve the lives of our stakeholders, especially our host communities, we have contributed approximately Rs. 21 million under our social investments commitments in 2017. Our social investments programs are primarily managed by Engro Foundation – the single CSR front for all Engro companies. Engro Foundation together with its partners worked in the areas of education, health, infrastructure, livelihoods and disaster management to provide socio-economic opportunities to a multitude of individuals and households in our host communities.

Moreover, we continued our strategy to work towards generating greater sustainable impact by focusing on business inclusiveness. This was also demonstrated by our employees who continued to volunteer that helped the under-privileged and clocked 6,692 volunteer hours for various causes.

Project: Big Push for Rural Economy (BPPE)

Big Push for Rural Economy (BPPE) is a dairy development initiative of Engro Foods in collaboration with the Government of Punjab. The project aims to increase income of small livestock owners through capacity building and enhancing milk production. Till date, more than 9,400 farmers have completed the training in 60 villages across Punjab. In addition to the training of farmers, this project is designed to train 700 entrepreneurs in different dairy trades including, artificial insemination, farm supervision, livestock extension and village milk collection. As a result, these self-employed entrepreneurs earn a better livelihood for their families whilst providing services to farmers at their door step. This project will generate an income of around Rs. 190 million per annum in rural economy of the country.

Dairy Development

We have a network of more than 1,300 milk collection centers providing livelihood to 40,000+ registered farmers and milk suppliers across Pakistan. Through our numerous dairy development initiatives, Engro Foods directly contributes to the growth in dairy and livestock sector in Pakistan, which is around 11.4% of GDP and accounts for 58.3% share in the agriculture sector.

As part of our regular dairy development program, we have trained 140,000+ farmers on livestock management during 2017. In addition to this, to overcome the scarcity of fodder, corn silage of 72,340 tons and farm inputs worth Rs. 305 million were provided to farmers at their door step.

34.6_{bn}

revenue generated in 2017

Business Inclusive Model – Development of EMAN

In 2017, Engro Foods has developed an updated version of Engro Milk Automation Network (EMAN) - A business inclusive system, which creates a bond between Engro Foods and 40,000+ registered farmers and milk suppliers. This software provides a solution for real time purchase and monitoring of raw milk on 1,300+ locations. This complements our commitment to maintain the best quality of milk from the point of purchase to our milk processing sites.

Our Human Resources

Our focus remains on - diversity and inclusion, capability development, talent development, competency realignment, health and wellness of our employees amongst other key areas.

Diversity

Engro Foods has always upheld and celebrated diversity in all its aspects. Diversity lays the foundation for big ideas, out of the box thinking and creativity in teams, ultimately propelling the business objectives of the Company. This year we celebrated women, with the theme of breaking the barriers. Activities were planned around this area including providing a platform to connect and interact with powerful women and to get an insight on the way they handle challenges in their lives.

Learning and Development

Recognizing that our people make all the difference, we strive to consistently attract, hire and retain Pakistan's best talent, so that together, we can combine our strengths and skills to build a successful partnership and continue our legacy of excellence. As an employer, we go the extra mile to invest in our people by equipping them with skills necessary for their professional growth and development. As an organization, Engro Foods places a great focus on learning and development, with 15,000+ training hours across our locations at Sahiwal, Sukkur, Karachi, Lahore and Islamabad in 2017.

In the year 2017, our employees dedicated 6,692 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.

COMPASS – Code of Conduct

Compass consists of the code of conduct followed at FrieslandCampina. This set of guidelines directs good business

conduct and ethical behaviour at all levels of our Company. Conducting our business in an ethical manner in line with the expectations of all our stakeholders and the law of the land is imperative for our organization.

In Q4-2017 Engro Foods cascaded two policies from Compass, namely, Fair Competition and Anti-Bribery and Corruption. Detailed discussions were held across the Company regarding these policies and their implications. The complete roll out of Compass is scheduled in 2018.

Dairy Dialogues

Dairy Dialogues was launched as a journey to engage people with our products. A journey to start having the right conversations around our brands. Our employees need to be the biggest proponents of our brands, and know that every product that we produce is of world class quality and goes through stringent quality measures.

Hence, Dairy Dialogues is a commitment to all Engro Foods employees to empower them with the correct information about our nutritious products and world class processes.

Key HR Indicators/KPIs

Attrition Rate	10.82%
Employee Engagement Index	64%

Health, Safety and Environment

We strongly believe in maintaining the highest standards in health, safety and environment (HSE) to ensure the well-being of the people who work with us as well as of the communities where we operate

Ensuring employee safety at the workplace

At Engro Foods our employees and contractors are expected to conform to our HSE management systems and processes which have been designed keeping in view international standards and best practices. Over the years we have embarked on ambitious plans to achieve Occupational Safety and Health Administration (OSHA - USA) compliance through DuPont Alignment and have been successful in our endeavors.

A work-place safety program has been implemented, that actively seeks to reduce the potential risk of injuries within the work-place by conducting safety gap analysis. Since DuPont Safety Management is essentially a people-focused tool, we have also invested heavily in employee engagement by conducting trainings that spanned over the year, with a cumulative total of 17,900+ training hours.

To reaffirm our commitment to safety of our employees and draw maximum buy-in, Engro Foods hosted a series of engagement events including Safety Weeks, Rewards and Recognition Programs, Safety Champions of the Month.

21_{mn}

contributed in social investments

15,000+

employees training hours in 2017

As a result of our efforts and focus on stringent and best in class HSE guidelines, the Total Recordable Injury Rate (TRIR) has declined significantly over the last six years. During the year, the TRIR of our employees and contractors was recorded at 0.08 with over 18.5 million man hours clocked in by our employees.

Ensuring responsible environmental practices

Corporate Social Responsibility remains deeply embedded within the very core of our business. We recognize the need to protect and preserve our planet by going the extra mile to prevent unnecessary wastage of our natural resources. Our business strategies are also fully aligned with this vision.

In an on-going effort to preserve our natural habitat, we have invested in installation of solar geysers at our Area Offices. As part of our efforts to reduce greenhouse gas (GHG) emissions, we are actively promoting the use of Non CFC products at all our manufacturing units. We have also stopped procuring non eco-friendly air conditioners with refrigerant gases that are harmful for the ozone layer.

At Engro Foods, we will continue to make concerted efforts to protect and preserve the planet for our future generations, whilst exercising effective controls to minimize potential environmental hazards. This is reflected in our endeavors to achieve ISO 14001 certifications for our plants in Sukkur and Sahiwal, and our Dairy Farm in Nara. Also, 20 area offices of Milk Procurement & Agri Services are also ISO 14001 certified. There is also a structured program in place to reduce water consumption on year on year basis.

Our Head Office, along with the Administration Offices of our Sahiwal Plant, Sukkur Plant and Nara Dairy Farm are certified as 'Green Offices' under the Green Office Project by WWF-Pakistan. The pilot project for paper reduction taken up by Engro Foods Head Office in Karachi resulted in paper reduction of 40%. Throughout the year, various sessions were carried out, including Earth Day and Earth Hour celebration, to promote awareness of environmental issues among our employees.



Major Judgement 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 and other service benefits.

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.

Dividend

The Board is pleased to propose a final dividend of Re. 0.4 per share for the year ended December 31, 2017 for approval of the members at the Annual General Meeting to be held on April 26, 2018.

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 employees of the Company participate in Retirement Funds maintained by Engro Corporation Limited. The Company contributes to plans that provide post-employment and retirement benefits for its employees. These include DC provident plan, DC gratuity plan and DB gratuity plan. The value of investments of the DB gratuity scheme as at latest audited financial statement date is as follows:

S.No.		Gratuity Fund (Rs. in million)
	Audited upto	June 30, 2017
1	Net assets as per audited financial statements	498
2	SSCs/PIBs	197
3	Mutual Funds	8
4	TFCs	19
5	Shares	65
6	Bank Deposits	221
7	Receivables	4
8	Payables	(16)
	Total	498

The above mentioned plan is a funded scheme recognized by the tax authorities. The latest actuarial valuation of gratuity scheme was carried out at December 31, 2017 and the financial statements of these have been audited up to June 30, 2017.



Auditors

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

Pattern of Shareholding

Major shareholders of Engro Foods Limited are FrieslandCampina Pakistan Holdings B.V. (51%) and Engro Corporation Limited (40%). 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 2017, is shown later.

Internal Control Framework

Responsibility

The Board is ultimately responsible for the Company'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 for review processes. 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 the Company'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 controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

Internal Audit

Engro Foods has an independent 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.



Board of Directors

Statement of Director Responsibilities

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

1. 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.
2. Proper books of accounts of the Company have been maintained.
3. 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.
4. 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.

5. The system of internal control is sound in design and has been effectively implemented and monitored, including adequate internal financial controls.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There is no material departure from the best practices of corporate governance, as detailed in the listing regulations

Board Composition and Governance

As at December 31, 2017 the Board comprises of nine Directors (6 males, 3 females) including one Executive Director, one independent Director and seven non-executive Directors. The Board has the collective responsibility for ensuring that the affairs of Engro Foods are managed competently and with integrity. Mr. Abdul Samad Dawood, a non-executive Director, is the chairman of the Board, and Mr. Ali Ahmed Khan is the Chief Executive Officer. Biographical details of the Directors are given later in this report. A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval.

Board Meetings and Attendance:

In 2017, the Board of Directors held 4 meetings to cover its complete cycle of activities. All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on business and full papers on matters where the Board is required to make a decision or give its approval. The Board deliberates and fixes remuneration for the independent non-executive Director. The attendance record of the Directors is as follows:

Director's Name	Meetings Attended
Abdul Samad Dawood	4
Ali Ahmed Khan*	3
Babur Sultan**	-
Ghias Khan	4
Heidi Van Der Kooij	4
Henricus Martinus Adrianus Schumacher***	1
Jaska Marianne De Bakker	4
Johannes Petrus Fransiscus Laarakker	4
Piet Johannes Hilarides	4
Sabrina Dawood	4
Wim Torfs	4

* Appointed on March 27, 2017

** Resigned on January 03, 2017

*** Resigned on March 27, 2017

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 Head of HR of Engro Foods attend the Board Compensation Committee Meeting by invitation.

The committee met 2 times during 2017. The committee comprises the following members:

Piet Johannes Hilarides	Chairman
Johannes Petrus Fransiscus Laarakker	Member
Ghias Khan	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 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 4 times during 2017. The committee comprises the following members:

Jaska Marianne de Bakker	Chairperson
Wim Torfs	Member
Ghias Khan	Member

The secretary of the committee is Saleem Lallany, GM Internal Audit.

Future Outlook

We will continue to focus our efforts on driving conversion from loose milk to hygienic processed milk through educating consumers and by investing behind our brands. We will continue to work actively with the regulatory authorities to align Federal and Provincial food laws, and promulgate Minimum Pasteurization Law. Our focus will also be on bringing necessary legislative changes, reducing tax and regulatory duty burden to create level playing field for the processed dairy sector.

Being part of the FrieslandCampina world, we look forward to capitalize on FrieslandCampina's experience in international markets to be in the forefront in the fight against malnutrition and milk adulteration by providing high quality dairy products.



Abdul Samad Dawood
Chairman

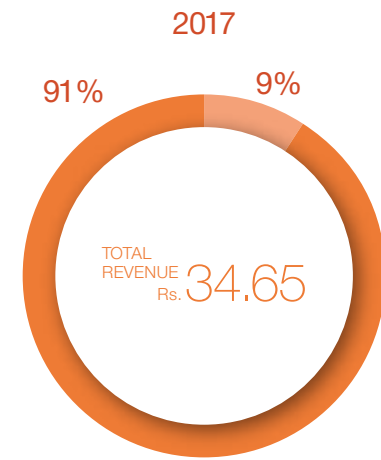


Ali Ahmed Khan
Chief Executive Officer

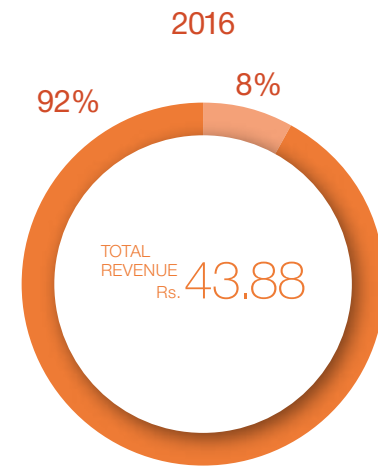
financial review

Business Revenue (Rs. in billions)
% Segment Share

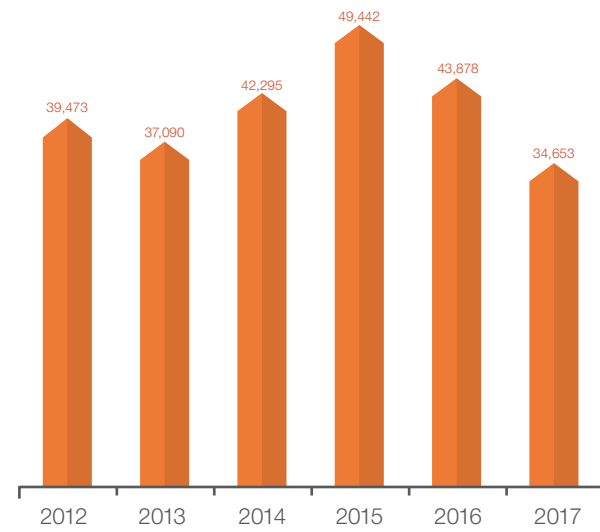
- Dairy, Beverages & Others
- Ice cream



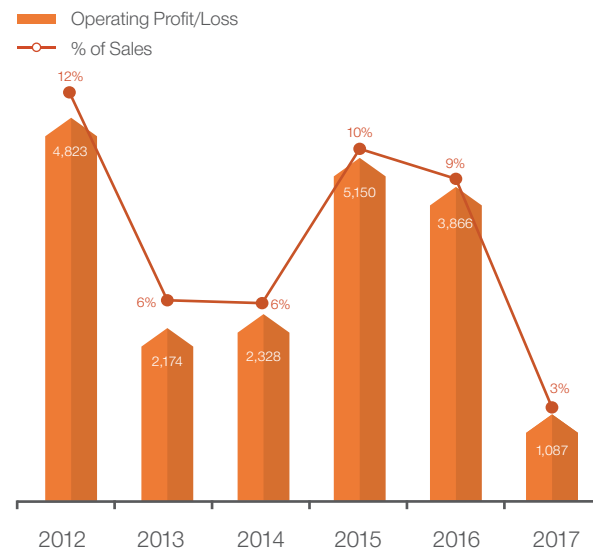
- Dairy, Beverages & Others
- Ice cream



Sales (Rs. in million)

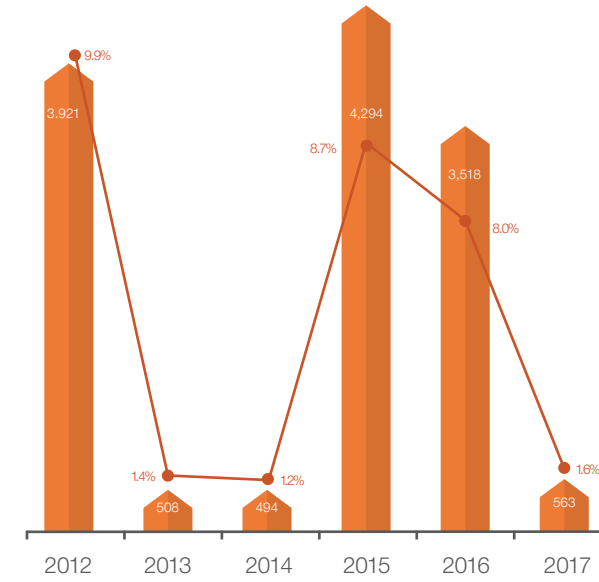


Operating Profit/Loss
& % of Sales (Rs. in million)



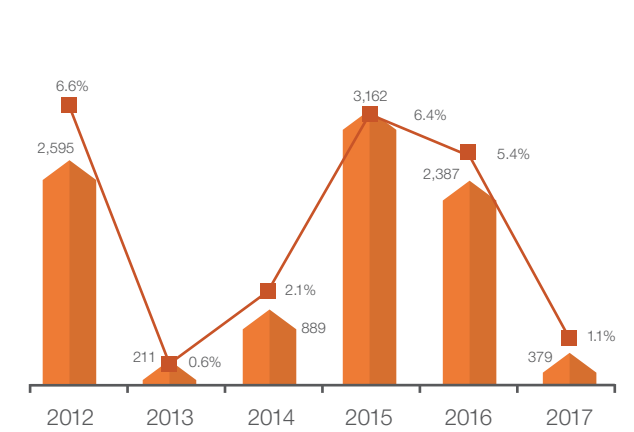
Profit / Loss Before Tax
& % of Sales (Rs. in million)

- Profit/Loss Before Tax
- % of Sales



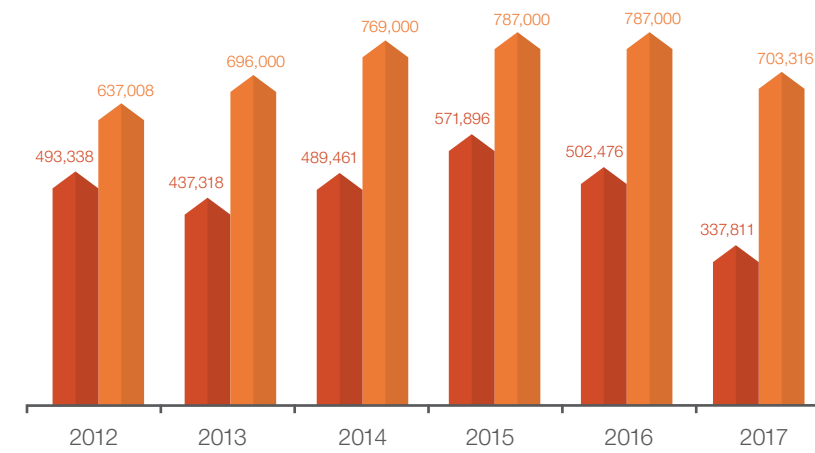
Profit / Loss After Tax
& % of Sales (Rs. in million)

- Profit/Loss After Tax
- % of Sales

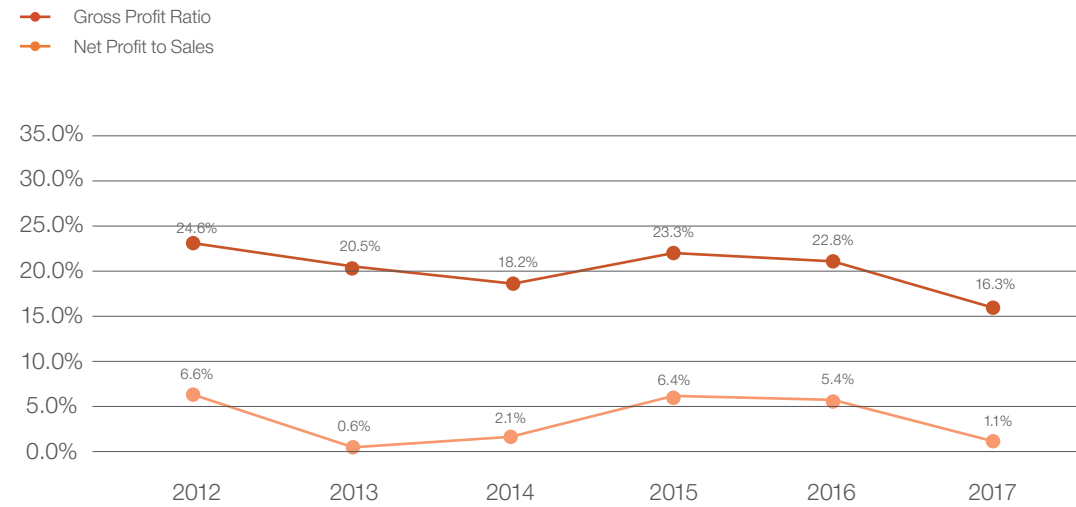


Actual Production &
Production Capacity ('000 litres)

- Actual Production
- Production Capacity



Profitability Ratios



Statement of value addition & distribution

	2017		2016	
	Rupees in Million	%	Rupees in Million	%
Wealth Generated				
Total Revenue inclusive of sales-tax and other income	35,948	-	44,993	-
bought-in material and services	(27,026)	-	(33,476)	-
	8,922		11,517	
Wealth Distributed				
To employees				
Salaries, benefits and other costs	2,634	29.52%	2,547	22.12%
To Government				
Taxes, duties and development surcharge	3,526	39.1%	4,144	35.98%
To Society				
Donations towards education, health, environment and natural disaster	22	0.24%	26	0.23%
To Providers of Capital				
Mark up/interest expense on borrowed money	524	5.88%	348	3.02%
Retained for reinvestment and future growth, depreciation, amortization, retained profit	2311	25.90%	4,451	38.65%
	8,922		11,517	

financial summary

	2017	2016	2015	2014	2013	2012
------(Rupees in millions)-----						
Balance Sheet						
Share capital	7,666	7,666	7,666	7,666	7,666	7,616
Share premium	865	865	865	865	865	810
Employee compensation reserve	298	434	595	400	407	-
Hedging Reserve	-	-	(1)	(28)	(10)	17
Remeasurement of post employment benefits - Actuarial loss	(81)	(74)	(84)	(36)	(35)	(23)
Unappropriate profit / (Accumulated loss)	973	8,259	5,872	2,710	1,821	1,610
Shareholders' funds / Equity	9,721	17,151	14,913	11,578	10,715	10,031
Long term borrowings	4,121	500	2,196	5,477	7,127	6,023
Capital employed	13,842	17,651	17,109	17,055	17,842	16,054
Property, plant & equipment	12,559	13,121	13,860	15,022	14,505	11,023
Long term assets	84	94	134	109	93	82

Profit and Loss

Sales	34,653	43,878	49,442	42,295	37,090	39,473
Gross profit	5,636	10,015	11,538	7,701	7,593	9,728
Operating profit	1,087	3,866	5,150	2,328	2,174	4,823
Profit before tax	563	3,518	4,294	494	508	3,921
Profit after tax	379	2,387	3,162	889	211	2,595

Cash Flows

Net cash flow from operating activities	4,516	5,122	4,517	786	2,356	3,214
Net cash flow from investing activities	(900)	(1,188)	(790)	(2,556)	(5,221)	(3,379)
Net cash flow from financing activities	(5,393)	(3,176)	(1,722)	(1,081)	547	1,819
Changes in cash & cash equivalents	(1,778)	758	2,005	(2,851)	(2,318)	1,653
Cash & cash equivalents - Year end	(1,136)	638	(121)	(2,135)	727	3,045

Others (Million)

Market capitalisation	61,598	147,218	112,366	83,250	80,105	74,783
Numbers of shares issued	767	767	767	767	767	762

Quantitative Data ('000 Litres)

	2017	2016	2015	2014	2013	2012
Production Capacity						
Dairy & Beverages	662,516	748,000	748,000	730,000	657,000	601,481
Ice cream	40,800	39,000	39,000	39,000	39,000	35,527
Fresh Dairy	-	-	-	-	1,400	-
Actual Production						
Dairy & Beverages	320,344	482,958	552,532	472,735	422,818	476,788
Ice cream	17,467	19,518	19,364	16,726	14,500	16,550

financial performance indicators 2012 to 2017

Ratio	2017	2016	2015	2014	2013	2012
Profitability Ratios:						
Gross Profit ratio	16.3%	22.8%	23.3%	18.2%	20.5%	24.6%
Net Profit to Sales	1.1%	5.4%	6.4%	2.1%	0.6%	6.6%
EBITDA Margin to Sales	8.7%	13.5%	14.6%	8.7%	7.8%	15.4%
Operating leverage ratio	3.42	2.22	11.69	2.42	12.13	3.01
Return on Equity	3.9%	13.9%	21.2%	7.7%	2.0%	25.9%
Return on Capital employed	2.4%	13.7%	18.5%	5.1%	1.2%	18.0%
Liquidity Ratios:						
Current ratio	1.2	1.9	1.5	1.3	1.7	2.1
Quick / Acid test ratio	0.7	1.1	1.0	0.7	0.9	1.2
Cash to Current Liabilities	0.0	0.1	0.0	0.0	0.1	0.1
Cash flow from Operations to Sales	0.1	0.1	0.1	0.0	0.1	0.1
Activity / Turnover Ratios:						
No. of Days Inventory	40.3	36.8	32.6	35.8	40.7	37.6
No. of Days Receivables	1.3	0.8	0.8	1.1	1.5	1.1
No. of Days Payables	73.8	46.5	40.3	41.4	44.4	32.9
Operating cycle	(32.2)	(8.8)	(6.9)	(4.5)	(2.2)	5.8
Inventory turnover	9.1	9.9	11.2	10.2	9.0	9.7
Debtors turnover	288.4	468.7	463.1	339.0	245.1	334.2
Creditors turnover	4.9	7.9	9.1	8.8	8.2	11.1
Total Assets turnover ratio / Fixed Assets turnover ratio	1.6	1.8	1.9	1.6	1.5	1.8
Investment /Market Ratios:						
Earnings per Share (EPS) - basic & diluted	0.49	3.11	4.13	1.16	0.28	3.43
Price Earnings ratio	163.90	61.72	35.49	93.57	373.00	28.61
Cash Dividend (Rs.)	0.40	10.00	-	-	-	-
Stock Dividend	-	-	-	-	-	-
Market value per share at the end of the year	80.31	191.94	146.50	108.54	104.44	98.14
Highest market value during the year	211.00	192.19	179.46	126.25	163.45	99.74
Lowest market value during the year	69.00	115.35	105.31	89.80	79.40	22.00
Breakup value per share	12.68	22.37	19.45	15.10	13.98	13.17
Capital Structure Ratios:						
Long-term Debt to Equity	29.8%	2.8%	12.8%	32.1%	39.9%	37.5%

key shareholding and shares traded

Information of shareholding required under reporting framework is as follows:

1. Associated Companies, undertakings & related parties

FrieslandCampina Pakistan Holding B.V.	390,963,999
Engro Corporation Limited	306,075,944

2. Directors, Chief Executive Officer & their spouses & minor children

Mr. Abdul Samad Dawood	501
Ms. Sabrina Dawood	67,501
Mr. Wim Torfs	1
Mr. Ghias Khan	1

3. Executives

34,300

4. Public Sector Companies & Corporations

-

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

25,016,709

6. Mutual Funds

CDC - TRUSTEE AKD INDEX TRACKER FUND	16,674
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	800
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	300
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	50,000
CDC - TRUSTEE DAWOOD ISLAMIC FUND	5,000
CDC - TRUSTEE FAYSAL MTS FUND - MT	100
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	14,000
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	12,400
CDC - TRUSTEE KSE MEEZAN INDEX FUND	211
CDC - TRUSTEE MCB DCF INCOME FUND	500
CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT	43,100
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	700
CDC - TRUSTEE MEEZAN BALANCED FUND	88,300
CDC - TRUSTEE MEEZAN ISLAMIC FUND	439,221
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	57,100
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	85,500
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	59,400
CDC - TRUSTEE NIT INCOME FUND - MT	700
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	280,600
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	54,900
CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND - MT	65,700
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	12,800
CDC - TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	700
CDC - TRUSTEE NAFA SAVINGS PLUS FUND - MT	16,100
MC FSL TRUSTEE JS - INCOME FUND	500
MC FSL TRUSTEE JS - INCOME FUND - MT	49,900
MCB FSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	1,500
MCB FSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND - MT	100
Total:	1,356,806

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

Engro Corporation Limited
Frieslandcampina Pakistan Holding B.V.

306,075,944
390,963,499

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

S.no	Name of holders	Date	Shares Purchase	Shares Sold	Rate / Per Share
1	Mir Usman Ghani	1/13/2017	200	-	202
2	Tariq Mahmood	2/3/2017	-	400	204
3	Mir Usman Ghani	3/13/2017	100	-	185
4	Tariq Mahmood	3/15/2017	-	300	176
5	Tariq Mahmood	3/17/2017	-	100	171
6	Tariq Mahmood	3/29/2017	-	800	168
7	Muhammad Shafiq Ahmad Ajmal	4/3/2017	1000	-	164
8	Mir Usman Ghani	7/6/2017	-	200	118


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

pattern of shareholding as at december 31, 2017

No. of Shareholders	Shareholdings		Total Shares Held	No. of Shareholders	Shareholdings		Total Shares Held
	From	To			From	To	
1,094	1	100	68,961	3	155,001	160,000	475,500
4,188	101	500	1,840,860	2	165,000	170,000	332,900
1,844	501	1,000	1,715,382	2	175,000	180,000	352,900
2,165	1,001	5,000	5,694,213	1	180,001	185,000	184,000
492	5,001	10,000	3,925,833	3	200,000	205,000	600,000
159	10,001	15,000	2,029,676	1	225,000	230,000	225,000
109	15,001	20,000	2,000,174	1	250,000	255,000	250,000
73	20,001	25,000	1,720,495	1	265,000	270,000	265,000
38	25,001	30,000	1,070,825	2	280,000	285,000	560,600
24	30,001	35,000	791,701	1	300,000	305,000	300,000
21	35,001	40,000	814,560	2	305,001	310,000	617,100
18	40,001	45,000	776,100	2	345,000	350,000	691,000
30	45,001	50,000	1,464,808	1	355,001	360,000	357,474
13	50,001	55,000	691,300	1	410,000	415,000	410,000
9	55,001	60,000	514,800	1	435,001	440,000	439,221
12	60,001	65,000	754,600	2	460,001	465,000	922,400
8	65,001	70,000	546,200	1	465,001	470,000	467,100
8	70,001	75,000	591,100	1	510,001	515,000	512,800
10	80,000	85,000	814,600	1	600,000	605,000	600,000
4	85,001	90,000	353,800	1	670,001	675,000	672,500
13	95,001	100,000	1,298,400	1	880,001	885,000	882,700
6	100,001	105,000	612,700	1	1,000,000	1,005,000	1,000,000
7	110,000	115,000	780,900	1	1,770,001	1,775,000	1,772,500
4	115,001	120,000	471,240	1	5,510,001	5,515,000	5,510,800
8	120,001	125,000	994,200	1	17,380,001	17,385,000	17,380,509
1	125,001	130,000	127,500	1	135,775,001	135,780,000	135,775,939
3	135,000	140,000	410,000	1	170,300,001	170,305,000	170,300,005
3	145,001	150,000	446,000	1	390,960,001	390,965,000	390,963,499
3	150,001	155,000	453,700	10,405		Total:	766,596,075

category of shareholding as at december 31, 2017

S.No.	Shareholders Category	No. of Shareholder	No. of Shares	Percentage
1.	Directors, Chief Executive Officer, and their spouse(s) and minor children.	6	68,004	0.01
2.	Associated companies, undertakings and related parties.	4	697,039,943	90.93
3.	Banks, Development Financial Institutions, Non Banking Financial Institutions.	11	24,864,009	3.24
4.	Insurance Companies	3	36,500	0.00
5.	Modarabas and Mutual Funds	30	1,373,006	0.18
6.	Share holders holding 10% or more shares	3	697,039,443	90.93
7.	General Public (individuals)			
	a. Local	10,213	36,847,348	4.81
	b. Foreign	-	-	-
8.	Others	138	6,367,265	0.83



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer

shareholder information

Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on April 26, 2018 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of April 19, 2018 are encouraged to participate and vote.

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

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

Ownership

On December 31, 2017 there were 10,405, shareholders on record of the Company's ordinary shares

Election of Directors:

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

- Consent to act as director in Form 28, duly completed, as required under Section 167 of the Companies Act, 2017; and
- A detailed personal profile along with office address for placement onto the Company's website in accordance with SRO No. 634(1)/2014 dated July 10, 2014 issued by the Securities and Exchange Commission of Pakistan (SECP).

Circulation of Annual Reports through CD/DVD/USB

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and in continuation with the SRO.787(1)/2014 dated 8th September, 2014, and approved by the Shareholders in the Annual General Meeting of the Company held on March 24, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts. The standard request form for electronic transmission is available at the Company's website www.engrofoods.com.

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

E-DIVIDEND MANDATE (MANDATORY)

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

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

Quarterly Results

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

- 1st quarter : April 26, 2018
- 2nd quarter : August 03, 2018
- 3rd quarter : October 17, 2018

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

Change of Address

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

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

our brands



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.





Olper's Milk

Full of nutrients

Introduced in 2006, Olper's Milk, our flagship brand, is the leading UHT processed milk brand. Olper's has gained leadership position within a span of eleven years through the promise of wholesome nutrition and through commitment to innovation, safety & convenience. The brand philosophy resonates well with mothers who are constantly in the process of seeking superior nutrition for their children. Olper's partners with these concerned mothers through four distinct pack sizes & packaging formats; Tetra Brik Edge 1000ml with cap, Tetra Brik 1500ml with cap and portion packs in Ecolean & Tetra Brik.



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

'O' so special

Olper's cream is a rich, creamy delight that is popular not only amongst baking enthusiasts and dessert makers but also with traditional households where it is generously used on everyday breakfast items or as a primary ingredient for savory concoctions. 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. Cuisines cooked in the richness of Tarrka make everyday meals a treat.



Dairy Omung

Rise upto a better life

Dairy Omung partners with middle of the pyramid Pakistani homemakers in their quest to choose the best for their families through the provision of an unadulterated and hygienic offering. Dairy Omung is light on the stomach, heek free, & 100% dairy. It is a value for money brand that guarantees safe nutrition across all socioeconomic classes.



Tarang

The perfect complement to tea

Tarang gives every cup of tea the perfect blend of color, aroma and taste for a great tea experience. This specialized tea whitener is the ultimate tea expert which fulfills everyone's needs and appeals to all pockets. Available in liquid format with different SKUs, it offers affordable price points of Rs. 10, 15 and 20. 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. Ten years on and Tarang still continues to be one of the most widely distributed brand in the UHT category in Pakistan. Entrenched in the glitz and glamour of Lollywood's song and dance, Tarang connects with consumers and adds joy to their routine lives.



Omung Dobala

Fuel for to kick start the day

Launched in 2010, Omung Dobala is an affordable alternate to dairy-based cream. It is high in nutrition yet priced within the reach of most Pakistani consumers. Every dollop of Omung Dobala provides sustenance to keep its users energized throughout the day. Omung Dobala not only has a great demand in northern Pakistan, it also has an appeal across the border: It is used in Afghanistan as a staple diet, providing the people with fuel for the entire day.



Omoré

Ice-cream and frozen desserts

Omoré is a fun and exciting brand of ice-cream and frozen desserts that was launched in Pakistan in 2009 and has become a strong competitor to the market leader. The brand promises small "khushi ki bites" (bites of happiness) and delivers these through innovative products in a variety of formats (cups, sticks, cones and family packs). Omoré has always stood for novelty and has injected innovation into the category, whether it's through the Omoré Funsticks range, or through special flavours like Omoré Pina Colada and Omoré Badaam Zafraan. Consumers can always trust that Omoré will deliver something unique, year on year!

olper's milk

Olper's has gained leadership position within a span of 10 years through the promise of wholesome nutrition and through commitment to innovated, safety, & convenience.

Full of Nutrition

Introduced in 2006, Olper's Milk, our flagship brand, is the leading UHT processed milk brand. Olper's has gained leadership position within a span of 10 years through the promise of wholesome nutrition and through commitment to innovated, safety, & convenience. The brand philosophy resonates well with mothers who are constantly in the process of seeking superior nutrition for their children. Olper's partners with these concerned mothers through four distinct pack sizes & packaging formats; 225ML TBA, 250ML Ecolean, Tetra Brik Edge 1000ML with cap, Tetra Brik 1500ML with cap.

Olper's has been the innovation leader in the category, with a focus on enhancing the consumer experience. It was the first player to introduce Tetra Edge packaging, which gave consumers added convenience with the Heli-cap feature. It was also the first player to successfully introduce a 1500ML offering which offered greater value to its consumers and the first UHT Milk brand in the world to adopt the Ecolean packaging format for its portion packs. This innovation enabled consumers the convenience of easy pour, easy tear opening and the ability to microwave the pack.

Campaigns

To reinforce our 'full of nutrition' claim, airing of our extensive thematic campaign was undertaken. The campaign builds on the thought that a mother's love and devotion to her children is always complete and not lacking in any way. It is only natural, then, that when it comes to her child's diet, she would want to give him/her nothing but FULL nutrition, making Olper's the perfect choice!

Olper's launched an information sharing campaign to educate consumers about the collection, testing and production of their favorite Milk Brand. Renowned journalist Sana Bucha was brought on board to enhance credibility of the message which was very well received by our consumers.

Also, to increase affordability and give a larger population access to the brand, Olper's launched a new and affordable portion pack variant in the form of Olper's TBA 225ML.



ہر لمحے میں پورا پیار



tarang

Naya Lajawab Maza

In order to offer an enhanced tea creaming experience to consumers, Tarang launched its New Unparalleled Taste this year. For this campaign, Tarang collaborated with Pakistan's top chef Mehboob Khan and Lollywood's power couple Saima and Syed Noor. This campaign was enjoyed not just by audiences on TV and Radio but on digital as well, where it garnered over three million impressions. Consumers went on to share stories of the great tasting product leaving its mark on their lives on through digital and activation platforms, which were then captured into creatively executed stories and released on digital and TV.

Vital

In the summer of 2017, Tarang partnered with Vital Tea, the largest single tea brand in Pakistan, for a co-branded tea sachet consumer promotion. Aimed at attracting new users by creating trial of the Naya Lajawab Maza, the campaign aired on television and radio channels nationally backed by extensive out of home and on ground awareness program.

The promotion was a big success as it attracted ~45% new users who had not interacted with the brand over the last year. Among these users, high purchase intention for the future was also registered with liking for Tarang's new taste, colour and aroma.



omoré

Pakistan as a nation has a unique penchant for sweet food, and hence ice cream and frozen desserts segment is one of the most popular in the country. In addition to that, high temperatures increase the nation-wide appeal for products that allow consumers to cool down.

Omoré, a brand of ice creams and frozen desserts launched in 2009, has continued to touch the lives of millions of consumers across Pakistan, spreading little moments of happiness all around. Omoré's rich portfolio has a wide range of products; ensuring it has something for everyone, ice creams, frozen desserts and water ices. Each year, since its inception Omoré has consistently launched innovative flavors and formats, not compromising on the, state of the art, quality of the product and the brand. In line with its offering, in 2017, Omoré launched multiple products and campaigns, bringing more people into the fold.

Omoré Signature Campaign:

Omoré kicked off the year 2017 with a stunning signature campaign, "Khushi ko Pighalne na do" (Don't let the small moments in life slip by you). The campaign featured multiple instances where people enjoy little moments of happiness and Omoré helps them express that happiness freely. The campaign closed with the signature Omoré melody that is registered through tricycles across the nation, delivering the message of happiness, khushi ki bite, door to door.

Omoré Bricks, Cones and Premium Portfolio Campaign:

Omoré in 2017, focused mainly on its bricks and cones portfolio in addition to its premium portfolio, with astounding success. Omoré rolled out two main communications alongside its signature copy.

Omoré Cones

Omoré Cones are a prime offering for teens mostly and Omoré, in 2017, launched a teen's centric communication with two copies. The campaign showed different social settings aiming on how letting go of the small moments of happiness in life is not an option and one should live every little moment of happiness to its fullest.

Omoré Bricks

Omoré Bricks, in 2017, focused on the desi palette. A product focused campaign was launched showcasing multiple bricks with desi flavors, Injeer, Badaam Zafran and Pista. The campaign was created with an appetite appeal approach, ensuring romancing of the ingredients with the product and the overall offering.

To add fuel to this fire, Omoré came up with a campaign, "Dare to be Odd" for its premium portfolio, which was in line with its ever golden 'Rules are made to be Bitten' positioning highlighting the entire portfolio.

Innovations of 2017:

Omoré's portfolio comes with a wide range of products; it sure has something for everyone. Continuing that legacy, in 2017 Omoré launched multiple new offerings.

Candi Stick:

Omoré launched a cream flavored frozen dessert with Candi biscuit inclusions. It was a co-branding opportunity and made 'Candi' stick one of the most popular frozen desserts in the segment for the year.

Kairi Lolly:

Omoré has a wide variety of water ices for the consumers to choose from. In 2017, in line with the Pakistani taste palette, Omoré launched an innovative local flavor Kairi (unripe mango), which was an astounding success.

Jumbo Kulfa:

After the success of Desi Kulfi Stick and Kulfa Brick, continuing with the desi palette segment, Omoré launched a Jumbo Kulfa in 2017, which was a great success story all across Pakistan.

Core:

Omoré launched a new chocolate stick with a toughened chocolate core in 2017 by the name of Core. The stick was a success in the market, catering to the snacking needs of teens.

Omoré had a stellar year in 2017 and aims to continue its mission of spreading little moments of happiness, ensuring that everyone appreciates and continues to seek those moments of happiness in their lives.



financial
statements





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, 2017 to comply with the requirements of Rule 5.19 of the Rule Book of Pakistan Stock Exchange 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 its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Chartered Accountants
Karachi
Date: March 16, 2018

Engagement Partner: Osama Kapadia

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 Rule No. 5.19 of the Rule Book of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Name
Independent Director	Wim Torfs
Executive Director / CEO	Ali Ahmed Khan
Non-Executive Directors	Abdul Samad Dawood (Chairman)
	Ghias Khan
	Heidi Van der Kooij
	Jaska Marianne de Bakker
	Johannes Petrus Fransiscus Laarakker
	Piet Johannes Hilarides
	Sabrina Dawood

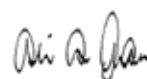
The independent director meets the criteria of independence under clause 1(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurring on the Board on March 27, 2017 was filled up by the Directors on the same day.
5. The Company has prepared a "Code of Conduct" comprising of Ethics and Business Practices policies and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and the meeting fees payable to the independent director, 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. The minutes of the meetings were appropriately recorded and circulated.
9. Four of the Directors have already completed the training course conducted by the Pakistan Institute of Corporate Governance (PICG) in prior years. While five other directors will be attending this course in the ensuing year.

10. There has been no new appointment at the CFO and Head of Internal Audit positions during the year. Whereas, the Board has approved the appointment, including remuneration and terms and conditions of employment of the Company Secretary.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom one is an independent director and two are non-executive directors and the Chairman of the committee is a non-executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee i.e. the Board Compensation Committee. It comprises of three members, all of whom are non-executive directors including the Chairman.
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 and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with 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. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said register.
24. We confirm that all other material principles enshrined in the CCG have been complied with.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive Officer

Karachi
Date: February 9, 2018



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 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 issued by the Securities and Exchange Commission of Pakistan vide SRO 300(1) 2001 dated May 11, 2001 (the Rules), as of December 31, 2017.

Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (the Statement for the year ended December 31, 2017) is assessed, comprise the aforementioned the Scheme and the Rules. Our engagement was carried out as required under Rule 14 of the Rules.

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 Financial Statements, 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 based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagement 3000 (Revised) '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 Statement reflects the status of Company's compliance with the Scheme and the Rules (the Criteria) and is free from material misstatement.

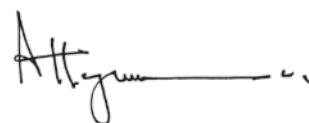
The procedures selected by us for the engagement depend on our judgment, including an assessment of the risks of material non-compliances with the requirements of the Scheme and the Rules. In making those risk assessments, we have considered internal control relevant to the Company's compliance with 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 account 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 evidence we have obtained through performing our aforementioned procedures is sufficient and appropriate to provide a basis for our opinion.

Conclusion

Based on our reasonable assurance engagement, in our opinion, the Statement for the year ended December 31, 2017 has been prepared, in all material respects, in compliance with the Scheme and the Rules.



Chartered Accountants
Karachi
Date: March 16, 2018

Engagement Partner: Osama Kapadia

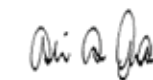
management statement of compliance with employees share option scheme

Engro Foods Limited (the Company) as of December 31, 2017 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, 2017 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: February 9, 2018



Ali Ahmed Khan
Chief Executive Officer



auditors' report to the members

We have audited the annexed balance sheet of Engro Foods Limited as at December 31, 2017 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, 2017 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Karachi
Date: March 16, 2018

Engagement Partner: Osama Kapadia

balance sheet as at december 31, 2017

(Amounts in thousand)

	Note	2017	2016
------(Rupees)-----			
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	12,559,373	13,120,693
Biological assets	5	968,805	932,726
Intangibles	6	71,635	44,378
Long term advances and deposits	7	83,631	93,984
Deferred employee share option compensation expense	8	3,165	54,635
		<u>13,686,609</u>	<u>14,246,416</u>
Current Assets			
Stores, spares and loose tools	9	740,423	841,394
Stock-in-trade	10	2,645,994	3,763,898
Trade debts	11	170,639	69,654
Advances, deposits and prepayments	12	157,347	144,879
Other receivables	13	227,975	114,661
Sales tax recoverable	14	2,105,692	2,736,249
Taxes recoverable		2,391,766	2,039,370
Deferred employee share option compensation expense	8	23,417	54,307
Cash and bank balances	15	68,468	702,944
		<u>8,531,721</u>	<u>10,467,356</u>
TOTAL ASSETS		<u><u>22,218,330</u></u>	<u><u>24,713,772</u></u>

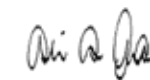
(Amounts in thousand)

	Note	2017	2016
------(Rupees)-----			
EQUITY AND LIABILITIES			
Equity			
Share capital	16	7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve	8	297,836	433,982
Remeasurement of post employment benefits - Actuarial loss		(80,643)	(73,958)
Unappropriated profit		972,516	8,259,180
		<u>9,721,024</u>	<u>17,150,519</u>
Non-Current Liabilities			
Long term finances	17	4,000,000	500,000
Liabilities against assets subject to finance lease	18	121,344	-
Deferred taxation	19	1,287,314	1,605,824
		<u>5,408,658</u>	<u>2,105,824</u>
Current Liabilities			
Current portion of:			
- long term finances	17	500,000	1,695,988
- deferred income	20	-	522
- liabilities against assets subject to finance lease	18	151,956	-
Trade and other payables	21	5,125,725	3,664,234
Unclaimed dividend		9,024	-
Accrued interest / mark-up on:			
- long term finances		63,853	29,063
- short term finances		33,889	2,502
Short term finances	22	1,204,201	65,120
		<u>7,088,648</u>	<u>5,457,429</u>
Contingencies and Commitments			
	23		
TOTAL EQUITY AND LIABILITIES		<u><u>22,218,330</u></u>	<u><u>24,713,772</u></u>

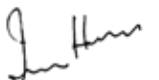
The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive



Imran Husain
Chief Financial Officer

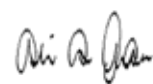
profit and loss account for the year ended december 31, 2017

(Amounts in thousand except for earnings per share)	Note	2017 ------(Rupees)-----	2016
Net sales	24	34,653,486	43,878,347
Cost of sales	25	(29,017,336)	(33,863,131)
Gross profit		5,636,150	10,015,216
Distribution and marketing expenses	26	(3,933,248)	(5,044,659)
Administrative expenses	27	(852,099)	(920,998)
Other operating expenses	28	(121,870)	(332,244)
Other income	29	358,541	148,509
Operating profit		1,087,474	3,865,824
Finance cost	30	(524,497)	(348,038)
Profit before taxation		562,977	3,517,786
Taxation	31	(183,680)	(1,131,074)
Profit for the year		379,297	2,386,712
Earnings per share - basic and diluted	32	0.49	3.11

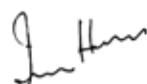
The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive



Imran Husain
Chief Financial Officer

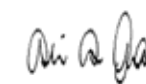
statement of comprehensive income for the year ended december 31, 2017

(Amounts in thousand)	Note	2017 ------(Rupees)-----	2016
Profit for the year		379,297	2,386,712
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Adjustments for amounts transferred to initial carrying amounts of hedged items - capital work-in-progress / stock-in-trade		-	2,604
Less: Income tax relating to hedging reserve		-	(834)
		-	1,770
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefits obligation - Remeasurement (loss) / gain	35.6	(9,550)	14,853
Less: Income tax relating to Remeasurement loss / (gain)		2,865	(4,455)
		(6,685)	10,398
Other comprehensive (loss) / income for the year, net of tax		(6,685)	12,168
Total comprehensive income for the year		372,612	2,398,880

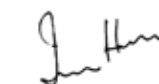
The annexed notes 1 to 49 form an integral part of these financial statements.



Abdul Samad Dawood
Chairman



Ali Ahmed Khan
Chief Executive



Imran Husain
Chief Financial Officer

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

(Amounts in thousand)

Note	Share capital	Reserve					Total
		Capital		Revenue			
		Share premium	Employee share option compensation reserve	Hedging reserve	Remeasurement of post employment benefits - Remeasurement loss	Unappropriated profit	
------(Rupees)-----							
Balance as at January 1, 2016	7,665,961	865,354	595,144	(1,770)	(84,356)	5,872,468	14,912,801
Employee share option scheme	8	-	(161,162)	-	-	-	(161,162)
Profit for the year	-	-	-	-	-	2,386,712	2,386,712
Other comprehensive income for the year	-	-	-	1,770	10,398	-	12,168
Total comprehensive income for the year	-	-	-	1,770	10,398	2,386,712	2,398,880
Balance as at December 31, 2016 / January 1, 2017	7,665,961	865,354	433,982	-	(73,958)	8,259,180	17,150,519
Employee share option scheme	8	-	(136,146)	-	-	-	(136,146)
Transaction with owners							
Final dividend for the year ended December 31, 2016 at the rate of Rs. 10 per share	-	-	-	-	-	(7,665,961)	(7,665,961)
Profit for the year	-	-	-	-	-	379,297	379,297
Other comprehensive loss for the year	-	-	-	-	(6,685)	-	(6,685)
Total comprehensive income/(loss) for the year	-	-	-	-	(6,685)	379,297	372,612
Balance as at December 31, 2017	7,665,961	865,354	297,836	-	(80,643)	972,516	9,721,024

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

Abdul Samad Dawood
Chairman

Ali Ahmed Khan
Chief Executive

Imran Husain
Chief Financial Officer

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

(Amounts in thousand)

Note	2017	2016
	------(Rupees)-----	
Cash Flows from Operating Activities		
Cash generated from operations	5,931,300	6,656,268
Finance costs paid	(458,320)	(422,386)
Taxes paid	(851,721)	(1,152,072)
Retirement benefits paid	(115,940)	(772)
Long term advances and deposits - net	10,353	40,467
Net cash generated from operating activities	4,515,672	5,121,505
Cash Flows from Investing Activities		
Purchases of		
- property, plant and equipment	(1,154,779)	(1,348,760)
- intangible assets	(25,998)	(31,342)
- biological assets	-	(5,737)
Proceeds from disposal of		
- property, plant and equipment	140,453	121,562
- biological assets	139,670	76,180
Net cash utilized in investing activities	(900,654)	(1,188,097)
Cash Flows from Financing Activities		
Proceeds from long term finances	4,000,000	-
Repayments of long term finances	(1,700,022)	(3,175,878)
Dividend paid	(7,656,937)	-
Repayment of liabilities against assets subject to finance lease	(36,315)	-
Net cash utilized in financing activities	(5,393,274)	(3,175,878)
Net (decrease) / increase in cash and cash equivalents	(1,778,256)	757,530
Cash and cash equivalents at beginning of the year	637,824	(120,708)
Effects of exchange rate changes on cash and cash equivalents	4,699	1,002
Cash and cash equivalents at end of the year	(1,135,733)	637,824

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

Abdul Samad Dawood
Chairman

Ali Ahmed Khan
Chief Executive

Imran Husain
Chief Financial Officer

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

(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 repealed Companies Ordinance, 1984 (now Companies Act 2017), and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of FrieslandCampina Pakistan Holdings B.V. (the Holding Company) which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the Ultimate Parent Company) and its registered office is situated at 5th 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 desserts. 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 unless otherwise stated.

2.1.2 These financial statements have been prepared in accordance with the requirements of the repealed 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. As per the requirements of circular No. CLD/CCD/PR (II)/2017 dated October 4, 2017 issued by SECP, companies the financial year of which closes on or before December 31, 2017 are required to prepare their financial statements in accordance with the provisions of the Ordinance. Accordingly approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the 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 2017

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

- Amendment to IAS 7 'Statement of cash flows': This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. This amendment has resulted an additional disclosure (i.e. note 17.4) in these financial statements.

(Amounts in thousand)

- Amendments to IAS 12, 'Income taxes': These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

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

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

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

- Amendment to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (effective for periods beginning on or after January 1, 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Company is yet to assess the full impact of the amendment.
- IFRS 9 'Financial instruments' (effective for annual periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The Company is yet to assess the full impact of the standard.
- Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation (effective for periods beginning on or after January 1, 2019). This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The Company is yet to assess the full impact of the amendment.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Company is yet to assess the full impact of the standard.

(Amounts in thousand)

- Amendments to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The Company is yet to assess the full impact of the amendments.
- IFRS 16 'Leases' (effective for periods beginning on or after January 1, 2019). This standard is yet to be notified by SECP. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is yet to assess the full impact of the standard.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for periods beginning on or after January 1, 2018). These amendments clarify the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The interpretation is not expected to have a significant impact on the Company's financial statements.
- IFRIC 23, 'Uncertainty over income tax treatments' (effective for periods beginning on or after January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation.

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

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

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.

(Amounts in thousand)

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 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 in the period in which they are due.

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 Intangibles - Computer software

Intangibles are 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 intangibles. 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 intangibles 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 intangibles 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 Financial instruments

2.6.1 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 assets 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', '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.

(Amounts in thousand)

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.

2.6.2 Financial liabilities

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

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.

2.6.3 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.

2.7 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 and obsolete 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.

2.8 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.

2.9 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.

(Amounts in thousand)

2.10 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, 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.

2.11 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.

2.12 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.

2.13 Staff retirement and other service benefits

2.13.1 Gratuity fund - Defined benefit plan

Engro Corporation Limited operates and maintains an approved defined benefit funded gratuity plan (the Fund) on behalf of the Company, 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 basic 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'. All remeasurement gains and losses are recognized in 'Other Comprehensive Income' as they occur.

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

(Amounts in thousand)

2.13.2 Gratuity fund - Defined contribution plan

In January 2017, the Company gave a one time irrevocable offer to all members of Employees' Defined Benefit Gratuity Fund to join Engro Corporation Limited - Employees' Defined Contribution Gratuity Fund (the Fund), a defined contribution plan. The present value, as at December 31, 2016, of the defined benefit obligation of those employees, who accepted this offer, were transferred to this Fund. All new employees appointed in January 2017 and onwards will join the defined contribution gratuity scheme.

The Company contributes to an approved defined contribution gratuity fund for the benefit of those management employees who have selected to opt out of defined benefit gratuity fund and all new employees. Monthly contributions are made by the Company to the fund at the rate of 8.33% of basic salary.

2.13.3 Provident fund

For all permanent employees of the Company, Engro Corporation Limited, operates and maintains an approved 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 defined contribution provident fund.

2.13.4 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.

2.14 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.

2.15 Finance lease

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of the assets and the present value of minimum lease payments. Initial direct costs are added to the amount of the asset. Finance charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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.

(Amounts in thousand)

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 the 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 profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

b) Cash flow 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. stock-in-trade or operation 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 sale in case of stock-in-trade or in depreciation in case of operating 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. stock-in-trade or operating 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 dispatch 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 intangibles when it is probable that the development project will be a success and certain criteria, including commercial and technological feasibility have been met.

(Amounts in thousand)

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.

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. 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 intangibles

The Company reviews the appropriateness of the rate of depreciation / amortization, useful lives 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.

(Amounts in thousand)

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.

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 have 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 9)

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

	2017	2016
Operating assets (note 4.1)	11,879,426	12,234,376
Capital work-in-progress (note 4.5)	537,737	732,411
Major spare parts and stand by equipment (note 9)	142,210	153,906
	<u>12,559,373</u>	<u>13,120,693</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)-----						
As at January 1, 2016									
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>
Year ended December 31, 2016									
Opening net book value	408,580	2,786,691	9,591,428	-	68,881	118,372	307,462	-	13,281,414
Additions, including transfers (note 4.5)	-	141,628	631,309	-	30,739	28,906	226,960	-	1,059,542
Disposals (note 4.4)									
Cost	-	-	(197,297)	-	(14,033)	(2,089)	(191,927)	-	(405,346)
Accumulated depreciation	-	-	171,747	-	13,730	1,849	153,584	-	340,910
Accumulated impairment	-	-	381	-	-	-	-	-	381
	-	-	(25,169)	-	(303)	(240)	(38,343)	-	(64,055)
Depreciation (note 4.3)	-	(234,530)	(1,484,167)	-	(36,307)	(45,763)	(129,050)	-	(1,929,817)
Impairment (notes 4.6, 25 and 26)	-	-	(105,412)	-	(44)	(932)	-	-	(106,388)
Write-off (note 28)									
Cost	-	(625)	(100,898)	-	(401)	(2,518)	(200)	-	(104,642)
Accumulated depreciation	-	625	87,421	-	272	1,577	147	-	90,042
Accumulated impairment	-	-	7,377	-	-	850	53	-	8,280
	-	-	(6,100)	-	(129)	(91)	-	-	(6,320)
Closing net book value	<u>408,580</u>	<u>2,693,789</u>	<u>8,601,889</u>	<u>-</u>	<u>62,837</u>	<u>100,252</u>	<u>367,029</u>	<u>-</u>	<u>12,234,376</u>
As at December 31, 2016									
Cost	408,580	3,959,817	16,656,897	34,595	252,072	367,714	762,388	1,389	22,443,452
Accumulated depreciation	-	(1,266,028)	(7,878,696)	(34,595)	(189,191)	(267,380)	(394,497)	(1,389)	(10,031,776)
Accumulated impairment	-	-	(176,312)	-	(44)	(82)	(862)	-	(177,300)
Net book value	<u>408,580</u>	<u>2,693,789</u>	<u>8,601,889</u>	<u>-</u>	<u>62,837</u>	<u>100,252</u>	<u>367,029</u>	<u>-</u>	<u>12,234,376</u>
Year ended December 31, 2017									
Opening net book value	408,580	2,693,789	8,601,889	-	62,837	100,252	367,029	-	12,234,376
Additions, including transfers (note 4.5)	-	149,978	1,021,876	309,615	34,851	18,369	95,487	-	1,630,176
Disposals (note 4.4)									
Cost	-	-	(466,224)	-	(18,853)	(8,211)	(111,000)	-	(604,288)
Accumulated depreciation	-	-	410,630	-	18,767	6,243	87,836	-	523,476
Accumulated impairment	-	-	193	-	-	-	-	-	193
	-	-	(55,401)	-	(86)	(1,968)	(23,164)	-	(80,619)
Depreciation (note 4.3)	-	(208,072)	(1,474,683)	(15,903)	(31,465)	(36,939)	(123,718)	-	(1,890,780)
Impairment (notes 4.6, 25 and 26)	-	(788)	(11,415)	-	-	(1,524)	-	-	(13,727)
Write-off (note 28)									
Cost	-	(19,022)	(107,946)	(206)	(421)	(225)	(316)	-	(128,136)
Accumulated depreciation	-	18,234	96,662	206	386	212	285	-	115,985
Accumulated impairment	-	788	11,284	-	35	13	31	-	12,151
	-	-	-	-	-	-	-	-	-
Closing net book value	<u>408,580</u>	<u>2,634,907</u>	<u>8,082,266</u>	<u>293,712</u>	<u>66,137</u>	<u>78,190</u>	<u>315,634</u>	<u>-</u>	<u>11,879,426</u>
As at December 31, 2017									
Cost	408,580	4,090,773	17,104,603	344,004	267,649	377,647	746,559	1,389	23,341,204
Accumulated depreciation	-	(1,455,866)	(8,846,087)	(50,292)	(201,503)	(297,864)	(430,094)	(1,389)	(11,283,095)
Accumulated impairment	-	-	(176,250)	-	(9)	(1,593)	(831)	-	(178,683)
Net book value	<u>408,580</u>	<u>2,634,907</u>	<u>8,082,266</u>	<u>293,712</u>	<u>66,137</u>	<u>78,190</u>	<u>315,634</u>	<u>-</u>	<u>11,879,426</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	2017		2016		Reason
	Cost	Net Book Value	Cost	Net Book Value	
	------(Rupees)-----				
Plant and machinery	227,862	74,716	234,492	90,419	Equipment mounted on transport contractors' vehicles
Plant and machinery	858,733	257,715	1,041,073	356,167	Freezers held with third party for ice cream sales
Computer equipment	39,097	505	31,526	134	Computer equipment managed by a third party for disaster recovery
Vehicles	116,517	33,618	116,517	40,918	Trikes held with third party for ice cream sales
	<u>1,242,209</u>	<u>366,554</u>	<u>1,423,608</u>	<u>487,638</u>	

4.3 The depreciation charge has been allocated as follows:

- Cost of sales (note 25)
- Distribution and marketing expenses (note 26)
- Administrative expenses (note 27)

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

1,687,263	1,686,249
184,738	212,659
18,779	30,909
<u>1,890,780</u>	<u>1,929,817</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/ Impairment	Net book value	Sale proceeds
		------(Rupees)-----			
Vehicles					
By Company policy to existing/ separating executives	Murtaza Azhar Rizvi	2,383	(1,750)	633	819
	Abid Jalal Khan	704	(158)	546	553
	Atif Ali	718	(173)	545	415
	Kamil Murad	1,646	(1,111)	535	953
	Imran Ejaz	715	(214)	501	488
	Kamran Shamsi	710	(291)	419	491
	Abdullah Kashif Bhatti	1,648	(1,236)	412	412
	Romaan Abubaker	1,648	(1,236)	412	412
	Farrukh Sheikh	1,736	(1,334)	402	681
	Amir Irshad	1,726	(1,326)	400	575
	Qaiser Bashir	718	(323)	395	429
	Saeed Ahmed	693	(299)	394	404
	Tasaduq Shahzad	710	(320)	390	417
	Junaid Shamsi	691	(350)	341	403
	Abrar Ahmed	718	(377)	341	412
	Mudassir Zeeshan	718	(377)	341	396
	Arsalan Hashmi	718	(377)	341	392
	Hammad Ahmed Malik	710	(373)	337	424
	Zahid Ahmed Qazi	1,570	(1,236)	334	1,065
	Safdar Abbas	683	(359)	324	341
	Humayun Khatak	718	(404)	314	360
	Sameeullah	683	(371)	312	333
	Salman Mazhar	683	(371)	312	321
	Asif Mansha	683	(384)	299	347
	Syed Azhar Ali	1,691	(1,395)	296	338
	Noman Khan	718	(431)	287	338
	Hafiz Azeem Akhtar	718	(431)	287	316
	Raza Ali	683	(397)	286	316
	Mustaqeem Danwer	683	(397)	286	355
	Sarfaraz Ahmed	1,781	(1,502)	279	356
	Motassim Mumtaz	1,669	(1,408)	261	587
	Jamal Akbar	683	(423)	260	304
	Rai Zahid	710	(453)	257	290
	Zahid Khushi	683	(435)	248	249
	Aleem Bhatti	1,555	(1,312)	243	700
	Usman Qadri	688	(452)	236	404
	Moiz Hussain	710	(479)	231	251
	Kashif Iqbal	683	(461)	222	320
	Syed Jehanzeb	673	(454)	219	296
	Abdul Mannan	683	(474)	209	242
	Azhar Ayub	710	(506)	204	298
	Kashif Qureshi	1,611	(1,419)	192	725
	Mubasshir Subhani	1,534	(1,352)	182	690
	Balance carried forward	43,196	(28,931)	14,265	19,218

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation/ Impairment	Net book value	Sale proceeds
------(Rupees)-----					
Balance brought forward		43,196	(28,931)	14,265	19,218
By Company policy to existing/ separating executives	Shakeel Bashir	1,736	(1,562)	174	347
	Faheem Chauhan	1,684	(1,516)	168	337
	Muhammad Qasim	1,594	(1,435)	159	717
	Abrar Ali	1,594	(1,435)	159	717
	Salman Abdullah	1,593	(1,433)	160	717
	Shahzad Ahmed	1,555	(1,399)	156	700
	Muhammad Saleem	1,555	(1,399)	156	700
	Arfan Nazir	1,555	(1,399)	156	700
	Saqib Siddiqui	1,499	(1,349)	150	674
	Farrukh Iqbal	1,499	(1,349)	150	674
	Waheed Saeed	1,499	(1,349)	150	674
	Talha Habib	1,495	(1,346)	149	673
	Zafar Hussain	673	(543)	130	135
	Hashim Zia	673	(555)	118	208
	Nadeem Abbas	663	(547)	116	133
	Naeem Iqbal	673	(568)	105	135
	Sajid Hussain	676	(583)	93	135
	Muhammad Umair	673	(580)	93	135
	Zahoor Ahmed Baloch	663	(572)	91	185
	Muhammad Jehanzeb	657	(567)	90	131
	Yaqoob Ahmed	676	(596)	80	135
	Zahid Mahmood	667	(588)	79	133
	Masroor Ali Khan	676	(608)	68	135
	Awais Ahmed	676	(608)	68	135
	Mehboob Ahmed	672	(605)	67	134
	Nasir sarfaraz	672	(605)	67	225
	Ghulam Akber	672	(605)	67	134
	Mazhar Ali	672	(605)	67	134
	Ubaid Ullah	672	(605)	67	134
	Muhammad Afzaal	667	(601)	66	133
	Raja Waseem	667	(601)	66	133
	Aqeel Safder	667	(601)	66	133
	Atif Ali	667	(601)	66	133
	Murtaza Hasan	667	(601)	66	133
	Usman Waheed	663	(597)	66	133
	Muhammad Ismail	663	(597)	66	133
	Mirza Fazal	657	(591)	66	131
	Syed Afroz	657	(591)	66	131
	Bilal Sheikh	632	(569)	63	126
	Imran Afzal	612	(551)	61	122
	Roman Khan	610	(549)	61	122
	Ali Jamro	586	(528)	58	117
		38,679	(34,489)	4,190	11,806
Balance carried forward		81,875	(63,420)	18,455	31,024

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation/ Impairment	Net book value	Sale proceeds
------(Rupees)-----					
Balance brought forward		81,875	(63,420)	18,455	31,024
By Company policy to existing/ separating executives	Ayaz Ali Samejo	586	(527)	59	117
	Shams Uddin	586	(527)	59	117
	Kamran Awan	586	(527)	59	117
	Javed Wahla	586	(527)	59	117
		2,344	(2,108)	236	468
By Company policy to existing/ separating executives having net book value of less than Rs. 50		2,473	(2,381)	92	622
To employees and others through auction	Sheikh Waheed	1,859	(1,394)	465	505
	Amir Jan Niazi	1,350	(1,013)	337	685
	Sheikh Waheed	1,350	(1,012)	338	624
	Umair Saeed	959	(719)	240	698
	Ayaz Muhammad	677	(444)	233	409
	Ayaz Muhammad	677	(444)	233	424
	Sheikh Waheed	835	(626)	209	289
	Shama Engineering	2,082	(1,874)	208	208
	Syed Adil Ali	1,485	(1,337)	148	963
	Khuda e Nazar	1,482	(1,333)	149	950
	Akbar Afridi	1,348	(1,213)	135	845
	Sheikh Waheed	627	(502)	125	225
	Syed Amir Ali	1,149	(1,034)	115	506
	Syed Amir Ali	920	(828)	92	426
	Adam Khan Afridi	597	(537)	60	406
		17,397	(14,310)	3,087	8,163
Insurance claim	EFU General Insurance Limited	710	(493)	217	234
Assets having net book value of less than Rs. 50		6,201	(5,124)	1,077	1,266
Balance carried forward		111,000	(87,836)	23,164	41,777

(Amounts in thousand)

Description and method of disposal	Sold to	Cost	Accumulated depreciation/ Impairment	Net book value	Sale proceeds
------(Rupees)-----					
Balance brought forward		111,000	(87,836)	23,164	41,777
Plant, machinery and related equipment					
Sold to Third Party under Company Policy	Dalda Foods (Private) Limited Fresh Juices Dairy Engineering	75,016 130,066 26,436 231,518	(59,304) (115,058) (25,452) (199,814)	15,712 15,008 984 31,704	27,600 27,570 6,000 61,170
Sold through bidding/auction	Ms Malik Iqbal HS & Co Karachi Auction Mart Mehboob Brothers Shama Engineering	21,727 5,180 1,811 1,766 1,051 31,535	(18,317) (4,778) (1,303) (1,232) (857) (26,487)	3,410 402 508 534 194 5,048	1,895 170 404 569 195 3,233
Sold to associated company through negotiations	Sindh Engro Coal Mining Company	600	(540)	60	69
Insurance Claims	EFU General Insurance Limited	1,205	(423)	782	956
Assets having net book value of less than Rs. 50		201,366	(183,559)	17,807	31,158
		466,224	(410,823)	55,401	96,586
Office equipment					
By company policy to existing/ separating executives	Babur Sultan	1,649	(262)	1,387	1,387
Sold through bidding/auction	Karachi Auction Mart	987	(814)	173	140
Assets having net book value of less than Rs. 50		5,575	(5,167)	408	399
		8,211	(6,243)	1,968	1,926
Computer equipment					
Assets having net book value of less than Rs. 50		18,853	(18,767)	86	164
December 31, 2017		604,288	(523,669)	80,619	140,453
December 31, 2016		405,346	(341,291)	64,055	121,562

(Amounts in thousand)

4.5 Capital work-in-progress

	Land	Building on freehold land	Plant, machinery and related equipment		IS and milk automation projects	Office equipment/ Furniture & Fitting/Computer equipment	Vehicles	Total
			Owned	Leased				
------(Rupees)-----								
Year ended December 31, 2016								
Balance as at January 1, 2016	-	72,132	294,007	-	7,484	9,610	36,522	419,755
Additions during the year	-	114,424	944,321	-	31,342	61,668	228,347	1,380,102
Transferred to:								
- operating assets (note 4.1)	-	(141,628)	(631,309)	-	-	(59,645)	(226,960)	(1,059,542)
- intangible assets (note 6)	-	-	-	-	(7,904)	-	-	(7,904)
Balance as at December 31, 2016	-	44,928	607,019	-	30,922	11,633	37,909	732,411
Year ended December 31, 2017								
Balance as at January 1, 2017	-	44,928	607,019	-	30,922	11,633	37,909	732,411
Additions during the year	-	194,796	829,929	309,615	25,998	60,873	69,181	1,490,392
Transferred to:								
- operating assets (note 4.1)	-	(149,978)	(1,021,876)	(309,615)	-	(53,220)	(95,487)	(1,630,176)
- intangible assets (note 6)	-	-	-	-	(54,890)	-	-	(54,890)
Balance as at December 31, 2017	-	89,746	415,072	-	2,030	19,286	11,603	537,737

4.6 During the year, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 13,727 (2016: Rs. 106,388) against idle assets, determined on the basis of fair value of the assets less cost of disposal. The Company based on a review for impairment on the operating assets identified that the carrying values of certain operating assets in Dairy and Beverages segment exceed their estimated recoverable amounts. These assets were deemed as idle primarily due to discontinuation of certain SKUs to rationalize product portfolio of the Company. In addition, the Company identified that carrying value of certain previously impaired assets in Ice cream segment is lower than their estimated recoverable amounts. Accordingly, provision / reversal for impairment was recognized thereagainst. The recoverable amount of these assets amounted to Rs. 62,896 (2016: Rs. 79,045) determined on the basis of fair value less cost of disposal of underlying assets which is based on the historical experience of net recovery proceeds on similar nature of assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

(Amounts in thousand)

	2017	2016
	------(Rupees)-----	
5. Biological Assets		
Dairy livestock (note 5.1)		
- mature	649,345	567,873
- immature	349,171	370,279
	998,516	938,152
Provision for culling (notes 5.2 and 28)	(30,000)	(26,067)
	968,516	912,085
Crops - feed stock	289	20,641
	968,805	932,726

5.1 Reconciliation of carrying amounts of livestock

	2017	2016
Carrying amount at the beginning of the year	912,085	1,009,347
Add:		
Changes in fair value due to biological transformation:		
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 193,970 (2016: Rs. 180,862)]	235,485	228,197
- Loss due to increase in age of livestock	(61,453)	(46,173)
	174,032	182,024
Changes in fair value due to price changes:		
- Gain due to currency devaluation	50,630	494
- Gain / (loss) due to increase / decrease in international market prices	5,632	(174,403)
	56,262	(173,909)
Total gain (note 29)	230,294	8,115
Less:		
- Decrease due to deaths / disposals	(143,863)	(79,310)
- Provision for culling (note 5.2)	(30,000)	(26,067)
Carrying amount at the end of the year, which approximates the fair value	968,516	912,085

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

5.3 As at December 31, 2017, the Company held 3,179 (2016: 2,895) mature assets able to produce milk and 2,197 (2016: 2,356) immature assets that are being raised to produce milk in the future. During the year, the Company produced approximately 19,167,777 (2016: 16,326,526) gross litres of milk from these biological assets with a fair value less estimated point-of-sale costs of Rs. 1,085,612 (2016: Rs.929,965), determined at the time of milking.

5.4 As at December 31, 2017, the Company held 135 (2016: 375) immature male calves.

5.5 The valuation of dairy livestock as at December 31, 2017 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, 2017. 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, EU 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. The valuation is considered to be level 2 in the fair value hierarchy due to observable market data other than quoted prices in active markets.

(Amounts in thousand)

	2017	2016
	------(Rupees)-----	
6. Intangibles – Computer Software		
Net carrying value		
Balance at beginning of the year	44,378	63,923
Add: Additions at cost (note 4.5)	54,890	7,904
Less: Amortization charge for the year (notes 6.1 and 27)	(27,633)	(27,449)
	71,635	44,378
Balance at end of the year	71,635	44,378
Gross carrying value		
Cost	391,766	336,876
Less: Accumulated amortization	(320,131)	(292,498)
Net book value	71,635	44,378

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

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

Advances to Executives (notes 7.1, 7.2 and 7.3)	43,089	67,931
Less: Recoverable within one year shown under current assets (note 12)	(15,902)	(25,627)
	27,187	42,304
Deposits	56,444	51,680
	83,631	93,984

7.1 Reconciliation of the carrying amount of advances to executives

Balance as at January 1	67,931	64,694
Add: Disbursements	15,496	43,921
Less:		
- Repayments	(20,677)	(16,478)
- Amortization	(19,661)	(24,206)
Balance as at December 31	43,089	67,931

7.2 These include 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. These also include 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.

7.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 69,330 (2016: Rs. 73,073).

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.

(Amounts in thousand)

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, 125,000 share options were granted to an employee and 1,050,000 previously granted share options lapsed due to resignation of some employees. Further, during the year, 1,800,000 vested share options, granted in 2013, expired due to non-exercise by ex-employees within the exercise period. The details of share options granted to date under the Scheme, which remained outstanding as at December 31, 2017 are as follows:

- number of options	10,175,000
- range of exercise price	Rs. 182.85 - Rs. 354.90
- weighted average remaining contractual life	3.40 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. 29.27 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 granted in 2016	Options granted in 2017
- number of options	2,600,000	800,000	6,650,000	125,000
- share price	Rs. 133.58	Rs. 107.67	Rs. 156.85	Rs. 168.19
- exercise price	Rs. 191.89	Rs. 182.85	Rs. 230.76	Rs. 268.36
- expected volatility	32.54%	30.32%	34.86%	25.74%
- expected life	3 years	3.5 years	3.5 years	3.5 years
- annual risk free interest rate	9.42%	7.93%	6.15%	6.12%

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 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 the SECP for aforementioned modification in the Scheme and the related vesting period has also been received through letter dated August 31, 2015.

As of December 31, 2017, 4,925,000 options remained ungranted which will lapse in option year 2018 with the expiry of scheme.

In respect of the Scheme, Employee share option compensation reserve and the related deferred expense amounting to Rs. 297,836 has been recognized, out of which Rs. 271,254 has been amortized to date, including reversal of Rs. 53,786 in current year owing to change in fair value of options granted and lapsed during the year, net of charge in respect of employees services received to the balance sheet date.

9. Stores, Spares and Loose Tools

	2017 ------(Rupees)-----	2016 ------(Rupees)-----
Stores	103,760	124,083
Spares and loose tools, including in-transit (note 9.1)	778,873	871,217
	882,633	995,300
Less: Major spare parts and stand by equipment - shown under Property, plant and equipment (note 4)	(142,210)	(153,906)
	740,423	841,394

(Amounts in thousand)

9.1 These are net of provision against slow moving items amounting to Rs. 60,449 (2016: Rs. 51,373). Stores, spares and loose tools amounting to Rs. 8,347 (2016: Nil) have been written off against the provision during the year.

10. Stock-in-trade

	2017 ------(Rupees)-----	2016 ------(Rupees)-----
Raw and packaging material (notes 10.1 and 10.4)	2,123,048	2,668,770
Work-in-process (note 10.2)	200,171	429,762
Finished goods (notes 10.3 and 10.4)	322,775	665,366
	2,645,994	3,763,898

10.1 Includes Rs. 15,055 (2016: Rs. 378,869) in respect of stock held by third parties.

10.2 Includes Rs. 65,063 (2016: Rs. 76,050) in respect of stock held by third parties.

10.3 Includes Nil (2016: Rs. 169,082) in respect of finished goods carried at net realizable value and Rs. 18,227 (2016: Rs. 86,061) in respect of stock held by third parties.

10.4 These are net of provision against expired / obsolete stock amounting to Rs. 50,109 (2016: Rs. 48,088). Stock amounting to Rs. 65,027 (2016: Rs. 57,734) has been written off against the provision during the year.

11. Trade Debts - Unsecured

	2017 ------(Rupees)-----	2016 ------(Rupees)-----
Considered good (notes 11.1 and 11.2)	170,639	69,654
Considered doubtful (note 11.3)	364	228
	171,003	69,882
Less: Provision for impairment (note 11.3)	(364)	(228)
	170,639	69,654

11.1 As at December 31, 2017, trade debts aggregating to Rs. 3,559 (2016: Rs. 4,943) 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.

11.2 As at December 31, 2017, trade debts aggregating to Rs. 167,080 (2016: Rs. 64,711) 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.

11.3 As at December 31, 2017, trade debts aggregating to Rs. 364 (2016: Rs. 228) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

	2017 ------(Rupees)-----	2016 ------(Rupees)-----
Balance as at January 1	228	282
Provision made / (reversed) during the year (note 27)	372	(70)
Receivables written (off) / back against provision	(236)	16
Balance as at December 31	364	228

(Amounts in thousand)

	2017	2016
	------(Rupees)-----	
12. Advances, Deposits and Prepayments		
- Unsecured, considered good		
Advances to:		
- Executives (notes 12.1 and 12.2)	10,554	8,541
- Other employees (note 12.3)	27,321	24,551
	<u>37,875</u>	<u>33,092</u>
Add: Current portion of long term advances to executives (note 7)	15,902	25,627
	<u>53,777</u>	<u>58,719</u>
Advances to suppliers	60,922	16,750
Deposit	11,840	36,061
Prepayments	30,808	33,349
	<u>157,347</u>	<u>144,879</u>

- 12.1 This represents interest free advances to executives for house rent, given in accordance with the Company's policy.
- 12.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 14,246 (2016: Rs. 13,900).
- 12.3 This represents advances for incurring expenses for the Company's business and salary advances as per the Company policy.
- 12.4 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.

	2017	2016
	------(Rupees)-----	
13. Other Receivables		
Receivable from related parties:		
- Engro Corporation Limited	1,556	-
- Engro Fertilizers Limited	237	-
- Friesland Campina Nederland B.V.	24,811	-
- FrieslandCampina AMEA Pte Limited	2,536	-
	<u>29,140</u>	<u>-</u>
Others	198,835	114,661
	<u>227,975</u>	<u>114,661</u>

(Amounts in thousand)

- 13.1 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.

14. Sales Tax Recoverable

- 14.1 In 2016, the Deputy Commissioner Inland Revenue after conducting sales tax audit for the year ended December 2013 raised sales tax demand amounting to Rs. 143,125 including penalty. The demand primarily arose on account of (i) mismatch of input tax claimed with suppliers output tax on FBR portal; (ii) alleged unlawful adjustment of input tax; and (iii) alleged non-withholding of sales tax on certain supplies. The Company has filed an appeal against the order and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly sales tax recoverable has not been reduced by the effect of aforementioned order.
- 14.2 During the year, the Deputy Commissioner Inland Revenue issued show cause notice for sales tax on tea whitener and dairy drink product i.e. 'Tarang' and 'Omung' respectively for the period January to December 2013 amounting to Rs. 3,778,379 challenging the exemption/zero rating on these products. Against the show cause notice the Company has filed a Constitution Petition before the High Court of Sindh and has obtained an interim injunction against adverse action by tax authorities. Based on the opinion of its legal advisor, the Company is confident of a favourable outcome of this matter.

	2017	2016
	------(Rupees)-----	
15. Cash and Bank Balances		
Cash at bank on:		
- current accounts [including foreign currency account of Rs. 1,049 (2016: Rs. 98,449)]	34,106	308,015
- savings accounts [including foreign currency account of Rs. 17,402 (2016: Rs. 221,668)]	34,362	394,929
	<u>68,468</u>	<u>702,944</u>

16. Share Capital

Authorized capital

850,000,000 (2016: 850,000,000) Ordinary shares of Rs. 10 each

	8,500,000	8,500,000
	<u>8,500,000</u>	<u>8,500,000</u>

Issued, subscribed and paid-up capital

766,596,075 (2016: 766,596,075) Ordinary shares of Rs. 10 each fully paid in cash (note 16.1)

	7,665,961	7,665,961
	<u>7,665,961</u>	<u>7,665,961</u>

- 16.1 As at December 31, 2017, FrieslandCampina Pakistan Holdings B.V. (the Holding Company) held 390,963,999 (2016: 390,963,999) ordinary shares of Rs. 10 each and Engro Corporation Limited held 306,075,944 (2016: 306,075,939) ordinary shares of Rs. 10 each.
- 16.2 Engro Corporation Limited has pledged 73,986,789 shares of the Company valued at par value for raising non-fund based financing facilities.

(Amounts in thousand)

17. Long Term Finances, Secured (Non-participatory)

Long term finances utilized under mark-up arrangements:

	Installments		Interest Rate	2017	2016
	Number	Commencing from		------(Rupees)-----	
Long term finances					
Habib Bank Limited	6 half yearly	November 2, 2014	6 months KIBOR + 0.65%	-	129,606
MCB Bank Limited	6 half yearly	June 5, 2015	6 months KIBOR + 0.60%	-	496,437
The Bank of Punjab	6 half yearly	April 3, 2015	6 months KIBOR + 0.70%	-	166,195
United Bank Limited	6 half yearly	May 12, 2016	6 months KIBOR + 0.65%	500,000	1,000,000
Bank Al-Habib Limited	6 half yearly	October 7, 2020	6 months KIBOR + 0.05%	2,000,000	-
Habib Bank Limited	6 half yearly	October 7, 2020	6 months KIBOR + 0.05%	2,000,000	-
				<u>4,500,000</u>	<u>1,792,238</u>
Certificate					
Sukuk Certificates	4 half yearly	July 13, 2015	6 months KIBOR + 0.69%	-	403,750
				<u>4,500,000</u>	<u>2,195,988</u>
Less: Current portion shown under current liabilities				<u>(500,000)</u>	<u>(1,695,988)</u>
				<u>4,000,000</u>	<u>500,000</u>

17.1 The proceeds from these finances are carried net of unamortized portion of transaction costs amounting to Nil (2016: Rs. 4,034).

17.2 The above finances and Ijarah arrangements (note 23.5) are secured by registered floating charges / mortgages over the present and future operating assets of the Company upto a maximum of Rs. 11,917,000 (2016: Rs. 10,604,500).

17.3 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.

17.4 Following are the changes in the long term finances (i.e. for which cash flows have been classified as financing activities in the statement of cash flows):

	2017 Rupees
Balance as at January 1, 2017	2,195,988
Amortization of transaction cost	4,034
Loan received	4,000,000
Loan repaid	(1,700,022)
Balance as at December 31, 2017	<u>4,500,000</u>

(Amounts in thousand)

18. Liabilities Against Assets Subject to Finance Lease

Present value of minimum lease payments (notes 18.1 and 18.2)
Current portion presented under current liabilities

	2017	2016
	------(Rupees)-----	
	273,300	-
	(151,956)	-
	<u>121,344</u>	<u>-</u>

18.1 These represent machinery acquired under finance lease arrangements. The leases are priced at 7.2% annually (2016: Nil). Lease rentals are payable monthly within 2 years. The Company has the option to acquire these assets at the end of lease terms.

18.2 The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

	2017	2016
	------(Rupees)-----	
Not later than one year	166,684	-
Later than one year but not later than two years	125,013	-
Total future minimum lease payments	<u>291,697</u>	<u>-</u>
Finance charge allocated to future periods	(18,397)	-
Present value of future minimum lease payments	<u>273,300</u>	<u>-</u>
Not later than one year	(151,956)	-
Later than one year but not later than two years	<u>121,344</u>	<u>-</u>

19. Deferred Taxation

Credit balances arising due to:

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

	2017	2016
	1,341,879	1,360,735
	290,555	273,626
	-	1,210
	13,278	12,210
	<u>1,645,712</u>	<u>1,647,781</u>
Debit balances arising due to:		
- Provisions for stock-in-trade, store & spares and receivables	(33,276)	(29,907)
- Minimum turnover tax	(231,898)	-
- Share issuance cost, net to equity	(11,234)	(11,234)
- Obligation under finance lease	(81,990)	-
- Others	-	(816)
	<u>(358,398)</u>	<u>(41,957)</u>
	<u>1,287,314</u>	<u>1,605,824</u>

Debit balances arising due to:

- Provisions for stock-in-trade, store & spares and receivables
- Minimum turnover tax
- Share issuance cost, net to equity
- Obligation under finance lease
- Others

(Amounts in thousand)

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

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

	2017	2016
Balance as at January 1	522	3,690
Less: Amortization for the year	(522)	(3,168)
	-	522
Less: Current portion	-	(522)
Balance as at December 31	-	-

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 defined benefit gratuity fund (note 35.4)

Payable to defined contribution gratuity fund

Workers' profits participation fund (note 21.3)

Workers' welfare fund

Others

	2017	2016
Trade payables (note 21.1)	3,270,847	1,370,488
Accrued liabilities (note 21.2)	1,119,623	1,166,742
Advances from customers	192,268	512,117
Retention money	5,964	7,994
Security deposits	5,678	285
Withholding tax payable	19,349	95,704
Payable to provident fund	25,384	25,753
Payable to defined benefit gratuity fund (note 35.4)	141,634	139,776
Payable to defined contribution gratuity fund	890	-
Workers' profits participation fund (note 21.3)	(5,635)	(4,069)
Workers' welfare fund	326,346	311,030
Others	23,377	38,414
	<u>5,125,725</u>	<u>3,664,234</u>

21.1 Includes amount payable to FrieslandCampina Nederland B.V. (related party) amounting to Rs. 629,571 (2016: Rs. 20,642).

21.2 Includes Rs. 106,360 (2016: Rs. 64,997) 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 28)

Less: Amount paid to the Fund

Balance as at December 31

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

	2017	2016
Balance as at January 1	(4,069)	(4,478)
Add: Allocation for the year (note 28)	30,434	189,409
	26,365	184,931
Less: Amount paid to the Fund	(32,000)	(189,000)
Balance as at December 31	<u>(5,635)</u>	<u>(4,069)</u>

22. Short Term Finances - secured

22.1 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. 7,899,840 (2016: Rs. 7,467,073). The unutilized balance against these facilities as at year end was Rs. 6,695,639 (2016: Rs. 7,401,953). The rates of mark-up on these finances are KIBOR based and range from 6.15% to 7.28% (2016: 6.04% to 6.24%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

(Amounts in thousand)

22.2 The facilities for opening letters of credit and bank guarantees as at December 31, 2017 amounts to Rs. 8,615,160 (2016: Rs. 6,547,927), of which the amount remaining unutilized as at year end was Rs. 5,117,906 (2016: Rs. 5,138,457).

23. Contingencies and Commitments

23.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 75,395 (2016: Rs. 74,828) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (2016: 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 (2016: 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 (2016: Rs. 172,000) have been received to-date;
- Controller Military Accounts, Rawalpindi amounting to Nil (2016: Rs. 4,675), as collateral against supplies;
- Parco Pearl Gas Co. (Private) Limited amounting to Rs. 1,000 (2016: Rs. 1,000) as collateral against supplies;
- Collector of Customs MCC (Model Customs Collectorate) Port Qasim amounting to Nil (2016: Rs. 11,125) as collateral against clearance of imported goods.

23.2 During the year, the Company has received an order from Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of the Company's marketing activities relating to one of its products. The Company has filed an appeal against the aforementioned order. The Company, based on the opinion of its legal counsel, is confident of a favorable outcome of the appeal, and accordingly no provision has been recognized in these financial statements in this respect.

23.3 Commitments in respect of capital expenditure contracted for but not incurred as at December 31, 2017 amounts to Rs. 653,596 (2016: Rs. 578,767).

23.4 Commitments in respect of purchase of certain commodities as at December 31, 2017 amounts to Rs. 990,089 (2016: Rs. 631,248).

23.5 Commitments for rentals payable under the Ijarah agreement as at December 31, 2017 amounts to Rs. 55,487 (2016: Rs. 119,825) as follows:

Not later than one year
Later than one year but not later than five years

	2017	2016
	<u>34,677</u>	<u>64,364</u>
	<u>20,810</u>	<u>55,461</u>
	<u>55,487</u>	<u>119,825</u>

(Amounts in thousand)

	2017	2016
	------(Rupees)-----	-----
24. Net Sales		
Manufactured goods	38,030,598	47,097,632
Less:		
- Sales tax	(936,493)	(965,985)
- Trade and other discounts	(2,471,073)	(2,284,867)
	<u>34,623,032</u>	<u>43,846,780</u>
Raw milk	30,454	31,567
	<u>34,653,486</u>	<u>43,878,347</u>

24.1 Includes export sales amounting to Rs. 549,944 (2016: Rs. 862,772).

25. Cost of Sales

Raw and packaging material consumed (note 25.1)	21,167,883	27,273,565
Salaries, wages, and staff welfare (note 25.2)	1,420,036	1,339,138
Fuel and power	840,959	917,164
Repair and maintenance	595,892	662,540
Freight inwards	442,898	403,481
Depreciation (note 4.3)	1,687,263	1,686,249
Impairment of operating assets	10,890	101,942
Travelling	98,325	108,030
Communication and other office expenses	102,316	101,119
Insurance	125,009	126,841
Rent and utilities	454,230	552,919
Research and business development	4,268	8,351
Fee for technical assistance	886,672	27,805
Legal and professional	14,889	8,269
Purchased services	478,699	556,302
Provision against:		
- stock-in-trade	67,048	58,730
- slow moving spares	17,423	26,673
	<u>28,414,700</u>	<u>33,959,118</u>
Manufacturing cost		
Add: Opening stock of work-in-process	429,762	169,194
Less: Closing stock of work-in-process	(200,171)	(429,762)
	<u>28,644,291</u>	<u>33,698,550</u>
Cost of goods manufactured		
Add: Opening stock of finished goods manufactured	665,366	798,380
Less: Closing stock of finished goods manufactured	(322,775)	(665,366)
	<u>28,986,882</u>	<u>33,831,564</u>
Add: Cost of raw milk sold directly (note 25.1)	30,454	31,567
	<u>29,017,336</u>	<u>33,863,131</u>

(Amounts in thousand)

	2017	2016
	------(Rupees)-----	-----
25.1 Raw and packaging material consumed		
Opening stock of raw and packaging material	2,668,770	2,103,805
Add: Purchases	21,738,227	28,800,062
Less:		
- Fair value of milk produced from biological assets (note 5.3)	(1,085,612)	(929,965)
- Raw milk sold directly (note 24)	(30,454)	(31,567)
- Closing stock of raw and packaging material	(2,123,048)	(2,668,770)
Raw and packaging material consumed	<u>21,167,883</u>	<u>27,273,565</u>

25.2 Includes Rs. 133,331 (2016: Rs. 131,725) in respect of staff retirement benefits referred to in notes 35 and 45.

26. Distribution and Marketing Expenses

Salaries, wages, and staff welfare (note 26.1)	783,789	797,610
Advertising	1,372,070	2,046,831
Freight outward	1,232,276	1,566,325
Travelling	92,799	96,488
Communication and other office expenses	61,013	59,042
Depreciation (note 4.3)	184,738	212,659
Impairment of operating assets	2,837	4,446
Fuel and power	4,612	3,303
Repairs and maintenance	78,988	87,027
Rent, rates and taxes	31,684	42,694
Insurance	15,794	13,014
Research and business development	2,153	325
Legal and professional	8,499	15,070
Ijarah rentals	61,967	91,559
Purchased services	29	8,266
	<u>3,933,248</u>	<u>5,044,659</u>

26.1 Includes Rs. 77,412 (2016: Rs. 78,457) in respect of staff retirement benefits referred to in notes 35 and 45.

(Amounts in thousand)

	2017	2016
	------(Rupees)-----	
27. Administrative Expenses		
Salaries, wages and staff welfare (notes 27.1 and 27.2)	429,855	410,738
Training and development	1,416	80,605
Communication and other office expenses	64,230	109,866
Rent, rates and taxes	107,950	103,290
Travelling	35,894	27,178
Depreciation (note 4.3)	18,779	30,909
Amortization (note 6)	27,633	27,449
Fuel and power	10,167	11,125
Repairs and maintenance	25,309	18,732
Insurance	6,313	3,785
Research and business development	13	5
Legal and professional	59,849	39,172
Auditors' remuneration (note 27.3)	6,263	2,653
Software maintenance and license cost	12,338	16,805
Provision for / (Reversal of) impairment of trade debts (note 11.3)	372	(70)
Purchased services	45,718	38,756
	<u>852,099</u>	<u>920,998</u>

27.1 Includes Rs. 39,602 (2016: Rs. 40,402) in respect of staff retirement benefits referred to in notes 35 and 45.

27.2 Includes reversal of Rs. 53,786 (2016: Rs. 35,816) in respect of Employees' share option compensation expense.

	2017	2016
	------(Rupees)-----	
27.3 Auditors' remuneration		
Fee for:		
- audit of annual financial statements and group reporting	3,587	1,500
- review of half yearly financial information	550	315
- review of compliance with the Code of Corporate Governance	65	40
- audit of retirement benefit funds	85	85
- special certifications and other assurance services	1,119	175
	<u>5,406</u>	<u>2,115</u>
Reimbursement of expenses and taxes	857	538
	<u>6,263</u>	<u>2,653</u>

28. Other Operating Expenses

Workers' profits participation fund (note 21.3)	30,434	189,409
Workers' welfare fund	15,316	80,978
Donations (note 28.1)	21,575	26,239
Loss on death / disposals of biological assets	24,545	3,130
Provision for culling of biological assets (note 5)	30,000	26,067
Operating assets written-off (note 4.1)	-	6,320
Others	-	101
	<u>121,870</u>	<u>332,244</u>

(Amounts in thousand)

28.1 Include donation to Engro Foundation, a related party, amounting to Rs. 18,250 (2016: Rs. 18,000). The Directors including the Chief Executive and their spouses do not have any interest in the donee, except that one of the Directors - Mr. Ghiasuddin Khan and Ex-CEO - Mr. Babur Sultan are trustees of Engro Foundation.

	2017	2016
	------(Rupees)-----	
29. Other Income		
From financial assets		
Interest on bank deposits / saving accounts	6,200	6,421
Gain realized on disposal of short term investments	-	8,772
	<u>6,200</u>	<u>15,193</u>
From other than financial assets		
Gain arising from changes in fair value of biological assets (note 5.1)	230,294	8,115
Gain on disposal of operating assets	59,834	57,507
Exchange gain	4,699	1,002
Scrap sales	27,535	46,211
Others	29,979	20,481
	<u>352,341</u>	<u>133,316</u>
	<u>358,541</u>	<u>148,509</u>

30. Finance Cost

Mark-up on		
- short-term finances	234,629	44,682
- long-term finances	270,714	274,980
	<u>505,343</u>	<u>319,662</u>
Bank charges	19,154	28,376
	<u>524,497</u>	<u>348,038</u>

31. Taxation

Current		
- for the year	382,199	1,195,642
- for prior year (note 31.1)	119,991	146,731
	<u>502,190</u>	<u>1,342,373</u>
Deferred	(318,510)	(211,299)
	<u>183,680</u>	<u>1,131,074</u>

31.1 Represents 'Super Tax for rehabilitation of temporary displaced persons' at the rate of 3% on specified income.

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

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

(Amounts in thousand)

The Company had been designated as part of the Group of Engro Corporation Limited by the Securities and Exchange Commission of Pakistan (SECP) through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59 B(2)(g) of ITO and a requirement under the Group Companies Registration Regulations, 2008 (the Regulations) notified by the SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the Company to ECL for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of ECL, whereby, allowing the surrender of tax losses by the Company to ECL. The tax department has filed reference application there against before the High Court of Sindh, which are under the process of hearings. In 2013, the Appellate Tribunal also decided similar appeal filed by ECL for the year ended December 31, 2008 in favour of ECL. The Company based on the merits of the case expects a favourable outcome of the matter.

31.2.2 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.

31.2.3 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 2015, 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.

31.2.4 In 2014, the Additional Commissioner Inland Revenue (ACIR) raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement benefits, marketing support reimbursements, purchase expenses, sales promotion and advertisement and other expenses etc. During the year, CIR (Appeals) upheld the decision of ACIR in respect of provision for retirement benefits and marketing support reimbursement. The Company has filed an appeal with Appellate Tribunal Inland Revenue (ATIR) against the order of CIR (Appeals) and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

31.2.5 In 2015, the Additional Commissioner Inland Revenue raised a demand of Rs. 73,962 for tax year 2014 by disallowing the loss on sales of raw milk considered as trading activity, depreciation on certain additions to property, plant and equipment and tax credit under 65B etc. The Company has filed an appeal against the order and 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.

31.2.6 In 2016, the Deputy Commissioner Inland Revenue (DCIR) raised a demand of Rs. 541,221 for tax year 2013 by disallowing the loss on sales of raw milk considered as trading activity, stock written-off, finance cost allocation against advance for purchase of Engro Foods Netherlands and certain other items, research and business expenses, adjustment of tax losses for tax year 2011 and minimum turnover tax credit for tax years 2008, 2010 and 2011 etc against which the Company filed an appeal with CIR (Appeals). During the year, CIR (Appeals) upheld the decision of DCIR in respect of minimum turnover tax credit and finance cost allocation. The Company filed an appeal with Appellate Tribunal Inland Revenue (ATIR) against the order of CIR (Appeals) and based on the opinion of its tax consultant and of legal advisor in case of minimum turnover tax matter, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

(Amounts in thousand)

31.2.7 In 2016, the Additional Commissioner Inland Revenue raised a demand of Rs. 59,772 for tax year 2010, primarily on account of disallowance of sales promotion and freight expenses. The Company has filed an appeal against the order and 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.

31.2.8 In 2016, the Additional Commissioner Inland Revenue raised a demand of Rs. 34,134 for tax year 2011 by disallowing depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, sales promotion and advertisement and other expenses etc. The Company has filed an appeal against the order and 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.

31.2.9 During the year, the Additional Commissioner Inland Revenue raised a demand of Rs. 511,801 for tax year 2016 by disallowing minimum turnover tax credit, expenses on account of Employee Share Option Scheme and Worker's Welfare Fund. The Company filed an appeal with CIR (Appeals) against the order and based on the opinion of its tax consultant and of legal advisor in case of minimum turnover tax matter, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

31.3 Relationship between tax expense and accounting profit

Profit before taxation

Tax at the applicable tax rate of 30% (2016: 31%)

Tax effect of:

- differential of reduction in tax rate
- lower tax rate on exports and gain on short-term investments
- prior year charge
- tax credits under section 65B of ITO, 2001
- others

	2017	2016
	------(Rupees)-----	
Profit before taxation	562,977	3,517,786
Tax at the applicable tax rate of 30% (2016: 31%)	168,893	1,090,514
Tax effect of:		
- differential of reduction in tax rate	-	(18,149)
- lower tax rate on exports and gain on short-term investments	(25,697)	(52,862)
- prior year charge	119,991	146,731
- tax credits under section 65B of ITO, 2001	(80,483)	(35,154)
- others	976	(6)
	14,787	40,560
	183,680	1,131,074

32. Earnings Per Share - Basic and diluted

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

Profit for the year

Weighted average number of ordinary shares in issue during the year

	2017	2016
	------(Rupees)-----	
Profit for the year	379,297	2,386,712
Number of shares in thousand		
Weighted average number of ordinary shares in issue during the year	766,596	766,596

(Amounts in thousand)

	2017	2016
	------(Rupees)-----	-----
33. Cash Generated from Operations		
Profit before taxation	562,977	3,517,786
Adjustment for non-cash charges and other items:		
- Depreciation	1,890,780	1,929,817
- Impairment of operating assets	13,727	106,388
- Exchange gain	(4,699)	(1,002)
- Operating assets written off, net	-	6,320
- Amortization of intangibles	27,633	27,449
- Amortization of deferred income	(522)	(3,168)
- Amortization of arrangement fees on long term finances	4,034	4,461
- Reversal of amortization of deferred employee share option compensation reserve	(53,786)	(29,662)
- Loss on death / disposal of biological assets	24,545	3,130
- Gain on disposal of operating assets	(59,834)	(57,507)
- Gain arising from changes in fair value of biological assets	(230,294)	(8,115)
- Provision for culling of biological assets	30,000	26,067
- Provision for staff retirement and other service benefits	108,248	103,737
- Provision for stock-in-trade	67,048	58,730
- Provision for slow moving spares	17,423	26,673
- Provision / (reversal of provision) for impairment of trade debts	372	(70)
- Finance cost	524,497	348,038
Working capital changes (note 33.1)	3,009,151	597,196
	<u>5,931,300</u>	<u>6,656,268</u>
33.1 Working capital changes		
Decrease / (Increase) in current assets		
- Stores, spares and loose tools	95,244	(69,940)
- Stock-in-trade	1,050,856	(751,249)
- Trade debts	(101,357)	47,984
- Advances, deposits and prepayments	(12,468)	(10,880)
- Other receivables	(113,314)	483,894
- Sales tax recoverable	630,557	988,192
	<u>1,549,518</u>	<u>688,001</u>
Increase / (Decrease) in current liabilities		
- Trade and other payables - net	1,459,633	(90,805)
	<u>3,009,151</u>	<u>597,196</u>
34. Cash and Cash Equivalents		
Cash and bank balances (note 15)	68,468	702,944
Short term finances (note 22)	(1,204,201)	(65,120)
	<u>(1,135,733)</u>	<u>637,824</u>

(Amounts in thousand)

35. Staff Retirement and Other Service Benefits

35.1 As stated in note 2.13.1, Engro Corporation Limited operates and maintains an approved defined contribution gratuity scheme and an approved defined benefit funded gratuity scheme (the Fund) on behalf of the Company, for all its permanent employees subjected to minimum prescribed period of service.

35.2 During the year, an amount of Rs. 8,251 (2016: Nil) has been charged in respect of defined contribution gratuity scheme maintained by Engro Corporation Limited.

35.3 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, repealed Companies Ordinance, 1984 (now Companies Act 2017), 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. The latest actuarial valuation of the Fund was carried out as at December 31, 2017 using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

	2017	2016
	------(Rupees)-----	-----
35.4 Balance sheet reconciliation		
Present value of defined benefit obligation (note 35.7)	(620,927)	(610,231)
Fair value of plan assets (note 35.8)	480,266	469,331
Deficit	(140,661)	(140,900)
(Payable) / recoverable to group companies	(973)	1,124
Net liability at end of the year	<u>(141,634)</u>	<u>(139,776)</u>

35.5 Movement in net liability in the balance sheet

Net liability at beginning of the year	(139,776)	(51,664)
Charge for the year (note 35.9)	(108,248)	(103,737)
Contribution made during the year to the Fund (note 35.8)	115,940	772
Remeasurements recognized in Other Comprehensive Income (OCI) (note 35.6)	(9,550)	14,853
Net liability at end of the year	<u>(141,634)</u>	<u>(139,776)</u>

35.6 Remeasurement recognized in Other comprehensive income

Gain / (loss) from changes in financial assumptions	8,521	(13,846)
Experience (loss) / gains	(3,861)	21,945
Remeasurement of defined benefit obligation	4,660	8,099
Actual return on plan assets	29,865	57,885
Expected return on plan assets	(43,410)	(51,131)
Remeasurement of fair value of plan assets	(13,545)	6,754
Liability adjustment	(665)	-
	<u>(9,550)</u>	<u>14,853</u>

(Amounts in thousand)

	2017	2016
	------(Rupees)-----	
35.7 Movement in present value of defined benefit obligationst		
Present value of defined benefit obligations at beginning of the year	610,231	526,803
Current service cost	96,102	98,885
Interest cost	55,556	55,983
Liability in respect of transfers - Inter Group	-	1,515
Liability in respect of transfers - Inter Fund	(53,587)	-
Benefits paid during the year	(82,715)	(64,856)
Remeasurement on obligation (note 35.6)	(4,660)	(8,099)
Present value of defined benefit obligation at end of the year	<u>620,927</u>	<u>610,231</u>

35.7.1 Analysis of present value of defined benefit obligation

Vested Benefits	620,927	606,207
Non-Vested benefits	-	4,024
	<u>620,927</u>	<u>610,231</u>
Accumulated benefit obligation	291,356	285,129
Amounts attributed to future salary increases	329,571	325,102
	<u>620,927</u>	<u>610,231</u>

35.8 Movement in fair value of plan assets

Fair value of plan assets at beginning of the year	469,331	475,217
Expected return on plan assets	43,410	51,131
Contributions for the year	115,940	772
Assets in respect of transfers - Inter Group	1,432	313
Assets in respect of transfers - Inter Fund	(53,587)	-
Benefits paid during the year	(82,715)	(64,856)
Remeasurement (note 35.6)	(13,545)	6,754
Fair value of plan assets at end of the year	<u>480,266</u>	<u>469,331</u>

35.9 Cost charged to profit and loss account:

Current service cost	96,102	98,885
Net interest cost	12,146	4,852
Cost for the year	<u>108,248</u>	<u>103,737</u>

35.10 Charge for the year has been allocated as follows:

Cost of sales	57,651	54,981
Distribution and marketing expenses	33,473	32,158
Administrative expenses	17,124	16,598
	<u>108,248</u>	<u>103,737</u>

(Amounts in thousand)

	2017	2016
35.11 Principle actuarial assumptions used are as follows:		
Financial assumptions		
- Discount rate - per annum compound	8.75%	9.00%
- Expected rate of increase in salaries - per annum		
- First year	7.75%	8.00%
- Long-term	7.75%	8.00%
- Expected rate of return on plan assets - per annum	9.00%	9.00%
Demographic assumptions		
- Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)
- Withdrawal rates / Rate of employees turnover	Moderate	Moderate

35.12 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	------(Rupees)-----		
Discount rate	1%	555,101	699,575
Expected rate of increase in salaries - long term	1%	699,575	553,974

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

(Amounts in thousand)

35.14 Plan assets comprise of following:

	2017				2016			
	Quoted	Un-Quoted	Total	(%)	Quoted	Un-Quoted	Total	(%)
	------(Rupees)-----							
Equity Instruments								
Quoted Shares	122,512	-	122,512	26%	59,965	-	59,965	13%
Mutual Funds	-	-	-	0%	7,498	-	7,498	2%
	<u>122,512</u>	<u>-</u>	<u>122,512</u>	<u>26%</u>	<u>67,463</u>	<u>-</u>	<u>67,463</u>	<u>15%</u>
Debt Instruments								
Government Bonds	-	315,427	315,427	66%	-	134,217	134,217	29%
Special Savings Certificates	-	-	-	0%	-	58,880	58,880	13%
Engro Rupiya Certificates	19,152	-	19,152	4%	17,664	-	17,664	4%
Regular Income Certificates	-	-	-	0%	-	14,720	14,720	3%
	<u>19,152</u>	<u>315,427</u>	<u>334,579</u>	<u>70%</u>	<u>17,664</u>	<u>207,817</u>	<u>225,481</u>	<u>49%</u>
Cash and cash equivalents	-	16,307	16,307	3%	-	170,271	170,271	35%
Others	-	6,868	6,868	1%	-	6,116	6,116	1%
Total	<u>141,664</u>	<u>338,602</u>	<u>480,266</u>	<u>100%</u>	<u>85,127</u>	<u>384,204</u>	<u>469,331</u>	<u>100%</u>

35.15 Through its defined benefit gratuity plan, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Fund believes that due to long-term nature of the plan liabilities and the strength of the Company's support, the current investment strategy manages this risk adequately.

Inflation risk

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, the Fund manages plan assets to offset inflationary impacts.

Life expectancy / withdrawal rate

The majority of the plan's obligations are to provide benefits on severance with the Company or on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

35.16 Expected contributions to the Fund for the year ending December 31, 2018 are Rs. 102,528.

35.17 The weighted average duration of the defined benefit obligation is 10.6 years.

(Amounts in thousand)

35.18 Historical information of staff retirement benefits:

	2017	2016	2015	2014	2013	2012
	------(Rupees)-----					
Present value of obligations	(620,927)	(610,231)	(526,803)	(382,274)	(312,434)	(241,468)
Fair value of plan assets	480,266	469,331	475,217	383,822	253,792	200,821
(Deficit) / Surplus	<u>(140,661)</u>	<u>(140,900)</u>	<u>(51,586)</u>	<u>1,548</u>	<u>(58,642)</u>	<u>(40,647)</u>

36. 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:

	2017			2016		
	Directors Chief Executive	Others	Executives	Directors Chief Executive	Others	Executives
	------(Rupees)-----					
Managerial remuneration	63,238	-	1,252,460	32,065	-	1,289,544
Contribution for staff retirement benefits	3,746	-	186,843	2,336	-	172,496
Bonus paid	2,422	-	62,266	16,421	-	274,259
Fees	-	4,019	-	-	33,650	-
Total	<u>69,406</u>	<u>4,019</u>	<u>1,501,569</u>	<u>50,822</u>	<u>33,650</u>	<u>1,736,299</u>
Number of persons, including those who worked part of the year	<u>3</u>	<u>9</u>	<u>750</u>	<u>1</u>	<u>15</u>	<u>673</u>

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

36.2 Premium charged in respect of non-executive directors indemnity insurance amounts to Rs. 509 (2016:Rs. 680).

(Amounts in thousand)

37. Financial Instruments by Category

37.1 Financial assets as per balance sheet

- Loans and receivables at amortized cost

	2017	2016
	------(Rupees)-----	
Long term deposits	56,444	51,680
Trade debts	170,639	69,654
Advances and deposits	22,394	44,602
Other receivables	227,975	114,661
Cash and bank balances	68,468	702,944
	<u>545,920</u>	<u>983,541</u>

37.2 Financial liabilities as per balance sheet

- Financial liabilities measured at amortized cost

Long term finances	4,500,000	2,195,988
Liabilities against assets subject to finance lease	273,300	-
Trade and other payables	4,425,489	2,583,923
Accrued interest / mark-up	97,742	31,565
Short term finances	1,204,201	65,120
	<u>10,500,732</u>	<u>4,876,596</u>

37.3 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.

38. Financial Risk Management Objectives and Policies

38.1 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.

(Amounts in thousand)

At December 31, 2017, 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, 2017, 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. 55,959 (2016: Rs. 4,475) 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.

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, advances, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

As at December 31, 2017, the Company has significant concentration of credit risk resulting from receivable from Ecolan AB and deposits with banks and financial institutions amounting to Rs. 180,565 (2016: Rs. 815,653). The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings as follows:

(Amounts in thousand)

Banks / Investments	Rating Agency	2017	
		Short term	Long term
National Bank of Pakistan	PACRA	A1+	AAA
The Bank of Punjab	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A-1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A-1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Askari Bank Limited	JCR-VIS	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
Samba Bank Limited	JCR-VIS	A-1	AA
Summit Bank Limited	JCR-VIS	A-1	A-
Tameer Microfinance Bank Limited	JCR-VIS	A-1	A+
Citibank N.A.	Moody's	P-1	A1
Industrial and Commercial Bank of China	Moody's	P-1	A1
Deutsche Bank AG	Moody's	P-2	Baa2

The Company attempts to control credit risk arising on receivable from 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 considering 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 cash flows.

(Amounts in thousand)

	2017			2016		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	------(Rupees)-----					
Long term finances	500,000	4,000,000	4,500,000	1,695,988	500,000	2,195,988
Liabilities against assets subject to finance lease	151,956	121,344	273,300	-	-	-
Trade and other payables	4,425,489	-	4,425,489	2,583,923	-	2,583,923
Accrued interest / mark-up	97,742	-	97,742	31,565	-	31,565
Short term finances	1,204,201	-	1,204,201	65,120	-	65,120
	<u>6,379,388</u>	<u>4,121,344</u>	<u>10,500,732</u>	<u>4,376,596</u>	<u>500,000</u>	<u>4,876,596</u>

38.2 Fair value estimation

38.2.1 The Company analyzes assets carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

38.2.2 There were no changes in valuation techniques during the year.

39. 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 total long term debt divided by total capital. Total capital is calculated as 'equity' in the balance sheet plus long term debt. The gearing ratio as at December 31 is as follows:

	2017	2016
	------(Rupees)-----	
Long term finances	4,000,000	500,000
Liabilities against assets subject to finance lease	121,344	-
Total long term debt	<u>4,121,344</u>	<u>500,000</u>
Total equity	<u>9,721,024</u>	<u>17,150,519</u>
Total capital	<u>13,842,368</u>	<u>17,650,519</u>
Debt to equity ratio	<u>0.30</u>	<u>0.03</u>

(Amounts in thousand)

40. Transactions and Balances with Related Parties

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

		2017	2016
		------(Rupees)-----	
Nature of relationship	Nature of transactions		
Holding Company	Dividend paid	3,909,640	-
	Arrangement for sharing of premises, utilities, personnel and assets	-	233,282
	Reimbursement of expenses paid on behalf of	-	41,641
Associated companies	Dividend paid	3,060,759	-
	Fee for technical assistance	886,672	27,805
	Arrangement for sharing of premises, utilities, personnel and assets	207,051	14,266
	Purchases of goods and services	196,508	42,246
	Reimbursement of expense paid on behalf of	19,760	67,800
	Donations	18,250	18,000
	Sale of goods	81	-
Contribution for staff retirement funds	Managed and operated by Engro Corporation Limited:		
	- Provident fund	321,972	293,695
	- Gratuity funds	123,486	2,848
	Managed and operated by the Company:		
	- Gratuity Fund	-	772
Key management personnel	Managerial remuneration	174,061	144,978
	Contribution for staff retirement benefits	15,386	13,931
	Bonus payments	17,311	67,487
	Other benefits	509	1,180
	Director Fee	4,019	33,650

40.2 Related party transactions from Engro Corporation Limited and FrieslandCampina Pakistan (Holding) B.V. are shown in accordance with the status of the relation at the time of the transaction.

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

40.4 The related party status of outstanding receivables and payables as at December 31, 2017 are included in respective notes to these financial statements.

(Amounts in thousand)

41. Segment Information

41.1 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 & frozen desserts; and
- Dairy farm.

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 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 and Beverages to Ice cream and inter-segment sales of raw milk are made by Dairy farm to Dairy and Beverages, at market value.

The following information presents operating results information regarding operating segments for the year ended December 31, 2017 and asset information regarding operating segments as at December 31, 2017:

	2017				2016					
	Dairy & Beverages	Ice cream & frozen desserts	Dairy farm	Others	Total	Dairy & Beverages	Ice cream & frozen desserts	Dairy farm	Others	Total
Results for the year										
Net sales	31,461,916	3,238,692	1,085,612	-	35,786,220	40,452,846	3,418,151	929,965	-	44,800,962
Inter-segment sales	(77,576)	-	(1,085,612)	-	(1,163,188)	(24,217)	-	(929,965)	-	(954,182)
	31,384,340	3,238,692	-	-	34,623,032	40,428,629	3,418,151	-	-	43,846,780
Raw milk sales	30,454	-	-	-	30,454	31,567	-	-	-	31,567
Depreciation, impairment and amortization	31,414,794	3,238,692	-	-	34,653,486	40,460,196	3,418,151	-	-	43,878,347
Finance costs	1,536,641	318,097	77,402	-	1,932,140	1,646,416	342,880	74,358	-	2,063,654
Net profit / (loss) after tax	217,189	180,382	126,926	-	524,497	(5,176)	222,775	130,439	-	348,038
	375,049	(24,336)	28,584	-	379,297	2,473,803	42,773	(129,864)	-	2,386,712
Assets										
- Segment assets	13,226,462	1,819,511	2,157,578	-	17,203,551	14,683,089	2,079,166	2,030,254	-	18,792,509
- Un-allocated assets	-	-	-	-	5,014,779	-	-	-	-	5,921,263
	13,226,462	1,819,511	2,157,578	-	22,218,330	14,683,089	2,079,166	2,030,254	-	24,713,772

(Amounts in thousand)

42. Seasonality

The Company's 'Ice cream & frozen desserts' 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.

43. Production Capacity

	Designed Annual Capacity (note 43.1)		Actual Production		Remarks
	2017	2016	2017	2016	
	------(Litres in thousand)-----				
Dairy and Beverages	662,516	748,000	320,344	482,958	Production planned as per market demand
Ice cream	40,800	39,000	17,467	19,518	

43.1 Represents capacity as at balance sheet date.

44. Number of Employees

	Number of employees as at December 31,		Average number of employees December 31,	
	2017	2016	2017	2016
Management employees	1,258	1,361	1,302	1,358
Non-management employees	195	195	195	200
	<u>1,453</u>	<u>1,556</u>	<u>1,497</u>	<u>1,558</u>

45. Provident Fund

45.1 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 unaudited financial statements of provident fund.

	June 30, 2017	June 30, 2016
	------(Rupees)-----	
Size of the fund - Total assets	<u>3,941,927</u>	<u>3,386,894</u>
Cost of the investments made	<u>2,493,496</u>	<u>2,920,257</u>
Percentage of investments made	<u>92%</u>	<u>92%</u>
Fair value of investments	<u>3,643,638</u>	<u>3,108,948</u>

(Amounts in thousand)

The break-up of investments is as follows:

	2017		2016	
	Rupees	%	Rupees	%
National savings scheme	824,473	23%	808,579	26%
Government securities	1,152,661	32%	727,842	24%
Listed securities and unit trust	817,729	22%	974,172	31%
Balances with Bank in savings account	848,775	23%	598,355	19%
	<u>3,643,638</u>	<u>100%</u>	<u>3,108,948</u>	<u>100%</u>

45.2 The investments out of the fund have been made in accordance with the provisions of section 218 of the Companies Act 2017 and the rules formulated for the purpose.

45.3 An amount of Rs. 133,846 (2016: Rs. 146,847) has been charged during the year in respect of contribution to the provident fund.

46. Supplementary Information

46.1 Details of expenses relating to export business during the year are as follows:

	Rupees
Cost of Sales	363,766
Salaries, wages and staff welfare	17,188
Freight outward	43,534
Rent and utilities	1,277
Communication and other office expenses	6,020
Travelling	2,756
Legal charges	3,111
Bank charges	1,995
	<u>439,647</u>

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

47. Non-adjusting Event After Balance Sheet Date

The Board of Directors in its meeting held on February 9, 2018 has proposed a final cash dividend of Re. 0.4 (2016: Rs. 10) per share for the year ended December 31, 2017, for approval of the members at the Annual General Meeting to be held on April 26, 2018. The amount of total dividend is calculated at the number of shares outstanding as at December 31, 2017.

(Amounts in thousand)

48. Corresponding Figures

For better presentation, following reclassifications have been made in these financial statements:

Description	Rupees	Head of account in financial statements for the year ended December 31, 2016	Head of account in financial statements for the year ended December 31, 2017
Profit and loss account			
Trade discounts and rebates	467,684	Distribution and marketing expenses	Net sales
Freight charges	443,935	Cost of sales	Distribution and marketing expenses

The effects of other rearrangements and reclassifications are not material.

49. Date of Authorization for Issue

These financial statements were authorized for issue on February 9, 2018 by the Board of Directors of the Company.

Abdul Samad Dawood
Chairman

Ali Ahmed Khan
Chief Executive

Imran Husain
Chief Financial 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 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, 125,000 share options were granted to an employee and 1,050,000 previously granted share options lapsed due to resignation of some employees. Further, during the year, 1,800,000 vested share options, granted in 2013 to 2 senior management employees, expired due to non-exercise by ex-employees within the exercise period. Till date 10,175,000 share options have been granted, out of which, 5,800,000 options have been granted to the following senior management personnel :

S.No.	Name	No. of Options
1	Ahsan Afzal Ahmed	800,000
2	Imran Anwer (Ex-employee)	1,000,000
3	Usman Zaheer	800,000
4	Imran Husain	800,000
5	Imran Ahmed	800,000
6	Syed Saud Ahmed Pasha	800,000
7	Zahid Mahmud	800,000

All of the above personnel were given more than 5% of total options issued during that year.

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 26th day of April, 2018 and at any adjournment thereof.

Signed this _____ day of _____ 2018.

WITNESSES:

1) Signature : _____
Name : _____
Address : _____

CNIC or : _____
Passport No.: _____

2) Signature : _____
Name : _____
Address : _____

CNIC or : _____
Passport No.: _____

Signature
Signature should agree with the specimen
registered with the Company

Note:

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

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

standard request form circulation of annual audited accounts.

The Share Registrar
Engro Foods Ltd.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal
KARACHI.
E-mail: info.shares@famco.com.pk
Telephone No. (9221) 3438 0101-5, 3438 4621-3

Dated: _____

Dear Sirs,

Subject: Request for Hard Copy of Annual Report of Engro Foods Limited.

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on March 24, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's share registrar and Company Secretary.

I, _____ S/o, D/o, W/o _____ being a registered shareholder of Engro Foods Ltd. with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

	Particulars
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC/NICOP/ Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours truly,

Shareholder's Signature

Copy to:
Ms. Muneeza Iftikar
Company Secretary
Engro Foods Ltd.
5th Floor, The Harbor Front Building
HC-3, Marine Drive, Block - 4, Clifton
Karachi Pakistan.
muneeza.iftikar@engrofoods.com

اسٹینڈرڈ درخواست فارم

سالانہ آڈٹ اکاؤنٹس کی گردش

حصص رجسٹرار

اینگروفوڈز لمیٹڈ

فیمکو ایسوسی ایٹس پرائیویٹ لمیٹڈ

F-8، نزد ہوٹل فاران

نرسری، بلاک 6، پی ای سی ایچ ایس، شاہراہ فیصل کراچی۔

ای میل info.shahes@famco.com.pk

ٹیلی فون نمبر: 3-4621 3438، 5-0101 3438 (9221)

تاریخ

عنوان: اینگروفوڈز کی سالانہ رپورٹ کے لئے ہارڈ کاپی کی درخواست

محترم گرامی

جیسا کہ سیکورٹی اینڈ ایکس چینج نے بذریعہ ایس آر او 2016/1(470) تاریخ 21 مئی 2016ء مطلع کی ہے اور شیئر ہولڈرز نے 24 مارچ 2017 کو منعقد کئے جانے والے سالانہ عمومی اجلاس میں منظوری دی تھی کہ کمپنی اپنی مالیاتی معلومات بشمول بیلنس شیٹ، منافع خسارے کے کھاتے، آڈیٹرز رپورٹ اپنے ممبران کو اُن کے رجسٹرڈ پتے پر سی ڈی/ڈی وی ڈی/یو ایس بی کی شکل میں ارسال کرے گی۔ تاہم وہ جو کمپنی کے مالیاتی گوشواروں کی ہارڈ کاپی چاہتے ہیں انہیں مندرجہ ذیل فارم میں اپنی معلومات پر کرنی ہیں اور کمپنی کے حصص رجسٹرار اور کمپنی سیکریٹری کو فراہم کرنی ہیں۔

میں _____ ولد/دختر/ذو جہ _____ بطور اینگروفوڈز کی رجسٹرڈ شیئر ہولڈر، اپنا نام اُس فہرست میں شامل کروانا چاہتا/چاہتی ہوں جنہیں کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس ہارڈ کاپی کی شکل میں ارسال کئے جائیں گے۔ لہذا میری گزارش ہے کہ مجھے سالانہ آڈٹ شدہ اکاؤنٹس بجائے سی ڈی/ڈی وی ڈی/یو ایس بی کے ہارڈ کاپی میں ارسال کئے جائیں۔

معلومات	شیئر ہولڈر کا نام
	فولیو نمبر/سی ڈی سی آئی ڈی نمبر
	قومی شناختی کارڈ نمبر/ پاسپورٹ نمبر
	لینڈ لائن ٹیلی فون نمبر (اگر کوئی ہو تو)
	موبائل نمبر (اگر کوئی ہو تو)

شکریہ

شیئر ہولڈر کے دستخط

نقل برائے: مس منیزہ افتخار، کمپنی سیکریٹری، اینگروفوڈز لمیٹڈ، پانچویں منزل، داہار برفرنٹ بلڈنگ، ایچ سی 3، میرین ڈرائیو، بلاک 4، گلشن، کراچی، پاکستان۔
muneeza.iftikar@engrofoods.com

شیر ہولڈنگ کا اسلوب

PATTERN OF SHAREHOLDING

ایگرو فوڈ لمیٹڈ کے بڑے شیر ہولڈرز فرار لینڈ کمپنا پاکستان ہولڈنگز بی ۔ وی ۔ (51 فیصد) اور ایگرو کارپوریشن لمیٹڈ (40 فیصد) ہیں۔ دیگر شیر ہولڈرز میں مقامی ادارے اور عام افراد شامل ہیں۔

گوشوارہ برائے شیر ہولڈنگ کے عام اسلوب اور مخصوص درجات برائے شیر ہولڈنگ جن کی تشہیر رپورٹنگ ڈھانچے کے تحت ضروری ہے اور ڈائریکٹرز، ایگزیکٹو ز اور ان کے رفقائے حیات بشمول نابالغ اولاد کے شیرتزر کے گوشوارے برائے خرید و فرخت دوران سال 2017 آگے درج ہیں۔

داخلی اختیار کا نظام

INTERNAL CONTROL FRAMEWORK

ذمے داری

Responsibility

کمپنی کی نظامت اور اس کی فعالیت پر نظر ثانی کی حتمی ذمے داری بورڈ پر ہے۔ البتہ یہ طریقہ کار کو تاہی کے خطرات کو ختم کرنے کے بجائے کاروباری مقاصد حاصل کرنے کے لئے ترتیب دیا گیا ہے اور ماڈی غلطی یا نقصان کے برخلاف مناسب ضمانت فراہم کرتا ہے لیکن مطلق ضمانت نہیں۔ بورڈ کمپنی کے داخلی خطرے کے لئے اپنی مجموعی ذمے داری کو برقرار رکھنے کے ساتھ داخلی اختیار کے نظام کا تفصیلی نقشہ چیف ایگزیکٹو کو تفویض کرتا ہے۔

نظام

Framework

کمپنی مقرر کردہ طریقہ کار کو برقرار رکھتی ہے جو دورہ عمل کے لئے شفاف ساخت ، اختیارات کی حد اور احتساب، واضح منصوبہ بندیوں اور طریقہ عمل پر مشتمل ہے۔ بورڈ مشنز کو لائحہ عمل اور کمپنی کے کاروباری مقاصد ترتیب دیتا ہے۔ ذیلی انتظامیہ ان مقاصد کو مالیاتی مقاصد کی تائید کے ساتھ ذیلی کاروباری حکمت عملیوں میں ضم کرتی ہے۔

نظر ثانی

Review

کمپنی کی مالیاتی کارکردگی ، مالیاتی اور انتظامی میزانیہ اور پیش بینی ، کاروبار کی نشوونما اور ترقی کے منصوبوں، سرمائے کے اخراجات کی تجاویز اور کارکردگی کے اہم زاویوں پر غور کرنے کے لئے بورڈ کا سہ ماہی اجلاس ہوتا

ہے۔ بورڈ کی آڈٹ کمیٹی داخلی اختیارات کے طریقہ کار پر داخلی اور خارجی پڑتال کنندگان (آڈیٹرز) کی رپورٹس وصول کرتی ہے اور داخلی اختیارات کی فعالی کے طریقے پر نظر ثانی کرتی ہے۔

داخلی پڑتال

Internal Audit

ایگرو فوڈ کا داخلی پڑتال کا خود مختار طریقہ ہے۔ بورڈ کی آڈٹ کمیٹی سالانہ بنیاد پر ذرائع کی موزونیت اور اختیارات پر نظر ثانی کرتی ہے۔ داخلی پڑتال کا سربراہ خود آڈٹ کمیٹی کو اس سلسلے میں قاعدے کے مطابق مطلع کرتا ہے۔ بورڈ کی آڈٹ کمیٹی کارکردگی کے شعبوں میں سالانہ اندیشوں کے تخمینے کی پڑتال پر مشتمل تدابیر کی منظوری دیتی ہے۔ داخلی پڑتال کے طریقے سے مالیاتی نظر ثانی ، کام اور تکمیل کے اختیارات ، اور تجاویز کی رپورٹس بورڈ آڈٹ کمیٹی، چیف ایگزیکٹو اور ذیلی انتظامیہ کو دی جاتی ہے۔

بورڈ آف ڈائریکٹرز

BOARD OF DIRECTORS

ڈائریکٹرز کی ذمے داریوں کا بیان

Ensuring responsible environmental practices

ڈائریکٹرز درج ذیل امور کے لئے ایس ای سی پی (SECP) کے انتظامی ضابطے سے مشنز کو اور مالیاتی رپورٹنگ کے نظام کی مطابقت کی تصدیق کرتے ہیں:

- کمپنی کی انتظامیہ کے تیار کردہ مالی گوشوارے، اپنے صحیح معاملات، کارکردگی کے نتائج، کیش فلوز اور معدلت (ایکویٹی) کی تبدیلی کے ساتھ پیش کئے جا رہے ہیں۔
- کمپنی کے حسابات کے کھاتے صحیح طور پر ترتیب دیئے گئے ہیں۔
- مالی گوشواروں کی تیاری میں کھاتہ داری کے مناسب طریقے عمل میں لائے جاتے ہیں ماسوائے تبدیلیوں کے جو معیارات کے بنیادی استعمال اور موجودہ معیارات میں ترامیم یا تفریح کے نتیجے میں ہوں۔ حسابات کے تخمینے مناسب محتاط اندازوں کی بنیاد پر لگائے جاتے ہیں۔
- مالیاتی گوشواروں کی تیاری اور ان میں کسی قسم کے انحراف کو مالیاتی اندراج کے بین الاقوامی معیارات، جن کا پاکستان میں اطلاق ہوتا ہے، کے مطابق موزوں طور پر واضح کئے جاتے ہیں۔
- داخلی اختیارات کا طریقہ کار عملی طور پر مناسب ہے اور مؤثر طور پر قابل عمل ہے اور اس کی نگرانی کی جاتی ہے جس میں مناسب داخلی مالیاتی اختیارات شامل ہیں۔
- موجودہ اہتمام کے ضمن میں کمپنی کی اپنے کام جاری رکھنے کی اہلیت پر کوئی قابل ذکر شہات نہیں ہیں۔
- کارپوریٹ گورننس کی بہترین پریکٹسز سے کسی قسم کا مادی گریز نہیں کیا گیا ہے ، جیسا کہ لسٹنگ ریگولیشن میں تفصیلات شامل ہیں۔

بورڈ کی ساخت اور دائرہ اختیار

Board Composition and Governance

بتاریخ 31 دسمبر 2017 تک بورڈ نو ڈائریکٹرز (چھ حضرات اور تین خواتین) پر مشتمل تھا جس میں ایک ایگزیکٹو ڈائریکٹر، ایک خود مختار ڈائریکٹر اور سات غیر ایگزیکٹو ڈائریکٹرز شامل تھے۔ بورڈ کی مشنز کو ذمے داری ہوتی ہے کہ وہ ایگرو فوڈ کے معاملات کی مستعدی اور دیانت کے ساتھ انجام دہی کو یقینی بنائے۔ جناب عبدالصمد داؤد، غیر ایگزیکٹو ڈائریکٹر، بورڈ کے چیئرمین اور جناب علی احمد خان چیف ایگزیکٹو ہیں۔ ڈائریکٹرز کے بارے میں تفصیلات اس رپورٹ میں آگے درج ہیں۔ ڈائریکٹرز کے اجلاس کی تقویم سالانہ جاری کی جاتی ہے جس میں معاملات برائے بحث و منظوری پیش کئے جاتے ہیں۔

بورڈ کے اجلاس اور حاضری

Board Meetings and Attendance:

سن 2017 میں مکمل دائرہ کار کے احاطے کے لئے بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد کئے گئے۔ بورڈ کے تمام اراکین کو بورڈ کے اجلاس کی تمام دستاویزات پیشگی فراہم کی گئیں۔ یہ عمومی طور پر کاروبار سے متعلق تفصیلی تجزیے اور ان تمام معاملات پر مبنی دستاویزات ہوتی ہیں جن پر بورڈ کا فیصلہ یا منظوری درکار ہوتی ہے۔ بورڈ خود مختار غیر ایگزیکٹو ڈائریکٹر کے مشاہرے پر مشاورت اور تقرری کرتا ہے۔

ڈائریکٹرز کی حاضری کا جدول ذیل میں درج ہے:

ڈائریکٹر کا نام	تعداد اجلاس جن میں شرکت کی
عبدالصمد داؤد	4
علی احمد خان*	3
بابر سلطان**	-
غیاث خان	4
ہیڈی وین درکوئج	4
ہیئریکس مارٹینس ایڈریانس شاچر***	1
جیدس کاریان ڈی بیکر	4
جوبانز پطرس فرانسس لارا کر	4
پیٹ جوبانز ہلارائنڈز	4
صبرینہ داؤد	4
وم ٹورنس	4

* 27 مارچ 2017 کو تقرری ہوئی

** 3 جنوری 2017 کو مستعفی ہوئے

*** 27 مارچ 2017 کو مستعفی ہوئے

ڈیری ڈائلاگز

Dairy Dialogues

ڈیری ڈائلاگز کا آغاز بطور ایک سفر لوگوں کو اپنی مصنوعات سے جوڑنے کے لئے کیا گیا۔ ایک سفر جو ہماری مصنوعات سے متعلق گفتگو کے گرد گھومتا ہے۔ ہمارے ملازمین کو ہمارے برانڈز کا سب سے بڑا حامی ہونا چاہیے اور انہیں جاننا چاہیے کہ ہم جو بھی مصنوعات تیار کرتے ہیں وہ عالمی معیار کی ہوتی ہیں اور ان کی تیاری میں معیار کے بہت ہی سخت پیمانے استعمال کئے جاتے ہیں۔ ڈیری ڈائلاگز ایک عزم ہے جس کے تحت اینگروفوڈز کے تمام ملازمین کو اپنی صحت بخش مصنوعات اور ان کی تیاری کے طریقہ کار کے بارے میں درست معلومات سے آگاہ کرنا ہے۔

افراد ی قوت کی کلیدی دلیلیں

Key HR Indicators/KPIs

فردوگی کی شرح	10.82 فیصد
ملازمین کی مصروفیات کا جدول	64 فیصد

صحت، حفاظت اور ماحول

HEALTH, SAFETY AND ENVIRONMENT

ہم اس امر پر بھرپور توجہ دیتے ہیں کہ صحت، حفاظت اور ماحول کا بہترین معیار قائم رکھا جائے جو ہمارے ملازمین کے علاوہ ان برادر یوں کی بھلائی کو بھی یقینی بناتا ہو جن کے ساتھ ہم کام کرتے ہیں۔

کارگاہوں پہ ملازمین کے تحفظ کو یقینی بنانا

Ensuring employee safety at the workplace

اینگروفوڈز میں ہم اپنے ملازمین اور ٹھیکیداروں سے توقع رکھتے ہیں کہ وہ صحت، حفاظت اور ماحول کے انتظامی نظام اور طریقہ کار کو یقینی بنائیں جنہیں بین الاقوامی معیار اور بہترین طریقوں کو مد نظر رکھتے ہوئے ترتیب دیا گیا ہے۔ برسوں سے ہماری کوشش ہے کہ ڈیوپونٹ لائننٹ کے ذریعے پیشہ ورانہ حفاظت اور صحت کے نظام Occupational Safety and Health Administration(OSHA - USA) کو اپنائیں اور ہم اپنے مقاصد میں کامیاب رہے۔

کام کرنے کے مقامات پر حفاظتی نظام نافذ کیا گیا جو کام کے مقامات پر ناگہانی حادثات کو کم سے کم کرنے کے لئے حفاظتی کمی کا تجزیہ کرتے ہوئے پوری طرح فعال ہے۔ کیونکہ ڈیوپونٹ سیفٹی مینجمنٹ بنیادی طور پر افراد پہ توجہ مرکوز رکھتا ہے، لہذا ہم نے ملازمین کی تربیت کے لئے اس سال 17,900 سے زائد تربیتی گھنٹے مختص کئے ہیں۔

اپنے ملازمین کی حفاظت کے ضمن میں اپنے عزم کی تصدیق کے لئے اینگروفوڈز سیفٹی ویکس، انعامات اور جائزے، مینینے کے سیفٹی چیمپیئنز جیسی تقاریب جاری رکھتا ہے۔

اپنی کاوشوں اور صحت، حفاظت اور ماحول کی سخت ہدایات کے نتیجے کے طور پر ٹول ریکارڈ اپریل انجری ریٹ (TRIR) میں پچھلے چھ برسوں میں حیرت انگیز کمی واقع ہوئی ہے۔ دوران سال ہمارے ملازمین اور ٹھیکے داروں کا ٹول ریکارڈ اپریل انجری ریٹ (TRIR) 18.5 ملین گھنٹوں کے اوقات کار میں 0.08 ریکارڈ ہوا ہے۔

ذمے دارانہ ماحولیاتی طریقہ کار کو یقینی بنانا

Ensuring responsible environmental practices

اجتماعی سماجی ذمے داری ہمارے کاروبار میں رچی بسی ہوئی ہے۔ ہم اپنے کرۂ ارض کی حفاظت کی ضرورت کو بخوبی سمجھتے ہیں اور اس سلسلے میں انتہائی اقدامات کرتے ہیں اور قدرتی وسائل کو غیر ضروری طور پر ضائع ہونے سے بچانے کی بھرپور کوشش کرتے ہیں۔ ہماری کاروباری حکمت عملی اس نظریے سے پوری طرح مطابقت رکھتی ہے۔

اپنی بودوباش کی جگہ کی حفاظت کے لئے جاری کوششوں کے تحت ہم نے اپنے ایریا آفسوں میں شمی توانائی سے چلنے والے گیز رزنصب کئے ہیں۔ گرین ہاؤس گیسز(GHG) اور ان کے اخراج کو کم سے کم کرنے کے لئے ہم اپنے تمام مینوفیکچرنگ پلانٹس میں ان مصنوعات کے استعمال کو فروغ دے رہے ہیں جو سی ایف سی(CFC) پر مشتمل نہ ہوں۔ ہم نے اوزون کی تہہ کو نقصان پہنچانے والے غیر ماحولیات دوست ایئر کنڈیشنرز اور ریفریجریٹرز کا استعمال روک دیا ہے۔ اینگروفوڈز میں ہم اپنے سیارے کو آنے والی نسلوں کے لئے، اسے تحفظ فراہم کرنے اور اسے محفوظ رکھنے کی باہمی کوششیں جاری رکھیں گے، جس کے لئے ماحولیاتی خطرات کو کم سے کم کرنے کے لئے مؤثر اقدامات کریں گے۔ اس کی جھلک سکھر اور ساہیوال میں ہماری فیکٹریاں اور نارامیں ہمارے ڈیری فارم کے لئے ISO 14001 کی سند کے حصول کی کاوشوں میں نظر آتی ہے۔ ہمارے دودھ کے حصول کے لئے قائم کردہ20 ایریا آفسز اور اگری سرورسز دفاتر بھی ISO 14001 سے سند یافتہ ہیں۔ سال بہ سال کی بنیاد پر پانی کے استعمال کو کم سے کم کرنے کا منصوبہ بھی قابل غور ہے۔

ہمارا ہیڈ آفس بمعد ہمارے ساہیوال پلانٹ ، سکھر پلانٹ اور نارا ڈیری فارم کے ایڈمنسٹریشن آفسز، ڈبلیو ڈبلیو ایف۔ پاکستان (WWF) کے گرین آفس پروجیکٹ کے تحت ’گرین آفسز‘ کی حیثیت سے سند یافتہ ہیں۔ کانفد کے استعمال میں کمی کا ابتدائی منصوبہ اینگروفوڈز نے اپنے کراچی آفس میں شروع کیا جس کے نتیجے میں کانفد کے استعمال میں 40 فیصد کمی واقع ہوئی۔ اپنے ملازمین میں ماحولیاتی مسائل کے بارے میں آگہی کو فروغ دینے کے لئے سارا سال مختلف نوعیت کی تقریبات بشمول ارتھ ڈے اور ارتھ آڈے (Earth Day andr Earth Hour) منائی جاتی ہیں۔

اہم فیصلہ کن امور

MAJOR JUDGEMENT AREAS

اہم امور کا تعلق ٹیکسیشن، املاک، پلانٹ اور سازو سامان، غیر ماذی اثاثے، حیاتیاتی اثاثے، مال تجارت، ملازمین کے حصص کے اختیار کے منصوبے اور عملے کی پوسٹ ریٹائرمنٹ خدمات کے عوض فوائد کی فراہمی سے ہے۔

حساب داری کے معیارات

ACCOUNTING STANDARDS

کمپنی کی حساب داری کی حکمت عملی میں کمپنیز آرڈیننس 1984، اور دیگر منظور شدہ بین الاقوامی حساب داری کے معیارات اور بین الاقوامی مالیاتی حساب نویسی کے معیارات (International Accounting Standards and International Financial Reporting Standards) جو اس آرڈیننس کے تحت آگاہ کردہ اور ان کے علاوہ بکیورٹیز اینڈ ایکچنچ کمیشن آف پاکستان کے احکامات کی مطابقت نمایاں ہے۔

پنشن، گرچیو بیٹی اور پروویڈینٹ فنڈ

PENSION, GRATUITY AND PROVIDENT FUND

کمپنی کے ملازمین اینگروکار پوریشن لمیٹڈ کے زیر نگرانی سبکدوشی فنڈ میں حصہ لیتے ہیں۔ کمپنی اپنے ملازمین کی ملازمت سے سبکدوشی کے بعد ہونے والے فنڈز کے منصوبے میں اپنی شراکت کرتی ہے۔ اس میں ڈی سی پروویڈنٹ پلان، ڈی سی گرچیو بیٹی پلان اور ڈی بی گرچیو بیٹی پلان شامل ہیں۔ ڈی بی گرچیو بیٹی اسکیم کی سرمایہ کاری کی قدر پڑتال شدہ مالیاتی گوشوارہ کی تاریخ کے مطابق درج ذیل ہیں:

		گرچیو بیٹی فنڈ روپے بلین میں
	30 جون 2017	
1	پڑتال شدہ مالیاتی گوشوارہ کے مطابق خالص اثاثے	498
2	ایس ایس سی زر پی آئی بی ز (SSCs/PIBs)	197
3	میو چکل فنڈز	8
4	ٹی ایف سی ز (TFCs)	19
5	حصص	65
6	بینک میں جمع شدہ رقم	221
7	واجب الوصول رقم	4
8	واجب الادا رقم	(16)
	کل میزان	498

درج بالا منصوبہ ٹیکس حکام سے منظور شدہ سرمایہ کاری کا منصوبہ ہے۔ گرچیو بیٹی منصوبے کی (Acturial valuation)31 دسمبر 2017 میں کی گئی اور ان کے مالیاتی گوشواروں کی پڑتال 30 جون 2017 تک کی گئی ہے۔

آڈیٹرز

AUDITORS

موجودہ آڈیٹرز مینسز اے ایف فرگوسن اینڈ کمپنی سبکدش ہو چکے ہیں اور کمپنی کے قانونی آڈیٹرز کی حیثیت سے اپنی دوبارہ تقرری کے خواہش مند ہیں۔ بورڈ آف ڈائریکٹرز نے مینسز اے ایف فرگوسن اینڈ کمپنی کی دوبارہ تقرری کے لئے بورڈ آڈٹ کمیٹی کی سفارش کی تصدیق کی ہے۔

ڈیویڈنڈ

DIVIDEND

اختتام سال 31 دسمبر 2017 کے لئے حتمی ڈیویڈنڈ 0.4 روپے، سالانہ اجلاس عام میں جو 26 اپریل 2018 کو منعقد کیا جائے گا، اراکین کی منظوری کے لئے بورڈ کی جانب سے تجویز کیا گیا ہے۔

ایمپلائئی شیئر آپشن اسکیم

EMPLOYEE SHARE OPTION SCHEME

کمپنی حصص کے اختیار کا منصوبہ چلاتی ہے۔ منصوبے کی تفصیلی وضاحت حسابات کے نوٹ 8 میں درج ہے۔

ڈائریکٹرز رپورٹ

اینگروفوڈز لمیٹڈ(فریز لینڈ کمپنی پاکستان ہولڈنگز بی۔وی۔کی اکثریت ملکیتی ماتحت کمپنی) کے بورڈ آف ڈائریکٹرز کمپنی کی سالانہ رپورٹ اور آڈٹ

شدہ مالیاتی معلومات برائے سال، جو 31دسمبر 2017 کو اختتام پذیر ہوا، بصدمسرت پیش کر رہے ہیں۔

کاروبار کا جائزہ

BUSINESS OVERVIEW

سن 2017دودھ کی صنعت کے لئے پھر ایک مبارزہ کا سال بن کر آیا جس میں مجموعی طور پر حجم میں کمی ظاہر ہوئی۔ اس صنعت کو وفاقی اور صوبائی قوانین برائے خوراک کے مابین ہم آہنگی نہ ہونے اور وفاقی بجٹ 2016 میں اعلان کردہ قانون سازی برائے ٹیکس کی وجہ سے مسلسل مبارزات درپیش رہے۔ ان امور کی وجہ سے صنعت پر لاگت کا دباؤ رہا جس نے قیمتوں میں اضافے پر مجبور کیا اور جس کی وجہ سے کھلے دودھ کے مقابلے میں قیمتوں میں واضح فرق آیا جبکہ کھلا دودھ پہلے سے ہی غیر توثیق شدہ اور ٹیکس سے مستثنی ہے۔

پچھلے سال کی آمدنی 43.9 بلین روپے کے مقابلے میں سال 2017 میں کمپنی کی آمدنی 34.6 بلین رہی۔ بنیادی طور پہ کم حجم کے باعث گروس مارجن 2016 میں 23 فیصد کے مقابلے میں، 2017 میں 16 فیصد رہا۔ مجموعی بنیادوں پر کمپنی نے 2016 کے کل منافع 2,387 ملین روپے کے مقابلے میں 2017 میں 379 ملین منافع ظاہر کیا (EPS 2017 :0.49 روپے، 2016:3.11 روپے)۔

ڈیری اور مشروبات کا شعبہ

Dairy And Beverages Segment

دوران سال مختلف محاذوں پر مبارزات کی وجہ سے دودھ کی صنعت کے حجم میں کمی واقع ہوئی۔ حقیقت یہ ہے کہ کھلے دودھ نے غیر معیاری اور غیر ٹیکس شدہ ہونے کی وجہ سے نہ صرف اہم کردار ادا کیا بلکہ عوام کے لئے مضر صحت بھی ہے۔ وفاقی بجٹ 2016 میں سیلز ٹیکس کی روش میں تبدیلی اور درآمد شدہ ڈیری کے خام مال پر ٹیکس، دودھ کی صنعت کے فروغ میں رکاوٹ کا باعث بنے۔ نتیجتاً کمپنی کے ڈیری او مشروبات کے شعبے نے 31.4 بلین آمدنی ظاہر کی جو پچھلے سال سے 22 فیصد کم ہے۔

آئس کریم اور منجمد میٹھوں کا شعبہ

Ice Cream And Frozen Desserts Segment

سن 2017 آئس کریم اور منجمد میٹھوں کے کاروبار کے ضمن میں کارکردگی بڑھانے کا سال رہا۔ دوران سال یہ شعبہ اپنے اصل برانڈ کے ارتقا و استدلال کے لئے کام کرتا رہا۔ جدتوں نے تسلسل

کے ساتھ سارا سال کامیابیوں کے حصول کے لئے اہم کردار ادا کیا، جس میں کئی مصنوعات نے توقع سے بڑھ کر اپنا مقام بنایا جس کی بدولت آنے والے برسوں میں مثبت نتائج وضع ہوں گے۔ کاروبار کے شعبے نے 3.2 بلین آمدنی ظاہر کی، جو گزشتہ سال کے مقابلے بلے میں برانڈز کے استدلال کی وجہ سے 5 فیصد کم ہے۔

ڈیری فارم کا شعبہ

Dairy Farm Segment

ہماری دودھ کی مصنوعات کے شعبے کے لئے معیاری دودھ کی فراہمی میں ڈیری فارم مسلسل گراں بہا اور غذائیت بخش ذریعہ ہے۔ اس شعبے نے 2016 میں 130 بلین روپے کے نقصان کے مقابلے میں دوران سال 28 ملین روپے کا منافع ظاہر کیا جو زیادہ پیداوار اور حیاتیاتی اثاثوں کے حصول میں نظر ثانی کے ضمن میں تھا۔

سماجی سرمایہ کاری

SOCIAL INVESTMENTS

اینگروفوڈز اپنے متعلقین، خصوصاً اپنی میزبان برادر یوں کی زندگی کو بہتر بنانے کے وعدے پر کار بند ہے، اس سلسلے میں 2017 میں ہم نے سماجی سرمایہ کاری کے تحت تقریباً 21 بلین روپے کی معاونت کی۔ ہمارے سماجی سرمایہ کاری کے امور کے انتظامات بنیادی طور پر اینگروفاؤنڈیشن انجام دیتی ہے، جو تمام اینگرو کمپنیوں کی اجتماعی سماجی ذمہ داریوں کی نگران ہے۔ اینگروفاؤنڈیشن اپنے رفقاءے کار کے ساتھ مل کر مختلف النوع افراد اور کنبوں کو معاشرتی ومعاشی مواقع فراہم کرنے کے لئے شعبہٴ تعلیم، صحت، بنیادی ڈھانچے، معیار زندگی اور حادثاتی انتظامات کے سلسلے میں معاونت کرتی ہے۔ مزید یہ کہ ہم نے کاروباری شمولیت پر توجہ دیتے ہوئے اپنے وسیع و پائیدار اثراتی تخلیق کے لائحہ عمل کو جاری رکھا ہے۔ ہمارے ملازمین نے بھی مسلسل رضا کارانہ طور پر ضرورت مندوں کے مختلف مسائل کے حل کے لئے 6,692 گھنٹے کام کیا ہے۔

منصوبہ: بڑے اقدامات برائے دیہی معیشت

Project: Big Push for Rural Economy

بڑے اقدامات برائے دیہی معیشت، دودھ کی مصنوعات کی بہتری کے لئے اینگروفوڈز کا ایک اہم اقدام ہے جس میں حکومت پنجاب کی معاونت حاصل ہے۔ اس منصوبے کا مقصد دودھ کی پیداوار اور صلاحیت بڑھا کر کم تعداد میں مویشی رکھنے والے افرادی آمدنی میں اضافہ کرنا ہے۔ اب تک پنجاب بھر میں 60 دیہاتوں میں 9,400 سے زائد کسانوں نے یہ تربیت مکمل کی ہے۔ کسانوں کی تربیت کے علاوہ اس منصوبے کو اس طرح ترتیب دیا گیا ہے کہ دودھ کے مختلف کاروباروں میں، بشمول مصنوعی تخصیب، مزرعہ کی نگرانی، مویشیوں میں اضافہ، اور دیہات سے دودھ جمع کرنے کے شعبوں میں 700 ملتر مین کی تربیت کی جائے گی۔ اس کے نتیجے میں یہ ملتر مین اپنے کنبوں کی ضروریات زندگی کے لئے بہتر آمدنی حاصل کر سکتے ہیں کیونکہ یہ خدمت کسانوں کو ان کے دروازے پر ہی مہیا کی جاتی ہے۔ یہ منصوبہ ملک کی دیہی معیشت میں سالانہ 190 ملین روپے کی لگ بھگ آمدن کا سبب بنے گا۔

ڈیری کی ترقی

Dairy Development

ہمارے پاس پاکستان بھر میں دودھ جمع کرنے کے 1,300 سے زائد مراکز ہیں جو 40,000 سے زائد رجسٹرڈ شدہ کسانوں اور دودھ فراہم کنندگان کو روزگار فراہم کرتے ہیں۔ دودھ کی صنعت کی ترقی کے لئے متعدد اقدامات کے ذریعے اینگروفوڈز بلاواسطہ پاکستان میں دودھ کی صنعت اور مویشیوں کے شعبے کی ترقی میں اپنا کردار ادا کر رہا ہے، جو 11.4 فیصد جی ڈی پی کے قریب ہے اور زراعت کے شعبے میں 58.3 فیصد حصہ ہے۔ دودھ کی صنعت کی ترقی کے منصوبے کے جز کے طور پہ ہم نے 2017 میں مویشیوں کے انتظام کے حوالے سے 140,000 سے زائد کسانوں کی تربیت کی ہے۔ مزید برآں چارے کے فقدان پر قابو پانے کے لئے کسانوں کو ان کے مقامات پر 305 ملین روپے کی قیمت کا 72,340 ٹن مکئی کا بھوسہ فراہم کیا گیا۔

کاروبار پر مشتمل ماڈل۔ اینگرو ملک آٹومیٹن نیٹ ورک۔

Business Inclusive Model – Development of EMAN

سن 2017 میں اینگروفوڈز نے اینگرو ملک آٹومیٹن نیٹ ورک (EMAN) میں مزید حدت پیدا کی، یہ ایک کاروباری طریقہ کار ہے جو اینگروفوڈز اور 40,000 سے زائد کسانوں اور دودھ فراہم کنندگان کے مابین ایک رابطے کا ذریعہ ہے۔ یہ سوئٹ ویئر 1,300 سے زائد مراکز پہ دودھ کی فوری خریداری اور پھر اس کی نگہداری کا ایک طریقہ وضع کرتا ہے۔ یہ طریقہ کار خریداری کے ان مراکز سے لے کر ہماری دودھ تیار کرنے والے مراکز تک دودھ کے بہترین معیار کو برقرار رکھنے کے ہمارے عہد کو پورا کرتا ہے۔

ہماری افرادی قوت

OUR HUMAN RESOURCES

ہماری توجہ ہمیشہ، تمام اہم شعبوں میں اپنے ملازمین کی مختلف طریقوں سے شمولیت، ان کی صلاحیتوں میں اضافہ، استعداد میں اضافہ، ان کی مہارت، تنظیم صحت اور خوشحالی پر مرکوز رہتی ہے۔

تنوع

Diversity

اینگروفوڈز تمام پہلوؤں سے تنوع کی تائید کرتی ہے۔ ہم تنوع اور شمولیت پر یقین رکھتے ہیں کیونکہ جدت اور تخلیقی سوچ کی یہی بنیادیں ہیں، اور انہی سے کمپنی کے کاروباری مقاصد کو تحریک ملتی ہے۔ اس سال ہمارا موضوع باختیار خواتین ہیں۔ لہذا تمام سرگرمیوں کی منصوبہ سازیاں اسی موضوع کے گرد گھومتی ہیں جس میں ایک سطح مذاکرہ فراہم کیا گیا ہے کہ قومی اور پر عزم خواتین کس طرح امور زندگی انجام دیتی ہیں اور تمام مبارزات کا کس طرح مقابلہ کرتی ہیں۔

تعلیم اور ترقی

Learning and Development

یہ تسلیم کرتے ہوئے کہ ہمارے لوگ تمام فرق پیدا کرتے ہیں، ہم مسلسل یہ کوشش کرتے ہیں کہ پاکستان کے بہترین ہنرمندوں کو ملازمتیں دی جائیں تاکہ ہم مل جل کر اپنی مجموعی طاقت اور ہنر کو بروئے کار لائیں جس کی بدولت ہم ایک کامیاب اشتراک کی عمارت تعمیر کریں اور اپنی برتری کی میراث کو قائم رکھیں۔ ایک اجز کی حیثیت سے ہم اپنے لوگوں کو ہر طرح کی مہارت سے لیس کرنے کے لئے غیر معمولی طور پر کوششیں کرتے ہیں جو ان کی پیشہ ورانہ نشوونما اور ترقی کے لئے ضروری ہو۔ ایک ادارے کے طور پر اینگروفوڈز تعلیم اور ترقی پر بہت زور دیتا ہے اور اس ضمن میں اس نے سن 2017 میں ساہیوال، سکھر، کراچی، لاہور اور اسلام آباد میں قائم اپنے مراکز میں 15,000 سے زائد تربیتی گھنٹے مختص کئے۔

کمپاس۔ ضابطہ اخلاق

COMPASS – Code of Conduct

کمپاس فراز لینڈ کمپنی کا ضابطہ اخلاق ہے۔ ان راہنما اصولوں سے ہماری کمپنی کی ہر سطح پر اچھے کاروبار اور اخلاقی سلوک کے سلسلے میں ہدایات ملتی ہیں۔ ہمارے ادارے کے لئے ضروری ہے کہ اپنے متعلقین اور ملکی قوانین کی توقعات پر پورا اترنے کے لئے اپنے کاروبار کو اخلاقی ضابطوں کے مطابق چلا یا جائے۔

چوتھی سہ ماہی 2017 میں اینگروفوڈز نے کمپاس کے ذریعے دو حکمت عملیاں نافذ کیں، اصولی مسابقت اور رشوت اور بد عنوانی کی مخالفت۔ پوری کمپنی میں ان حکمت عملیوں اور ان کی عمل پذیری سے متعلق تفصیلی مباحثے منعقد کئے گئے۔ کمپاس پرمکمل عمل درآمد 2018 میں کیا جائے گا۔



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