



engro foods



# blended to perfection

annual report 2016



# blended to perfection

## about the cover

The year 2016 saw a strategic alliance between Engro Foods Limited and Royal FrieslandCampina. With these perfect ingredients of international expertise and local know-how, this winning combination promises to cook up a storm in the food industry of Pakistan. Armed with our passion to prosper and our hunger to conquer the market, we hope to delve into yet untapped arenas and create products yet to be tasted by our 12 million consumers. A flawless recipe for growth, evolution and success. With these appetizing goals for the coming year, we ended this year with a continued and consistent effort to add value to our shareholders' plate and contributed to the nation's food industry in a wholesome manner.



## about Royal FrieslandCampina

With roots stretching as far back as 1871, Royal FrieslandCampina has a rich storied history. With 11 billion Euros in revenues it is one of the largest dairy companies in the world. FrieslandCampina is based in the Netherlands and has offices in 33 countries and employs 22,000 people. The Company's products find their way to more than 100 countries and most wonderfully the people it serves, also own it – around 19,000 farmers spread across the Netherlands, Germany and Belgium.

Indeed this unique fact of being owned by a cooperative of farmers colors the vision of the Company to a great extent. Its purpose statement "nourishing by nature" means that FrieslandCampina is committed to better nutrition for the world's consumers; so as the population of the world crosses 9.7 Billion by 2050 FrieslandCampina will be there helping feed the world with affordable and nutritious products. The Company also believes in a good living for its farmers so they can maximize their incomes by being a part of the dairy ecosystem continue and growing in a sustainable manner now and for generations to come.

During its more than hundred and forty years of history, FrieslandCampina has built strong market and brand positions based on recognizable brands and a relentless commitment to quality and the Company will endeavor to continue this tradition in Pakistan.

The greatest journeys are made together with others. As Engro Foods with FrieslandCampina, aided by the Government of Pakistan and millions of Pakistani farmers embarks on this journey, the Company is thankful to all its stakeholders. With a growing market, a clear strategy, a professional passionate workforce and products that resonate with its customers, the Company is optimistic for 2017 to fulfill its mission of 'nourishing by nature'.



the pure mix for  
progress

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## company information

### Board of Directors

Abdul Samad Dawood (Chairman)  
 Hans Laarakker (CEO/Director)\*  
 Babur Sultan (CEO)\*  
 Heidi van der Kooij  
 Hein Schumacher  
 Jaska de Bakker  
 Piet Hilarides  
 Sabrina Dawood  
 Ghias Khan  
 Wim Torfs

### Company Secretary

Faiz Chapra

### Bankers

#### Conventional

Allied Bank Limited  
 Askari Bank Limited  
 Bank Al-Falah Limited  
 Bank Al-Habib Limited  
 Citibank N.A.  
 Deutsche 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  
 NIB Bank Limited  
 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

### Registered Office

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

### Share Registrar

M/s. FAMCO Associates (Pvt) Limited  
 8-F, Next to Hotel Faran, Block-6, PECHS,  
 Shahrah-e-Faisal Karachi – Pakistan  
 Tel: +92(21) 3438 0101-5, 3438 4621-3  
 Fax +92(21) 3438 0106

\* Mr. Hans Laarakker replaced Mr. Babur Sultan as Chief Executive Officer of the company on 3<sup>rd</sup> January, 2017

notice of the meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of Engro Foods Limited will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Friday 24th March 2017, 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, 2016 and the Directors' and Auditors' Reports thereon.
- (2) To declare a final dividend at the rate of PKR 10.00 per share (100%) for the year ended December 31, 2016.
- (3) To appoint Auditors and fix their remuneration.

B. Special Business:

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

“RESOLVED that the Company may circulate the annual balance sheet and profit and loss account, auditor’s report, directors report etc. to its members through CD/DVD/USB instead of in hardcopy at their registered addresses”.

N.B

- (1) The Share Transfer Books of the Company will be closed from Friday, March 17, 2017 to March, 24, 2017 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO ASSOCIATES (PVT.) LTD, 8-F, next to Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, Karachi [PABX Nos. (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m) on Thursday, March 16, 2017 will be treated as being in time for the purposes of payment of final dividend to the transferees and to attend and vote at the meeting.
- (2) A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.
- (3) Submission of the CNIC/NTN Details (MANDATORY) Pursuant to the directives of the Securities and Exchange

Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2014, the rates of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment are different for filers of Income Tax return and Non filers of Income Tax return. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

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

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

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

In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with SRO 831(1)/2012

dated July 05 2012 of SECP and therefore will be constrained to withhold the dispatch of dividend warrants of such shareholders. Further, all the shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 20% rate of withholding tax if the shareholder’s name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

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.

- (4) Zakat Declarations (CZ-50)  
The Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the shares (Rs.10/- each) under the Zakat and Ushr Laws and will be deposited within the prescribed period with the relevant authority. Please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form, in case you want to claim exemption, with your brokers or the Central Depository Company Ltd. (in case the shares are held in Investor Account Services on the CDC) or to our Registrars, FAMCO Associates (Pvt) Ltd., at their address mentioned above (in case the shares are held in paper certificate form). The shareholders while sending the Zakat Declarations, as the case may be must quote company name and their respective folio numbers.

Karachi,  
February 02, 2017.

Statement under Section 160 of the Companies Ordinance, 1984

This statement is annexed to the Notice of the Twelfth Annual General Meeting of Engro Foods Limited to be held on Friday, March 24, 2017 at which certain Special Business is to be transacted. The purpose of this statement is to set forth the material facts concerning such Special Business.

Item (4) of the Agenda

To give effect to the notification S.R.O 470(I)2016 of the Securities and Exchange Commission of Pakistan (“SECP”), shareholder’s approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company however, shall place on its website a standard request form to enable those members requiring a hardcopy of the Annual Report instead of through CD/DVD/USB, to intimate the Company of their requirement.

By Order of the Board



Faiz Chapra  
Company Secretary

our core values

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

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



Ethics & Integrity

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



Health, Safety & Environment

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



Innovation & Risk Taking

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



Our People

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



Community & Society

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



Consumer Centric

Consumers lie at the core of our business. We strive to understand and anticipate their needs to develop products that satisfy their diverse requirements. Every individual works towards this goal and the purpose of our business is to create and keep consumers and continue to delight them.

our overview

Engro Foods remains Pakistan’s fastest growing local company fuelling our nation’s economic growth and contributing to the socio-economic fabric of society at large. With its recent acquisition by Royal FrieslandCampina, Engro Foods is set to continue offering its customers high quality, affordable and nutritious products and uphold their trust in our brands which have become household names. Post transaction FrieslandCampina Pakistan Holdings B.V.(FC) owns 51 per cent of the total shares in the Company.

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

2016 has been a challenging year for the dairy industry both in terms of intense competition and budgetary changes. Competition in the category remained aggressive with multiple new entrants spending heavily on all fronts.

Engro Foods’ South Plant which is 1.5 km from Sukkur Barrage, was the company’s first production plant and came into operation in 2006 as Engro Foods started business. The plant is spread over 29 acres of land and has flexible processes enabling it to make all Engro Foods products.

12m

consumers nationwide use  
our products every day

The Engro Foods North Plant is spread over 101 Acres of land in Sahiwal, encompasses a product range of our dairy and ice cream brands, and is at par with the biggest manufacturing facilities in the Dairy and Ice Cream Sector.

Our Supply Chain Services have a vast network with 127 dedicated vehicles in the system serving as many as 137 national distributors. With an emphasis on ensuring food safety by

delivering on our promise of providing wholesome goodness, Engro aims to elevate consumer delight worldwide. Even after more than a decade, Engro Foods remains one of the Pakistan’s fastest growing local companies fuelling our nation’s economic growth and also contributing to the socio-economic fabric of society at large. With over 1500 milk collection units providing livelihood to more than 31,000 farmers across Pakistan. Each new milestone for Engro Foods has brought greater prosperity for Pakistan and we take immense pride in the fact that our growth has fuelled Pakistan’s growth. Our success today directly translates into growth of the country’s agri-business sector accounting for more than 11.8% of Pakistan’s GDP. In a single decade Engro Foods has become one of the country’s largest local companies, leading ice-cream manufacturers and the market leader in UHT.

We have also taken many firsts including our milestone of being the first Pakistani company to cross 2 billion tetra packs to date. Our growing operations span 310+ cities and towns in all five provinces of Pakistan. A decade of focusing on the provision of high quality and innovative products that delight our customers has made our brand some of the most highly sought after nationwide.

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



## our portfolio

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



## our footprint in Pakistan

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



**2** processing plants and a production farm

**300+** cities

**1500 +** milk collection points



the perfect combination of  
**leadership**

Compliance Statement

The Board of Directors has throughout the year 2016 complied with the “Code of Corporate Governance” as per the listing requirements of the stock exchanges and the “Corporate and Financial Reporting Framework” of the Securities and Exchange Commission of Pakistan.

Internal Control Framework

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

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

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

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

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

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

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

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

**Directors**  
As at December 31, 2016 the Board comprises of one Executive Director, one independent Director, eight non-executive Directors of whom one is an executive in other Engro Group company, who have the collective responsibility for ensuring that the affairs of Engro Foods are managed competently and with integrity.

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

A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval. The full Board met 6 times this year and discussed matters relating to inter alia long term planning, giving consideration both to the opportunities and risks of future strategy.

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

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 shareholders, system of internal controls and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or their advisors as considered appropriate.

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

The committee met 5 times during 2016.

The Committee comprised of the following members up till December 20, 2016:

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

Subsequently, after resignation of Muhammed Amin, Zafaryab Ali Khan and Isfandiyar Shaheen, the Committee was re-constituted as follows:

|                     |          |
|---------------------|----------|
| Ms. Jaska de Bakker | Chairman |
| Mr. Ghias Khan      | Member   |
| Mr. Wim Torfs       | Member   |

Saleem Lallany, GM Internal Audit/ Secretary BAC.

Functional Committees

**COED Committee**  
COED Committee is responsible for the review of compensation, organization, training and development matters. The committee comprises the following members:

Hans Laarakker - Chairman  
Usman Zaheer  
Imran Husain  
Zahid Mahmud  
Salman Goheer  
Ahsan Afzaal Ahmad  
Syed Saud Ahmed Pasha  
Imran Ahmed

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

The Committee comprises the following members:

Hans Laarakker - Chairman  
Ahsan Afzaal Ahmad  
Imran Husain  
Salman Goheer  
Syed Saud Ahmed Pasha  
Usman Zaheer  
Imran Ahmed  
Zahid Mahmud

directors’ profiles

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



Abdul Samad Dawood  
Chairman

Abdul Samad 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 is Chairman of Engro Foods Limited and Director on the Boards of Dawood Hercules Corporation Limited, Dawood Lawrencepur Limited, The Hub Power Company Limited, Engro Corporation Limited and Engro Fertilizers Limited. Abdul Samad is a member of Young Presidents' Organization, Pakistan Chapter.



Hans Laarakker  
Chief Executive Officer

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 two years 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.



Hein Schumacher  
Director

Hein Schumacher currently serves as the CFO of Royal FrieslandCampina N.V. Prior to this he has held various leading positions with H.J. Heinz i.e. Executive Vice President and Zone President Asia Pacific, President Greater China, Vice President & CFO based in London, Vice President & Chief Strategy Officer based in USA Heinz World Headquarters and before that Finance Director, CFO and Vice President at H.J. Heinz Continental Europe.

In addition, he has also served as Corporate Controller Asia & Central America and M&A project leader divestment Asia, Peru and Central America with Royal Ahold N.V. and at Unilever he held various financial positions i.e. Finance Manager Global Customers. He joined the Board in 2016.



Heidi van der Kooij  
Director

Heidi van der Kooij is the Legal 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.



Ghias Khan  
Director

Ghias Khan is the President and Chief Executive Officer of Engro Corporation Limited. Before being appointed President and CEO on December 1st 2016 he had held several executive and board roles across Dawood Hercules Group companies.

Joining Dawood group via acquisition in 2005, Ghias was the CEO of Inbox Business Technologies one of Pakistan’s largest technology companies. During his 15 years at Inbox Ghias grew the employees to over 1900, and pivoted the company from a computer manufacturer to a systems integrator, and then again to a technology enabled digital services company.

Most recently Ghias was the Executive Director & Head of the Chairman’s Corporate Office at Dawood Hercules. He was the principal aide of the Chairman of the Group on a range of matters of institutional importance including but not limited to board governance, communications, external relationships and special projects. Ghias also served as Chairman of Elixir Securities from 2011-2014.

Ghias is a strong believer in the social enterprise and the responsibility of businesses to environmental and human wellbeing. Ghias holds an MBA from the Institute of Business Administration in Karachi.



Sabrina Dawood  
Director

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

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



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, i.e. General Manager Food service and Sales & Marketing. In the past he has also served as account director at Pepsico and sales manager at Smiths’ Food Group. He joined the 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 HaskoningDHV. She has extensive experience in the domains of controlling, accounting, tax, treasury, risk management and internal audit. In addition to being awarded CFO of the year 2016, Bakker’s global responsibility has included working in Singapore, Vietnam, Indonesia, Thailand, China, Myanmar and Malaysia. She has also been part of renowned organizations including Arthur D. Little, LEAF and The Boston Consulting Group. She joined the Engro Foods Board in 2016.



Wim Torfs  
Director

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

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

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

Wim is also a member of the advisory board for the Minister of telecom and ICT in Qatar and he is the founder of Babouka – a charity helping Pakistani and Tanzanian women. Wim holds 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

Left to Right  
Sabrina Dawood - Hein Schumacher - Jaska de Bakker - Hans Laarakker (CEO)  
Abdul Samad Dawood (Chairman) - Wim Torfs - Heidi van der Kooij - Ghias Khan - Piet Hilarides





a natural combination for  
growth

## directors' report

On behalf of the Board of Directors of Engro Foods Limited (a majority owned subsidiary of FrieslandCampina Pakistan Holdings B.V.), we are pleased to submit the annual report and the audited financial information of the Company for the year ended December 31, 2016.



### Acquisition by FrieslandCampina.

On 19 December 2016, FrieslandCampina Pakistan Holdings B.V., a Company incorporated in Netherlands and a subsidiary of Royal FrieslandCampina N.V., concluded the ongoing acquisition transaction of Engro Foods Limited with Engro Corporation. Post transaction FrieslandCampina Pakistan Holdings B.V.(FC) owns 51 per cent of the total shares in the Company.

### Business Overview

2016 has been a challenging year for the dairy industry both in terms of intense competition and budgetary changes. Implementation of the Federal Budget for 2016-17 which included a change in the GST regime from zero rating to exempt for dairy products and imposition of Regulatory Duty @ 25% on import of dairy powders has resulted in an increase in the cost of doing business which has temporarily affected industry growth. Also competition in the category remained aggressive with multiple new entrants spending heavily on all fronts.

The Company reported revenue of Rs. 44.3 billion in 2016 as compared to revenue of Rs. 49.8 billion last year. Gross margin in 2016 declined to 22.6% from 23.1% in 2015 due to increase in cost of doing business owing to imposition of GST and regulatory duty. On an overall basis, The Company reported a net profit of Rs. 2,387million in 2016 as compared to net profit of Rs. 3,162 million in 2015.

# 44.3<sub>bn</sub>

revenue generated in 2016

### Dairy And Beverages Segment

The Specialized Tea Creamer category saw the rise of multiple mushroom players jockeying for market share and investing heavily on all fronts. Also the category growth in the second half of 2016 remained under pressure due to changes in tax regime followed by price increases which adversely affected growth of Tarang in 2016. Despite these challenges, Tarang continues to be the market leader and remains the most widely distributed UHT brand.

Olper's continued its trend of impressive growth over the past year despite a resurgent competitor with an aggressive strategy. The Company continued to invest behind Olper's positioning of being the drinking milk of choice for children to tap into the drinking opportunity. The brand remains the only player in the category with unique SKUs in all sizes, and is expected to continue its upward trajectory in the years to come.

FrieslandCampina Pakistan Holdings B.V., a Company incorporated in Netherlands and a subsidiary of Royal FrieslandCampina N.V., concluded the ongoing acquisition transaction of Engro Foods Limited with Engro Corporation. Post transaction FrieslandCampina Pakistan Holdings B.V. owns 51 per cent of the total shares in the Company.

The Dairy and Beverages segment reported a topline of Rs. 40.7 billion registering a decline of 12% over last year. Segment contributed Rs. 2,474 million to the Company's profitability this year compared to Rs. 3,227 million in 2015.

### Ice Cream And Frozen Desserts Segment

During 2016, the Engro Foods ice-cream and frozen desserts business further built on its success in 2015 and maintained growth momentum. 2016 saw promotion of mother-brand "Omore", to re-vitalize the identity of the brand among the masses, along with innovation specific campaigns. Innovations continued to play a major role in achieving successes throughout the year, with a number of products making their mark across formats. The Ice Cream & Frozen Desserts business segment reported revenue of Rs. 3.66 billion, recording a growth of 5% over last year. With reduced input costs and better controls, the segment recorded a profit of Rs. 43 million in 2016 compared to a loss of Rs. 75 million in 2015.



Dairy Farm Segment

The Company’s Nara Dairy Farm continued to remain a rich and nutritious source of quality milk for our dairy segment. The farm currently produces 44,608 (2015: 35,095) litres per day with a total herd size of 5,626 animals of which 2,895 are mature assets able to produce milk. On account of valuation losses due to falling international market prices of animals, the segment reported a loss of Rs. 130 million in 2016 versus a profit of Rs. 12.5 million in 2015.

Social Investments

As part of our continuing commitment towards improving the life of our stakeholders, and specifically that of our host communities, we contributed approximately PKR 18 million under our social investments commitments in 2016. Our social investments programs are 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.

In addition, we continued our strategy to work towards generating greater sustainable impact by focusing on business inclusiveness. This was also demonstrated in spirit by our employees that continued to volunteer for causes that helped the under-privileged and clocked in an astounding 6,252 volunteer hours across various causes.

Nara Schools:

Through the year, in collaboration with Engro Foundation, we continued to support 2 primary schools in Nara desert in Nara Farm’s neighborhood. The Nara schools have been running successfully for the past 4+ years and are the only educational facility in the area of Nara desert, providing education to over 280 children – male and female. In addition to regular coursework and curriculum, the school continued to provide holistic learning experience to the children by holding various extra-curricular activities. Moreover, this year through the efforts of our partners, we were successful in registering the schools for government funding, which will help us enhance our outreach in the area and provide better educational opportunities.

Sahiwal Schools:

In 2010-11, Engro Foods, in collaboration with Engro Foundation & CARE Foundation, expanded its educational footprint in Sahiwal. Over the course of the past 6 years, we have adopted 4 schools in and around the Sahiwal area catering to the nearby villages as well. These schools continue

to provide education to over 1400 students, with a 64% female student enrolment across the network. Throughout the year, the schools recorded 90 man-hours of teacher training on classroom management, lesson planning and student motivation.

Health Initiatives:

Each year Engro Foods in collaboration with its implementation partner, The Blessings Foundation, continues to deploy health interventions in Sukkur through an OPD clinic. The primary healthcare unit provides ante-natal & post-natal check-ups through lady health volunteers along with immunization and vaccination programs. In 2016, the health interventions benefited 10,000+ individuals through its various programs.

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

In 2015, based on the learnings and insights of our work with a multitude of rural dairy community and specifically from projects such as Women Empowerment through Livestock Development (WELD), Engro Foods in partnership with Engro Foundation initiated the SEaDS-Net Project with technical assistance grant from KFW-DEG. The objective of the program is to work with dairy farmers and enhance their entrepreneurial opportunities through provision of training on animal health and nutrition services, in addition to adding new products such as fodder seed etc. Currently there are 56 entrepreneurs registered with the project team, against a target of 50. These include 49 extension workers and 7 village milk collectors. Successful efforts have been made to improve the market linkages for the entrepreneurs, both upstream and downstream. Moreover, through the year, 20 trainings have also been conducted to improve record keeping and financial management of the entrepreneurs making it easier for them to follow business plans and determine profitability of new products and services. To date, the project has trained 5,723 farmers on better livestock management, against a plan of 5,200 farmers. As part of the project, all entrepreneurs are equipped with internet enabled digital tablets to improve their record keeping and communication capabilities and going forward, an android-based portal is being piloted which will help entrepreneurs seek real-time support from veterinary doctors, enable them to keep a record of all transactions and maintain a database of their customers.

Our Human Resources

Our success is dependent on attracting and retaining high-performance teams. We believe our people provide the core enduring advantage to us to constantly improve, innovate and grow. Through the year, we worked on various HR initiatives and processes to ensure that our induction schemes, training & development methodologies, compensation strategies and performance appraisal systems remained robust and in line with best practices. Our key areas of focus for the year 2016 remained diversity & inclusion; capability development; competency realignment; talent development; health & wellness amongst other key areas.

Capability Development:

The talent and organizational development strategy of Engro Foods hinges on the philosophy that by investing in our employees, the organization is essentially making the most beneficial investment for the company. In 2016, an experiential learning module focusing on three leadership competency groups was launched, which covered the needs of all employees’ organization-wide. In addition, a customized program for the senior leadership team was also designed which was a follow-up to the Leadership Trust module rolled out earlier, where employees were provided with a road-map to actualize their true potential.

Diversity & Inclusion:

We believe that diversity can be a true harbinger of innovation and to this effect, the Company strives to be inclusive in its employment approach. Through the course of past few years, we have worked towards instilling diversity as part of how we do business. After concerted efforts on sensitizing the employee base towards inclusion and diversity, we renewed our focus to a higher benchmark by conducting a retrofitting exercise to ensure that all our premises remain accessible. This was then leveraged to launch a specialized project-based internship program for people with disabilities. These internships, spanning over a period of 2-3 months, were offered in different functions with the objective of providing opportunities for these people to work in a professional environment while putting their skills to test. At the end of these internships, detailed feedback sessions were held with these interns resulting in permanent employment opportunities for selected candidates.

Sales Functional Competency Model:

With the ever evolving and diversifying business challenges, understanding and responding to changing customer needs, supporting growth and improving profitability, we recognize that building people capability and enabling functional transitions are core axle points for growth and progression. Therefore, we place significant weight on continuously advancing the business acumen & functional competencies of our sales force as necessary for them to be uniquely valuable advisors to their customers and maintaining a competitive edge in the market. Building on the premise of developing talent in light of changing scenario, the Sales Functional Competency Model was launched this year which defines the competencies and skills that drive success. It is specifically customized to the unique requirements of each job where competency dimensions and skills are explicitly tied to the stages of our sales and distribution process to maximize meaningfulness and linkages to coaching. It provides an objective picture of basic, intermediate, advanced & expert proficiency levels for each competency dimension.

This approach will help us in ensuring competency assessment,

performance review, training modules and employee development plans such that all are mirrored to one another to maximize consistency, objectivity & synergistic reinforcement. Health & Wellness Initiatives: At Engro Foods we take the health and well-being of our employees very seriously and devise a number of in-house programs and initiatives that are tailored to mirror a healthy lifestyle for employees. This year under the umbrella of “Healthletics” several innovative programs and initiatives were rolled out. Keeping in mind the latest technological trends, we understand the importance of providing information to our employees at their fingertips. Our Health Insurance Application, “Engsure” designed on the same principles was launched in 2016 for use by all employees. Engsure is a compact application that provides all relevant data for emergencies, in-patient medical and hospitalization creating a one-stop mobile stop. To encourage healthy habits among our employees, work-out routines after office hours were introduced, healthier eating options were made available in the office cafeteria and health risk assessments were conducted for employees followed by detailed consultation by medical physicians.

| Key HR Indicators/KPIs:   |        |
|---------------------------|--------|
| Attrition Rate            | 10.82% |
| Employee Engagement Index | 64%    |

Health, Safety & Environment:

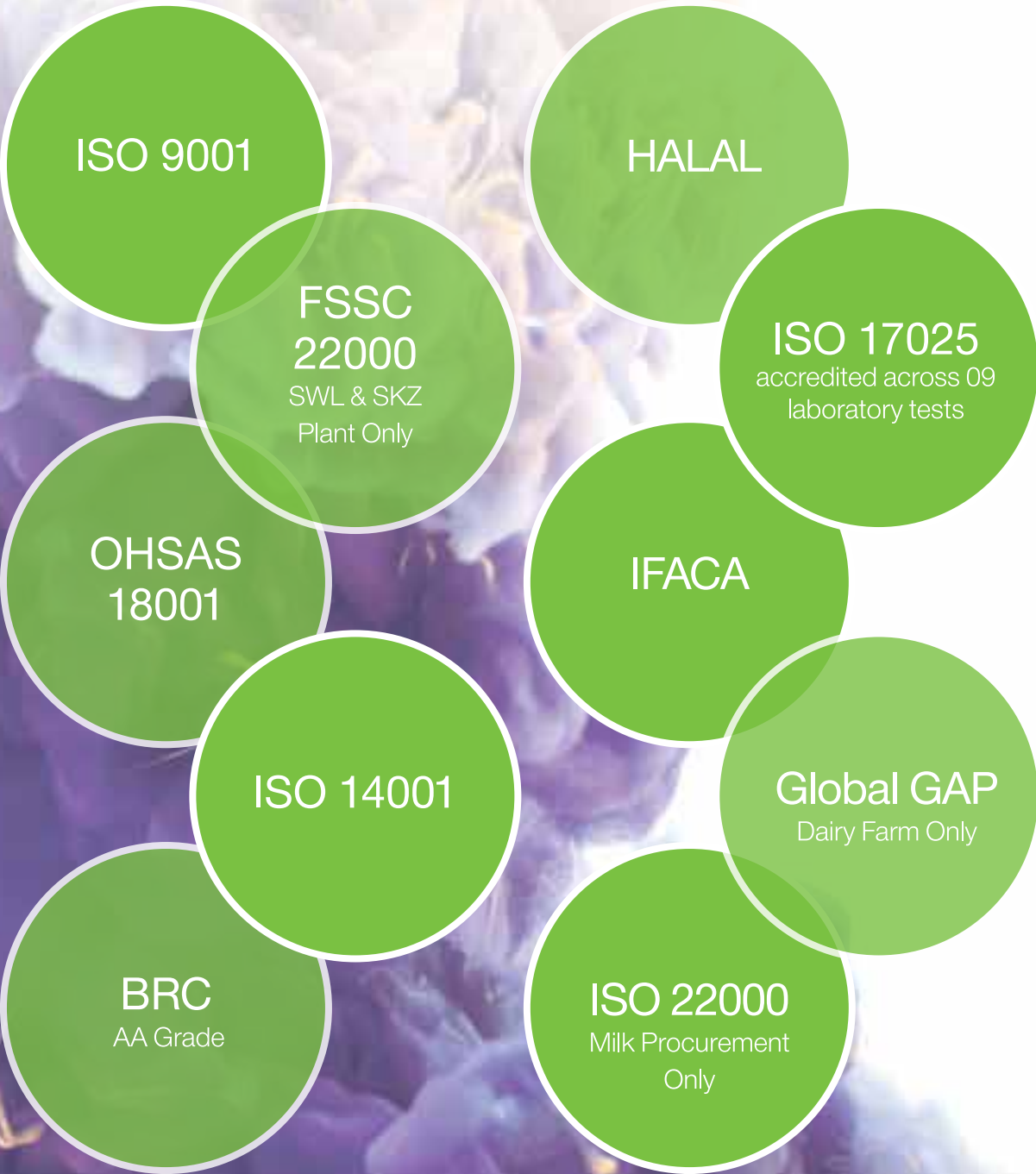
Ensuring Employee Safety at the Workplace

At Engro Foods, we believe in doing business with a conscience and leading by example and that is why we undertake strategic investments that incorporate a strong consideration for the safety of our people, plants and the planet at large. Time and again we have demonstrated our commitment to best practices in HSE by striving to benchmark our systems and processes against world class standards and the year 2016 was no different.

Our manufacturing facilities in Sukkur and Sahiwal successfully underwent the ammonia release study so as to enhance our level of preparedness in case of any emergent situation. In addition, through the year we also completed the Fire Risk and Building Assessment study for both the facilities at Sukkur and Sahiwal.

To enhance employee safety at workplace the night time driving policy was finalized after an international benchmarking study was performed. In addition, the driving policy was reviewed and the transport safety operational plan was implemented highlighting the risks of distracted driving due to use of latest technology gadgets in the car.

certifications



| KPIs                                                       |            |
|------------------------------------------------------------|------------|
| Total Recordable Injury Rate (TRIR)                        | 0.15       |
| Loss of Working Injury (LWI)                               | 03         |
| Total Man-hours                                            | 19,621,855 |
| Fatalities                                                 | Nil        |
| Recordable Injuries                                        | 15         |
| National Environmental Quantity Standards (NEQS) Emissions | Nil        |

Cash Flow and Working Capital Management

Higher cash was generated from operating activities during the year amounting to Rs. 5,122 million versus Rs. 4,517 million in 2015. Rs. 1,616 million were received during the year pertaining to Sales Tax refundable. Taxes paid for the year amounted to Rs. 1,152 million versus Rs. 1,088 million last year.

Capital Investment, Capital Structure and Finance

Net long term borrowings at year end decreased to Rs. 500 million (2015: Rs. 2,196 million). The balance sheet gearing (Company's long term debt to equity ratio) for the year ended 2016 is 03:97 (2015: 13:87). The liquidity position of the Company remains robust with a year-end current ratio of 1.9: 1 (2015: 1.5: 1).

Major Judgment Areas

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

Accounting Standards

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

Credit Rating

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

Dividend

The Board is pleased to propose a final dividend of PKR 10 per share (including a one-time special dividend of Rs. 9 per share) for

the year ended December 31, 2016 for approval of the members at the Annual General Meeting to be held on March 24, 2017.



Employee Share Option Scheme

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

Pension, Gratuity and Provident Fund

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

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

| S.No. |                                                | Gratuity Fund<br>(Rs. in million) |
|-------|------------------------------------------------|-----------------------------------|
|       | Audited upto                                   | June 30, 2016                     |
| 1     | Net assets as per audited financial statements | 464                               |
| 2     | SSCs/PIBs/RICs                                 | 308                               |
| 3     | Mutual Funds                                   | 7                                 |
| 4     | TFCs                                           | 19                                |
| 5     | Shares                                         | 57                                |
| 6     | Bank Deposits                                  | 69                                |
| 7     | Payables                                       | (13)                              |
|       | Total                                          | 464                               |

The above mentioned plan is funded scheme recognized by the tax authorities. The latest actuarial valuation of gratuity scheme was carried out at December 31, 2016 and the financial statements of these have been audited up to June 30, 2016.

For all permanent employees of the Company, Engro Corporation Limited (ECL), operates and maintains a defined contribution provident fund on behalf of the Company. Equal monthly contribution at the rate of 10% of basic salary are made both by the Company and the employees to the defined contribution fund.

Auditors

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

Pattern of Shareholding

Major 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 2016 is shown later.

Board of Directors

Statement of Director Responsibilities

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

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.

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 Induction & Governance

Towards the end of 2016, as the major international partnership between Royal FrieslandCampina and Engro Foods Limited materialized, we saw some key changes in the leadership.

A new board was constituted on the 20th of December, involving 5 members of Royal FrieslandCampina Group. Babur Sultan, an Engro Foods Limited veteran resigned, after spending a decade in senior leadership roles within the company since its inception, with effect from January 3, 2017. Hans Laarrakker has been appointed the new CEO of the Company. He has 25 years of experience in various financial and general management roles. Since two years

he has been 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.

In lieu of the success of the deal and the commitment Royal FrieslandCampina brings to the Pakistani dairy market; the new board and leadership is confident about improvement and accelerated growth at all levels.

Board Meetings and Attendance

In 2016, the Board of Directors held 6 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

| Director's Name            | Meetings Attended |
|----------------------------|-------------------|
| Abdul Samad Dawood         | 6                 |
| Babur Sultan               | 5                 |
| Muhammad Amin * *          | 4                 |
| Sabrina Dawood             | 5                 |
| Rehan Hassan * *           | 3                 |
| Zafaryab Ali Khan * *      | 5                 |
| Isfandiyar Shaheen * *     | 5                 |
| Marco L. Spits* *          | 5                 |
| Syed Khalid Siraj Subhani* | 3                 |
| Wim Torfs                  | 6                 |
| Ghias Khan* * *            | 1                 |
| Heidi Van der Kooij* * *   | 1                 |
| Hein Schumacher * * *      | 1                 |
| Jaska de Bakker * * *      | 1                 |
| Hans Laarakker* * *        | 1                 |
| Piet Hilarides* * *        | 1                 |

\* Resigned on November 30, 2016  
\* \* Resigned on December 20, 2016  
\* \* \*Appointed on December 20, 2016

future outlook

The Company intends to continue its journey of investing behind its brands to drive conversion from loose milk to hygienic processed milk. Focus will remain on accelerated growth and maintain market leadership on the back of increased penetration by optimizing the distribution base.

Further, post-acquisition by Royal FrieslandCampina, we expect to benefit from their R&D capabilities, innovation and farmer strength, while keeping our promise to deliver high quality dairy products.

Imposition of GST and Regulatory Duty has increased the cost of doing business which has been partly passed on to the end consumer hence, affecting industry growth momentum. The industry needs support from regulatory bodies to align differences between federal and provincial food laws & regulations inconsistencies within which, pose challenges for the packaged industry. Minimum pasteurization law which is in place worldwide should be considered for implementation in Pakistan to address quality issues of loose milk.



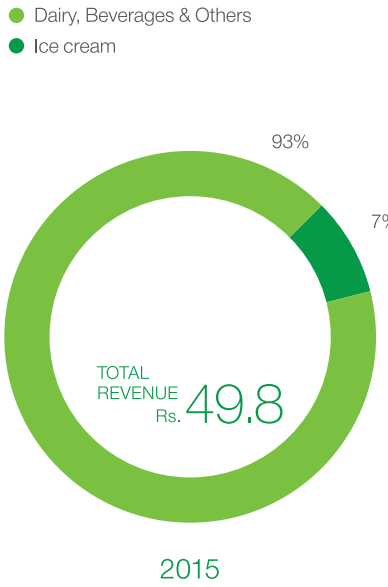
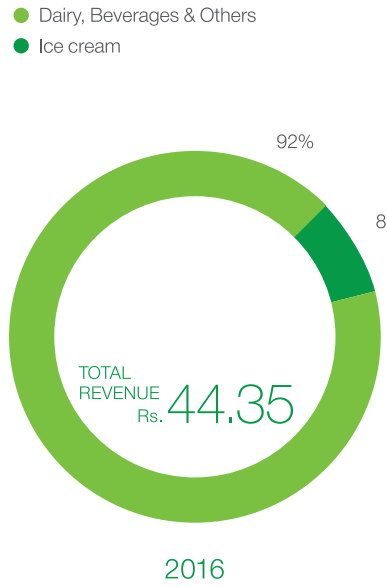
Abdul Samad Dawood  
Chairman



Hans Laarakker  
Chief Executive Officer

financial review

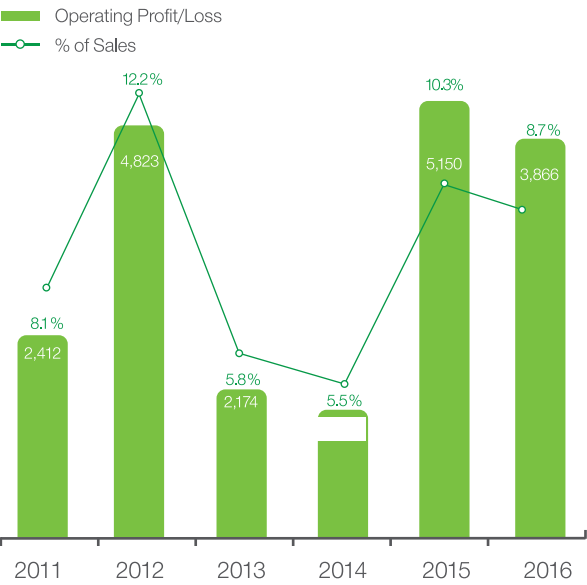
Business Revenue (Rs. in billions)  
% Segment Share



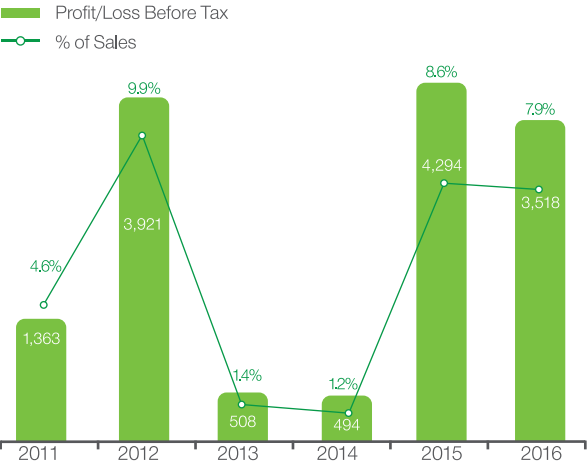
Sales (Rs. in million)



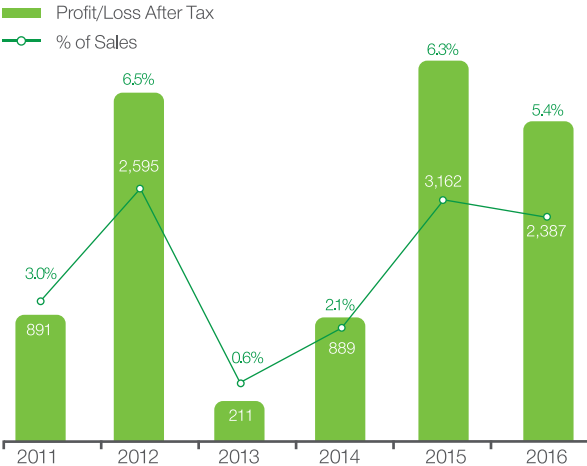
Operating Profit/Loss  
& % of Sales (Rs. in million)



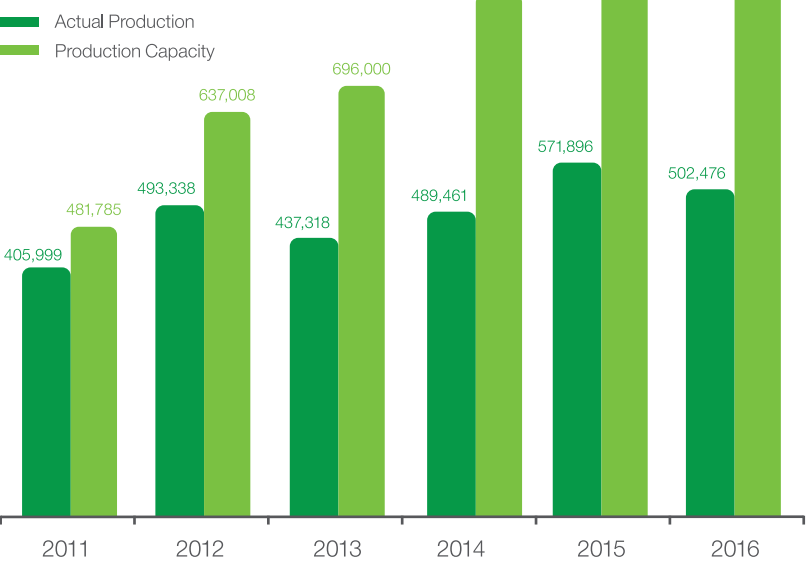
Profit / Loss Before Tax  
& % of Sales (Rs. in million)



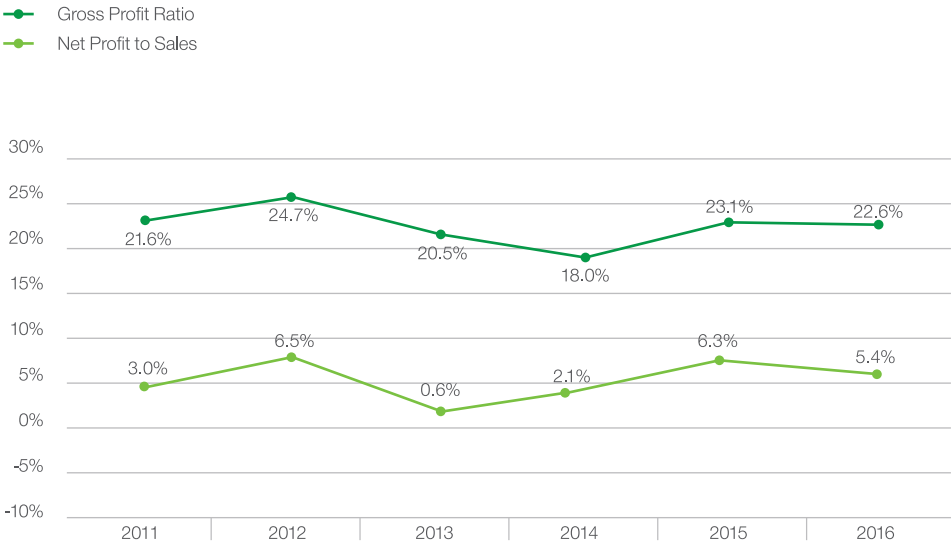
Profit / Loss After Tax  
& % of Sales (Rs. in million)



Actual Production &  
Production Capacity ('000 litres)



Profitability Ratios



Statement of value addition & distribution

|                                                                                          | 2016              |        | 2015              |        |
|------------------------------------------------------------------------------------------|-------------------|--------|-------------------|--------|
| Wealth Generated                                                                         | Rupees in Million | %      | Rupees in Million | %      |
| Total Revenue inclusive of sales-tax and other income                                    | 45,461            | -      | 51,019            | -      |
| bought-in material and services                                                          | (33,944)          | -      | (38,598)          | -      |
|                                                                                          | 11,517            | -      | 12,421            | -      |
| Wealth Distributed                                                                       |                   |        |                   |        |
| To employees<br>Salaries, benefits and other costs                                       | 2,547             | 22.12% | 2,836             | 22.83% |
| To Government<br>Taxes, duties and development surcharge                                 | 4,144             | 35.98% | 3,493             | 28.12% |
| To Society<br>Donations towards education, health, environment and natural disaster      | 26                | 0.23%  | 23                | 0.19%  |
| To Providers of Capital<br>Mark up/interest expense on borrowed money                    | 348               | 3.02%  | 856               | 6.89%  |
| Retained for reinvestment and future growth, depreciation, amortization, retained profit | 4,451             | 38.65% | 5,213             | 41.97% |
|                                                                                          | 11,517            |        | 12,421            |        |

financial summary

|                                                            | 2016                             | 2015    | 2014    | 2013    | 2012    | 2011    |
|------------------------------------------------------------|----------------------------------|---------|---------|---------|---------|---------|
|                                                            | ----- (Rupees in millions) ----- |         |         |         |         |         |
| Balance Sheet                                              |                                  |         |         |         |         |         |
| Share capital                                              | 7,666                            | 7,666   | 7,666   | 7,666   | 7,616   | 7,518   |
| Share premium                                              | 865                              | 865     | 865     | 865     | 810     | 722     |
| Employee compensation reserve                              | 434                              | 595     | 400     | 407     | -       | -       |
| Hedging Reserve                                            | -                                | (1)     | (28)    | (10)    | 17      | (18)    |
| Remeasurement of post employment benefits - Actuarial loss | (74)                             | (84)    | (36)    | (35)    | (23)    | -       |
| Unappropriate profit / (Accumulated loss)                  | 8,259                            | 5,872   | 2,710   | 1,821   | 1,610   | (985)   |
| Shareholders' funds / Equity                               | 17,150                           | 14,913  | 11,578  | 10,715  | 10,031  | 7,237   |
| Long term borrowings                                       | 500                              | 2,196   | 5,477   | 7,127   | 6,023   | 5,610   |
| Capital employed                                           | 17,650                           | 17,109  | 17,055  | 17,842  | 16,054  | 12,847  |
| Deferred liabilities                                       | -                                | -       | -       | -       | -       | 2       |
| Property, plant & equipment                                | 13,121                           | 13,860  | 15,022  | 14,505  | 11,023  | 9,615   |
| Long term assets                                           | 94                               | 134     | 109     | 93      | 82      | 24      |
|                                                            |                                  |         |         |         |         |         |
| Profit and Loss                                            |                                  |         |         |         |         |         |
| Sales                                                      | 44,346                           | 49,834  | 42,602  | 37,361  | 39,662  | 29,624  |
| Gross profit                                               | 10,039                           | 11,531  | 7,676   | 7,613   | 9,814   | 6,394   |
| Operating profit                                           | 3,866                            | 5,150   | 2,328   | 2,174   | 4,823   | 2,412   |
| Profit before tax                                          | 3,518                            | 4,294   | 494     | 508     | 3,921   | 1,363   |
| Profit after tax                                           | 2,387                            | 3,162   | 889     | 211     | 2,595   | 891     |
|                                                            |                                  |         |         |         |         |         |
| Cash Flows                                                 |                                  |         |         |         |         |         |
| Net cash flow from operating activities                    | 5,122                            | 4,517   | 786     | 2,356   | 3,214   | 1,080   |
| Net cash flow from investing activities                    | (1,188)                          | (790)   | (2,556) | (5,221) | (3,379) | (2,341) |
| Net cash flow from financing activities                    | (3,176)                          | (1,722) | (1,081) | 547     | 1,819   | 2,474   |
| Changes in cash & cash equivalents                         | 758                              | 2,005   | (2,851) | (2,318) | 1,653   | 1,212   |
| Cash & cash equivalents – Year end                         | 638                              | (121)   | (2,135) | 727     | 3,045   | 1,392   |
|                                                            |                                  |         |         |         |         |         |
| Others (Million)                                           |                                  |         |         |         |         |         |
| Market capitalisation                                      | 147,218                          | 112,366 | 83,250  | 80,105  | 74,783  | 16,995  |
| Numbers of shares issued                                   | 767                              | 767     | 767     | 767     | 762     | 752     |
|                                                            |                                  |         |         |         |         |         |
| Quantitative Data ('000 Litres)                            |                                  |         |         |         |         |         |
| Production Capacity                                        |                                  |         |         |         |         |         |
| Dairy & Beverages                                          | 748,000                          | 748,000 | 730,000 | 657,000 | 601,481 | 446,258 |
| Ice cream                                                  | 39,000                           | 39,000  | 39,000  | 39,000  | 35,527  | 35,527  |
|                                                            |                                  |         |         |         |         |         |
| Actual Production                                          |                                  |         |         |         |         |         |
| Dairy & Beverages                                          | 482,958                          | 552,532 | 472,735 | 422,818 | 476,788 | 388,236 |
| Ice cream                                                  | 19,518                           | 19,364  | 16,726  | 14,500  | 16,550  | 17,763  |

financial performance indicators 2011 to 2016

| Ratio                                                     | 2016   | 2015   | 2014   | 2013   | 2012  | 2011  |
|-----------------------------------------------------------|--------|--------|--------|--------|-------|-------|
| Profitability Ratios:                                     |        |        |        |        |       |       |
| Gross Profit ratio                                        | 22.6%  | 23.1%  | 18.0%  | 20.5%  | 24.7% | 21.6% |
| Net Profit to Sales                                       | 5.4%   | 6.3%   | 2.1%   | 0.6%   | 6.5%  | 3.0%  |
| Operating leverage ratio                                  | 2.26   | 11.63  | 2.42   | 12.62  | 2.95  | 3.85  |
| Return on Equity                                          | 13.9%  | 21.1%  | 7.7%   | 2.0%   | 25.9% | 12.3% |
| Return on Capital employed                                | 13.7%  | 18.4%  | 5.1%   | 1.2%   | 18.0% | 7.9%  |
| Liquidity Ratios:                                         |        |        |        |        |       |       |
| Current ratio                                             | 1.9    | 1.5    | 1.3    | 1.7    | 2.1   | 1.8   |
| Quick / Acid test ratio                                   | 1.1    | 1.0    | 0.7    | 0.9    | 1.2   | 0.9   |
| Cash to Current Liabilities                               | 0.1    | 0.0    | 0.0    | 0.1    | 0.1   | 0.1   |
| Cash flow from Operations to Sales                        | 0.1    | 0.1    | 0.0    | 0.1    | 0.1   | 0.0   |
| Activity / Turnover Ratios:                               |        |        |        |        |       |       |
| No. of Days Inventory                                     | 36.4   | 32.2   | 35.4   | 40.4   | 37.5  | 37.1  |
| No. of Days Receivables                                   | 0.8    | 0.8    | 1.1    | 1.5    | 1.1   | 0.9   |
| No. of Days Payables                                      | 46.0   | 40.0   | 41.1   | 44.1   | 32.9  | 39.4  |
| Operating cycle                                           | (8.9)  | (7.0)  | (4.6)  | (2.3)  | 5.6   | (1.4) |
| Inventory turnover                                        | 10.0   | 11.3   | 10.3   | 9.0    | 9.7   | 9.8   |
| Debtors turnover                                          | 473.7  | 466.8  | 341.5  | 246.9  | 335.8 | 426.3 |
| Creditors turnover                                        | 7.9    | 9.1    | 8.9    | 8.3    | 11.1  | 9.3   |
| Total Assets turnover ratio / Fixed Assets turnover ratio | 1.8    | 1.9    | 1.7    | 1.6    | 1.8   | 1.8   |
| Investment /Market Ratios:                                |        |        |        |        |       |       |
| Earnings per Share (EPS)- basic & diluted                 | 3.11   | 4.13   | 1.16   | 0.28   | 3.43  | 1.22  |
| Price Earnings ratio                                      | 61.72  | 35.49  | 93.57  | 373.00 | 28.61 | 18.52 |
| Cash Dividend                                             | 10.00  | -      | -      | -      | -     | -     |
| Stock Dividend                                            | -      | -      | -      | -      | -     | -     |
| Market value per share at the end of the year             | 191.94 | 146.50 | 108.54 | 104.44 | 98.14 | 22.60 |
| Highest market value during the year                      | 192.19 | 179.46 | 126.25 | 163.45 | 99.74 | 26.70 |
| Lowest market value during the year                       | 115.35 | 105.31 | 89.80  | 79.40  | 22.00 | 20.60 |
| Breakup value per share                                   | 22.37  | 19.45  | 15.10  | 13.98  | 13.17 | 9.63  |
| Capital Structure Ratios:                                 |        |        |        |        |       |       |
| Long-term Debt to Equity                                  | 2.8%   | 12.8%  | 32.1%  | 39.9%  | 37.5% | 43.7% |

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. * | 390,943,499 |
| Engro Corporation Limited                | 306,075,939 |

2.Directors, CEO & their spouses & minor children

|                       |        |
|-----------------------|--------|
| Abdul Samad Dawood    | 501    |
| Hans Laarakker **     | 0      |
| Heidi van der Kooij** | 0      |
| Hein Schumacher**     | 0      |
| Jaska de Bakker**     | 0      |
| Piet Hilarides**      | 0      |
| Sabrina Dawood        | 67,501 |
| Wim Torfs             | 1      |
| Ghias Khan            | 1      |

|                                  |         |
|----------------------------------|---------|
| 3. Executives<br>(Approximately) | 295,000 |
|----------------------------------|---------|

|                                           |   |
|-------------------------------------------|---|
| 4. Public Sector Companies & Corporations | - |
|-------------------------------------------|---|

|                                                                                                                                        |            |
|----------------------------------------------------------------------------------------------------------------------------------------|------------|
| 5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds | 25,330,409 |
|----------------------------------------------------------------------------------------------------------------------------------------|------------|

6. Mutual Funds

|                                                             |         |
|-------------------------------------------------------------|---------|
| CDC - TRUSTEE ATLAS STOCK MARKET FUND                       | 200,000 |
| CDC - TRUSTEE MEEZAN BALANCED FUND                          | 40,300  |
| CDC - TRUSTEE UNIT TRUST OF PAKISTAN                        | 5,500   |
| CDC - TRUSTEE AKD INDEX TRACKER FUND                        | 24,674  |
| CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND                  | 71,500  |
| CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND | 700     |
| CDC - TRUSTEE MEEZAN ISLAMIC FUND                           | 256,821 |
| CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND                  | 25,000  |
| CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND                      | 100,000 |
| CDC - TRUSTEE NAFA STOCK FUND                               | 427,500 |
| TRUSTEE-BMA CHUNDRIGAR ROAD SAVINGS FUND                    | 5,500   |
| CDC - TRUSTEE APF-EQUITY SUB FUND                           | 12,500  |
| CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND            | 200,500 |
| CDC - TRUSTEE APIF - EQUITY SUB FUND                        | 17,500  |
| CDC - TRUSTEE ABL INCOME FUND                               | 17,000  |
| CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT                     | 38,600  |
| CDC - TRUSTEE MCB DYNAMIC CASH FUND - MT                    | 1,400   |
| CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT                  | 10,700  |
| CDC - TRUSTEE KSE MEEZAN INDEX FUND                         | 128,500 |
| MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND   | 20,000  |

\* As at December 31, 2016 20,500 physical shares (aquired through mandatory trade offer under the securities act 2015) were in process of transfer in the name of FrieslandCampina Pakistan Holding B.V.  
\*\* Relevant forms for transfer have been signed and procedures are being undertaken to issue the shares to the nominee directors.

|                                                         |           |
|---------------------------------------------------------|-----------|
| MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND | 30,000    |
| CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND           | 55,000    |
| CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND                 | 6,500     |
| CDC - TRUSTEE NIT INCOME FUND - MT                      | 50,000    |
| CDC - TRUSTEE PIML ISLAMIC EQUITY FUND                  | 27,500    |
| CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT           | 20,000    |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST          | 59,400    |
| CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT         | 329,100   |
| CDC - TRUSTEE PIML VALUE EQUITY FUND                    | 17,000    |
| CDC - TRUSTEE NIT ISLAMIC EQUITY FUND                   | 65,000    |
| MCBFSL - TRUSTEE NAFA INCOME FUND - MT                  | 93,100    |
| CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT   | 5,400     |
| CDC - TRUSTEE FAYSAL MTS FUND - MT                      | 79,500    |
| CDC - TRUSTEE ALFALAH GHP SOVEREIGN FUND - MT           | 600       |
| CDC - TRUSTEE PAKISTAN INCOME FUND - MT                 | 27,000    |
| Total :                                                 | 2,469,295 |

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

|                                        |             |
|----------------------------------------|-------------|
| FrieslandCampina Pakistan Holding B.V. | 390,943,499 |
| Engro Corporation Limited              | 306,075,939 |

8. Details of purchase/sale of shares by Directors, Executives\* and their spouses/minor children during 2016

| S.no | Name of holders               | Date      | Sale / Purchase | No of Shares | Rate / Per Share |
|------|-------------------------------|-----------|-----------------|--------------|------------------|
| 01   | Zeeshan ur rab                | 30-Nov-16 | Bought          | 2700         | 148              |
| 02   | Tahir Javeed                  | 6-Oct-16  | Sold            | 6000         | 147              |
| 03   | Sabrina Dawood                | 4-Oct-16  | Bought          | 44500        | 147              |
| 04   | Zeeshan ur Rab                | 3-Oct-16  | Bought          | 1500         | 148              |
| 05   | Sabrina Dawood                | 3-Oct-16  | Bought          | 23000        | 147              |
| 06   | Hassan Mansur Ale Ahmad Lodhi | 20-Sep-16 | Sold            | 1500         | 142              |
| 07   | Tariq Mahmood                 | 16-Sep-16 | Bought          | 500          | 142              |
| 08   | Ajaz Rashid                   | 31-Aug-16 | Sold            | 1000         | 142              |
| 09   | Ajaz Rashid                   | 24-Aug-16 | Sold            | 1000         | 144              |
| 10   | Ajaz Rashid                   | 17-Aug-16 | Sold            | 2000         | 146              |
| 11   | Adnan Mahmood / Sheeba Adnan  | 25-May-16 | Sold            | 7800         | 154              |
| 12   | Adnan Mahmood / Sheeba Adnan  | 25-May-16 | Sold            | 27500        | 154              |
| 13   | Adnan Mahmood / Sheeba Adnan  | 25-May-16 | Sold            | 1200         | 155              |
| 14   | Adnan Mahmood / Sheeba Adnan  | 25-May-16 | Sold            | 9400         | 154              |
| 15   | Adnan Mahmood / Sheeba Adnan  | 24-May-16 | Sold            | 25000        | 155              |
| 16   | Adnan Mahmood / Sheeba Adnan  | 24-May-16 | Sold            | 14500        | 156              |
| 17   | Adnan Mahmood / Sheeba Adnan  | 24-May-16 | Sold            | 15000        | 155              |
| 18   | Adnan Mahmood / Sheeba Adnan  | 24-May-16 | Sold            | 6700         | 155              |
| 19   | Adnan Mahmood / Sheeba Adnan  | 24-May-16 | Sold            | 1000         | 156              |
| 20   | Adnan Mahmood / Sheeba Adnan  | 24-May-16 | Sold            | 1000         | 155              |
| 21   | Adnan Mahmood / Sheeba Adnan  | 24-May-16 | Sold            | 400          | 156              |
| 22   | Adnan Mahmood / Sheeba Adnan  | 24-May-16 | Sold            | 400          | 155              |
| 23   | Adnan Mahmood / Sheeba Adnan  | 24-May-16 | Sold            | 2000         | 155              |
| 24   | Tahir Javeed                  | 4-Apr-16  | Bought          | 6000         | 159              |
| 25   | Zeeshan ur Rab                | 4-Mar-16  | Bought          | 100          | 143              |

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

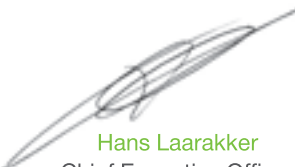
pattern of shareholding  
as at december 31, 2016

| No. of<br>Shareholders | Shareholdings |         | Total Shares<br>Held | No. of<br>Shareholders | Shareholdings |             | Total Shares<br>Held |
|------------------------|---------------|---------|----------------------|------------------------|---------------|-------------|----------------------|
|                        | From          | To      |                      |                        | From          | To          |                      |
| 789                    | 1             | 100     | 41,199               | 5                      | 200,000       | 205,000     | 1,000,500            |
| 3,474                  | 101           | 500     | 1,602,173            | 2                      | 210,000       | 215,000     | 420,000              |
| 1,297                  | 501           | 1,000   | 1,243,977            | 1                      | 220,000       | 225,000     | 220,000              |
| 1,369                  | 1,001         | 5,000   | 3,740,659            | 3                      | 250,000       | 255,000     | 751,000              |
| 324                    | 5,001         | 10,000  | 2,620,728            | 2                      | 255,001       | 260,000     | 516,324              |
| 78                     | 10,001        | 15,000  | 989,676              | 1                      | 260,001       | 265,000     | 262,500              |
| 73                     | 15,001        | 20,000  | 1,345,800            | 1                      | 270,000       | 275,000     | 270,000              |
| 51                     | 20,001        | 25,000  | 1,227,769            | 1                      | 280,001       | 285,000     | 281,800              |
| 35                     | 25,001        | 30,000  | 989,388              | 1                      | 300,000       | 305,000     | 300,000              |
| 15                     | 30,001        | 35,000  | 489,400              | 1                      | 320,001       | 325,000     | 322,500              |
| 20                     | 35,001        | 40,000  | 771,560              | 1                      | 325,001       | 330,000     | 329,100              |
| 19                     | 40,001        | 45,000  | 812,400              | 1                      | 355,001       | 360,000     | 357,474              |
| 30                     | 45,001        | 50,000  | 1,476,408            | 1                      | 375,001       | 380,000     | 377,800              |
| 10                     | 50,001        | 55,000  | 543,000              | 1                      | 385,001       | 390,000     | 387,400              |
| 5                      | 55,001        | 60,000  | 289,601              | 1                      | 415,001       | 420,000     | 419,500              |
| 9                      | 60,001        | 65,000  | 566,600              | 1                      | 420,001       | 425,000     | 424,200              |
| 6                      | 65,001        | 70,000  | 410,700              | 1                      | 425,001       | 430,000     | 427,500              |
| 4                      | 70,001        | 75,000  | 291,600              | 1                      | 440,001       | 445,000     | 442,100              |
| 5                      | 75,001        | 80,000  | 394,500              | 1                      | 510,001       | 515,000     | 512,800              |
| 4                      | 80,001        | 85,000  | 327,300              | 1                      | 635,001       | 640,000     | 636,600              |
| 2                      | 85,001        | 90,000  | 177,000              | 1                      | 670,001       | 675,000     | 672,500              |
| 1                      | 90,001        | 95,000  | 93,100               | 1                      | 710,001       | 715,000     | 710,300              |
| 10                     | 95,001        | 100,000 | 997,800              | 1                      | 750,001       | 755,000     | 754,105              |
| 5                      | 100,001       | 105,000 | 513,700              | 1                      | 775,000       | 780,000     | 775,000              |
| 3                      | 110,001       | 115,000 | 340,000              | 1                      | 900,000       | 905,000     | 900,000              |
| 1                      | 115,001       | 120,000 | 117,640              | 1                      | 1,140,001     | 1,145,000   | 1,144,100            |
| 7                      | 120,001       | 125,000 | 874,400              | 1                      | 1,420,000     | 1,425,000   | 1,420,000            |
| 2                      | 125,001       | 130,000 | 257,500              | 1                      | 1,525,000     | 1,530,000   | 1,525,000            |
| 2                      | 135,000       | 140,000 | 275,000              | 1                      | 2,145,001     | 2,150,000   | 2,148,647            |
| 1                      | 140,001       | 145,000 | 142,000              | 1                      | 3,080,001     | 3,085,000   | 3,080,800            |
| 4                      | 145,001       | 150,000 | 598,000              | 1                      | 3,480,001     | 3,485,000   | 3,482,700            |
| 1                      | 150,001       | 155,000 | 150,700              | 1                      | 18,015,001    | 18,020,000  | 18,015,409           |
| 1                      | 160,000       | 165,000 | 160,000              | 1                      | 135,775,001   | 135,780,000 | 135,775,939          |
| 2                      | 165,001       | 170,000 | 334,900              | 1                      | 170,300,000   | 170,305,000 | 170,300,000          |
| 2                      | 170,001       | 175,000 | 345,900              | 1                      | 390,940,001   | 390,945,000 | 390,943,499          |
| 2                      | 175,001       | 180,000 | 355,100              |                        |               |             |                      |
| 1                      | 185,001       | 190,000 | 188,000              |                        |               |             |                      |
| 1                      | 190,001       | 195,000 | 193,800              | 7,708                  |               | TOTAL:=-    | 766,596,075          |

category of shareholding  
as at december 31, 2016

| S.No. | Shareholders Category                                                         | No. of<br>Shareholder | No. of<br>Shares | Percentage |
|-------|-------------------------------------------------------------------------------|-----------------------|------------------|------------|
| 1.    | Directors, Chief Executive Officer, and their spouse and minor children.      | 6                     | 68,004           | 0.01       |
| 2.    | Associated Companies, undertakings and related parties.                       | 3                     | 697,019,438      | 90.92      |
| 3.    | NIT & ICP                                                                     |                       |                  |            |
| 4.    | Banks Development Financial Institutions, Non Banking Financial Institutions. | 9                     | 22,211,709       | 2.90       |
| 5.    | Insurance Companies                                                           | 3                     | 3,086,800        | 0.40       |
| 6.    | Modarabas and Mutual Funds                                                    | 36                    | 2,501,195        | 0.33       |
| 7.    | Share holders holding 10%                                                     | 3                     | 697,019,438      | 90.92      |
| 8.    | General Public (Individual)                                                   |                       |                  |            |
|       | a. local                                                                      | 7,524                 | 27,029,626       | 3.53       |
|       | b. Foreign                                                                    |                       |                  |            |
| 9.    | Others                                                                        | 127                   | 14,679,300       | 1.91       |

  
Abdul Samad Dawood  
Chairman

  
Hans Laarakker  
Chief Executive Officer

# shareholder information

## Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on March 24, 2017 at Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of March 17, 2017 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, 2016 there were 7,708 shareholders on record of the Company's ordinary shares.

## Transmission of Annual Reports through E-Mail

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

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

## Holding of General Meetings through Video Conference Facility

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

In this regard please fill up the Request for Video Conferencing

Facility Form given in the Annexure Section at the end of this report and submit it to registered address of the Company 10 days before holding of the annual general meeting.

## E-DIVIDEND MANDATE (OPTIONAL)

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

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

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

## Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2017 are:

- 1st quarter : 14 April 2017
- 2nd quarter: 11 August 2017
- 3rd quarter: 20 October 2017

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

## Change of Address

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

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





a flawless combination of  
**diversity**

our brands



**Olper's Milk**  
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 ten 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 three distinct pack sizes & packaging formats; Ecolean 250ml, Tetra Brik Edge 1000ml with cap, Tetra Brik 1500ml with cap.



**Olper's Lite**  
Look Great, Feel Greater

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



**Olper's Cream**  
The Cream of all Creams

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



**Olper's Tarrka**  
Indulge in the goodness of life

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



**Dairy Omung**  
'Milawat Sey Paak'

Dairy Omung partners with common Pakistani homemakers in their quest to provide the best for their families with an unadulterated, 'milawat sey paak' offering. Dairy Omung is light on the stomach, 'heek' free & 100% dairy. It is a value-for-money brand that can be enjoyed for drinking by children, so mothers have to make no compromise on adulteration-free nutrition.



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

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



**Omung Dobala**  
The strength of a good morning

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



**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

Nutritional deficiencies threaten the development of several children in Pakistan. Access to good quality milk can help in resolving the extent of these deficiencies. Loose milk is the preferred format for most households in Pakistan. To make it safe for consumption the practice of boiling at home is common. In a PCSIR study from 2010 it became clear that boiling milk at home causes nutritional loss. At Engro Foods milk undergoes a wide array of tests to eliminate the risk of adulteration. Olper’s milk is processed in a sterile and controlled environment through the use of specialized equipment. Therefore every glass of Olper’s milk guarantees complete nutrition.

To encourage nutritious & safe child drinking with Olper’s all our marketing efforts for 2016 were geared towards consumer education through the following mediums & activities:

'Achai kho na jayay' (Goodness of milk should not get lost)

Armed with research that boiling drastically reduces the nutritional content of milk, we created a visual device: The Half Glass to confront the issue. The Half Glass was a powerful way of showing that a glass of loose milk contains just half the nutrition. The Nutri-Heat process was introduced to provide evidence that Olper’s retains the goodness of milk making it a glass FULL of nutrition.

The original Olper’s pack was modified to include nutrition related facts. Prior to the campaign press releases and press campaigns created awareness on the issue of Malnutrition in Pakistan.

'Poora Pyar- Poori Ghizaiyat' (Complete Love-Complete Nutrition)

Towards the end the year we reinforced our Full of Nutrition claim with another extensive thematic communication. Building on the thought that a mother’s love and devotion is always COMPLETE...never lacking in any way...it’s 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! A complete 360 degree media campaign ensured our message was integrated completely across all video and audio mediums, from home, to out of home and in store.

Content Integration in 3 Bahadur Movie

We partnered with Sharmeen Obaid Chinoy for the sequel of 3 Bahadur in 2016. In 2015 the first movie had developed a massive fan following within our target group of children.

We designed Olper’s Limited Edition Packs flaunting the characters of 3 Bahadur – The Revenge of Baba Balaam. An animated telop was created for TV which aimed to convince children to drink Olper’s by linking the nutritional benefits



Olper’s with the immense power of the 3 Bahadur in their favourite movie.

'Sach ka Safar' (Journey for Truth)

SachKaSafar was the initiative we took to clarify and explain the journey of Olper’s milk from the farm to the consumer’s house. The documentary was aired on both TV & on the Olper’s Facebook page (garnered 3 Mn views). It was also shown to over 200,000 women during the ghizaiyat ka safar activation (Journey for Nutrition) in Lahore, Karachi and Islamabad.

Consumer Engagement Initiatives

In a bid to make Olper’s convenient for its target users, we launched the 1.5 Litre pack with a cap so that storage and use was hassle free. We also understood that making children drink milk is a challenge, we stepped in to help the mother by partnering with a

brand, Oreo that has for decades communicated the message of ‘dunking’ biscuit in milk. This partnership helped us to strengthen our drinking credentials and to develop patronage for our offer with the users who drink milk.

Brand Performance

These efforts have helped the brand in strengthening its relevance with its target consumers. Olper’s milk gained 2% market share from the beginning of the year in 2016.



## tarang

### '12 Bajay' Campagin

In its biggest ever TVC production since inception, Tarang looked beyond national borders to partner Sonam Kapoor with Fawad Khan. After the duo wooed audiences in their super-hit film 'Khoobsurat', they took to the screens to promote Pakistan's favourite tea whitener. The purpose of this campaign was to enhance brand love in the mind of the Tarang consumer. As a result of the campaign, Tarang maintained the highest top of mind awareness in its TG amongst all other UHT players.

### 'Mazay ki Jeet' campaign

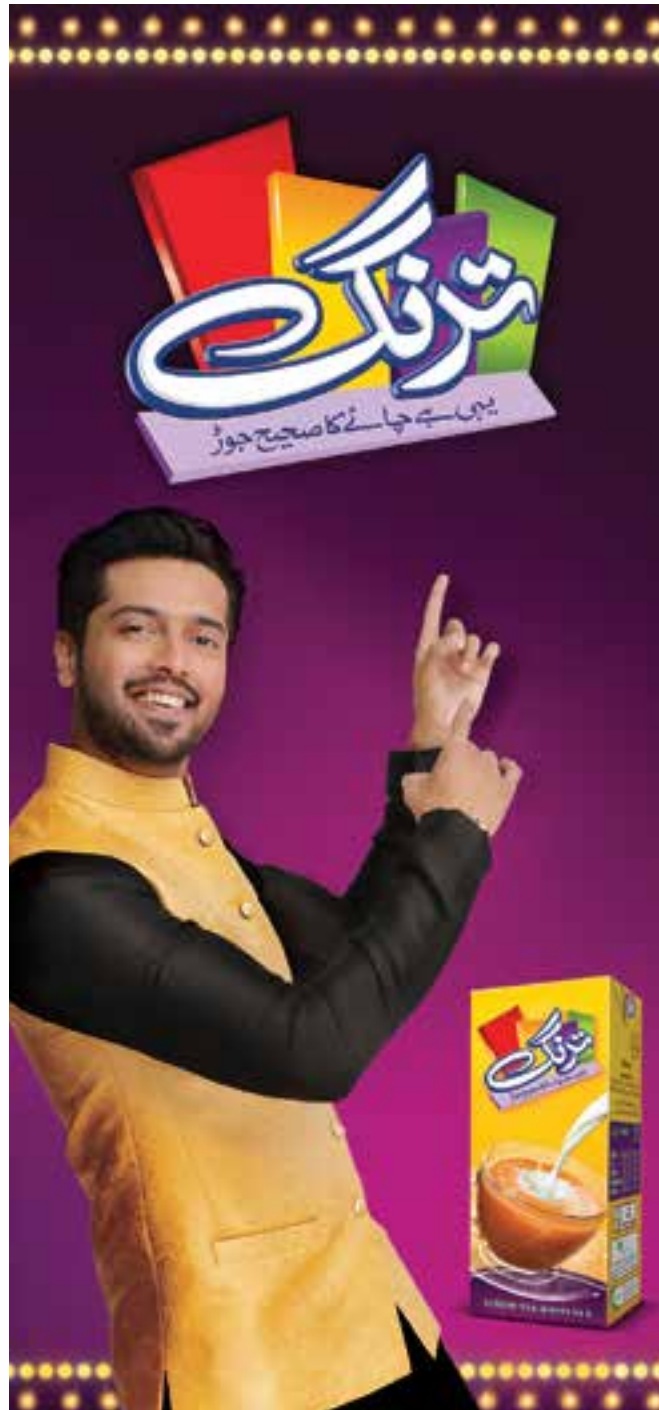
This year Tarang launched the biggest ever consumer promotion in EFL history. The campaign aimed at attracting new users and incentivizing the existing ones. Consumers and households from over 185 cities of Pakistan took part in the promotion. During the 50 days of this promotion, about 900,000 unique consumers texted codes printed on Tarang packs. Out of the 6.1 million total entries received, over 60,000 consumers were awarded mobile balance, 500 were awarded prize money of Rs. 100,000 and then the bumper prize of Rs. 10,000,000 was awarded to one lucky Tarang consumer, a tailor from Sahiwal.

During the same period, an innovative retailer-oriented promotion named "Retailer ki Jeet" was conducted in the Northern region. Leveraging the mobile platforms of Telenor and Easy Paisa, the campaign gave retailers the chance to redeem prizes by scratching the code on cartons of Tarang. Unprecedented trade engagement was observed, with over 110,000 unique entries coming in from around 300 towns/villages.

In order to further strengthen our penetration in the Northern and Kashmir region, especially within females in these areas who otherwise have low media consumption, several on-ground brand ambassador teams were mobilized to reach out to consumers in far-flung areas to make sure that Tarang is seen as the first choice when it comes to choosing a tea creamer. A total of 313,108 consumers were intercepted and exposed to the brand messaging and 64% were convinced to purchase a special promotional deal. This was the first time that the brand brought the brand experience to the consumer household in KPK, GB & Kashmir, setting new benchmarks in dairy marketing.

An extensive campaign awareness movement was also undertaken to promote the Consumer Promotion in far-flung areas. After an elaborate groundwork and physical survey, 9

different creative mediums amounting to 200,000 sq. ft. were utilized, stimulating a strong brand recall and thus creating maximum brand campaign awareness in over 42 towns of the northern region



## dairy omung

Since 2014, Dairy Omung has taken up the cause of providing unadulterated affordable nutrition to the common Pakistani woman.

In 2016, as the brand settled into a consistent consumer base that believed in Dairy Omung's promise of adulteration-free nutrition, the brand set on a task to create further excitement in the market. Dairy Omung wanted to encourage children to drink Dairy Omung and for moms to realize its value for money. The brand found a brilliant partner to pair up with; Gluco, a popular energy biscuit brand loved by children to bring a consumer promotion that promised to work on all counts. A free Gluco pack (worth ten rupees) offered with every 1 litre pack of Dairy Omung aimed at making both moms and kids happy.

The insight used to develop the communication for this consumer promotion was simple, true, and relatable: kids who are not yet winners tend to get ignored. Dairy Omung wanted to be an enabler in their daily struggle for success and communicate that all that was needed to turn their hopes into reality was a mix of the right ingredients. Both brand philosophies merged well to achieve this: the strength of Gluco and the unadulterated benefits of Dairy Omung would work together to make winners – no matter where you stood or who you were.

A fun, energetic, catchy jingle-based TV commercial became the bedrock of our communication which showed children chasing their dreams turning their hopes into wins, along with support on radio, OOH, POSM & an activation focused on generating trial.

To further develop and augment drinking credentials for the brand, Dairy Omung launched a consumer promotion, giving away a free acrylic glass with the purchase of every 1 litre pack. The promotion ran for two months in 78 top-performing outlets across Karachi, Lahore, Rawalpindi & Islamabad, and delivered a phenomenal 105% growth over baseline volumes of the outlets for the duration of the promotion.

Through the concentrated efforts of a dedicated team and their undeniable passion, Dairy Omung grew by 30% from 2015, maintaining its leadership position with an increase of 700 basis points in market share, standing at 70% at the end of the year.

Dairy Omung's journey to build and deliver on consumer trust will continue in 2017, as the brand reveals new communication and exciting initiatives to battle adulteration and bring nutrition to middle-of-the-pyramid homes.



omoré

Ice-cream and frozen desserts are a popular category in Pakistan. Frequent power outages and soaring temperatures in the summer create a nation-wide appeal for products that allow consumers to cool down. Additionally, there is a good trial ratio for new flavours and formats as the category is perceived as youthful and exciting. For these reasons, Omoré launched several initiatives in 2016, catered to bringing more people into the fold.

Omoré Signature Campaign

To start off the year with a bang, the Signature campaign was brought back with a focus on not letting the small happy moments in life slip you by (encapsulated in the functional message “khushi ko pighalne na do!”). The campaign featured the nostalgic Omoré melody that still plays on tricycles that go from neighbourhood to neighbourhood every day and did a great job at delivering a good message to consumers.

Omoré Blueberry Cheesecake Cone

One of the most exciting launches for 2016 was the Omoré Blueberry Cheesecake cone. This product was a delicious new addition to the existing cones range, complementing the existing Omoré Strawberry Cheesecake cone. The “kabhi tangy, kabhi creamy” launch was backed by two TV advertisements that delivered a simple message: all you need sometimes is a change of perspective (and Omoré Blueberry Cheesecake cone will help

you get that). The product was well-received in the market and will continue in 2017.

Omoré Funsticks, Omoré Tom & Jerry, Omoré Choco Vanilla “Chippy”

2016 was a particularly happening year for kids as there were three communication campaigns that hit the airwaves. Omoré Funsticks came back with a brand new campaign encouraging kids to join, twist and bend Omoré’s Funsticks to create imaginative structures for themselves. Omoré Tom & Jerry continued to attract children with unique Tom & Jerry shaped Chocbars that were an instant hit. Omoré “Chippy” (a play on chocolate chips) was a new addition to the cones portfolio, priced and optimized for children. The product was backed with a one-of-a-kind animated TVC that played on kids channels and gained great traction with children.

Omoré Premium Range

Omoré’s premium range was launched in 2015; it featured two bars in exciting peanut butter and hazelnut flavours. The message for this segment, along with the flavours is very contemporary: Rules are made to be bitten. Two new tubs were added to the premium range in 2016, bringing a multi-serve option to this segment and a TV campaign backed these launches. This range will continue to be built in the coming years.



financial statements

merged perfectly for  
**success**



A. F. FERGUSON & CO.

# 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, 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2016.

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Chartered Accountants  
Karachi  
Date: February 28, 2017

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 Regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1.
- The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As at December 31, 2016 the Board included the following members:

|                          |                     |
|--------------------------|---------------------|
| Independent Directors    | Wim Torfs           |
| Executive Director / CEO | Babur Sultan        |
| Non-Executive Directors  | Abdul Samad Dawood  |
|                          | Ghias Khan          |
|                          | Heidi van der Kooij |
|                          | Hein Schumacher     |
|                          | Jaska de Bakker     |
|                          | Hans Laarakker      |
|                          | Piet Hilarides      |
|                          | Sabrina Dawood      |

The independent director meet the criteria of independence under clause 1 ( b) of the CCG. Of the non-executive directors, Mr. Ghias Khan is an executive in an Engro Group company.

2.
- The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3.
- All the resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4.
- One casual vacancy occurred on the Board on November 30, 2016 which was filled up by the Directors within 20 days. In addition to this casual vacancy, due to acquisition of 51% of total shareholding in the Company by FrieslandCampina Pakistan Holdings B.V., a wholly owned subsidiary of the Royal Friesland Campina N.V., the Shareholder Agreement was given effect by replacing certain Board members with members of the acquiring entity, on December 20, 2016.
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 non- executive directors and independent directors have been taken by the Board.
8.
- All meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board to chair the meeting. The Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings, except for meetings held on short notice to discuss urgent matters. The minutes of the meetings were appropriately recorded and circulated.
9.
- Three of the Directors attended the Directors training course conducted by the Pakistan Institute of Corporate Governance (PICG) this year. Two other directors have already completed this course earlier, while five directors will be attending this course in the ensuing year.

10. There has been no new appointment at the CFO, Company Secretary and Head of Internal Audit positions during the year.
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. Upto December 20, 2016 it comprised of four members of whom one was an independent director and three were non-executive directors and the Chairman of the Committee was a non-executive director. Upon the resignations of Mr. Mohammad Amin, Mr. Zafaryab Ali Khan and Mr. Isfandiyar Shaheen, the committee has been reconstituted subsequent to the year end, comprising of a Chairman and two members, including an independent 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. Upto November 30, 2016, it comprised of four members, all of whom were non-executive directors. Whereas, upto December 20, 2016, it comprised of three members all of whom were non-executive directors. The Chairman of the Committee was a non-executive director. Upon the resignations of Mr. Khalid Siraj Subhani (on November 30, 2016), Mr. Rehan Hasan and Mr. Isfandiyar Shaheen (on December 20, 2016), the Committee will be reconstituted and a new Chairman and two new members will be appointed in due course.
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

Karachi  
Date: February 2, 2017



Hans Laarakker  
Chief Executive Officer



A. F. FERGUSON & CO.

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

## Scope of our work

We have performed an independent reasonable assurance engagement of Engro Foods Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Employees Share Option Scheme, as approved by the shareholders in their Extra Ordinary General Meeting held on March 22, 2013 and amended in their Annual General Meeting held on April 27, 2015 (the Scheme), and the Public Companies (Employees Stock Option Scheme) Rules, 2001 (the Rules) as of December 31, 2016.

## Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2016) is assessed comprises of the aforementioned amended Employee Share Option Scheme and the Public Companies (Employees Stock Option Scheme) Rules, 2001. Our engagement was carried out as required under Rule 14 of the Rules issued by the Securities and Exchange Commission of Pakistan vide SRO 300(1) 2001 dated May 11, 2001.

## Responsibility of Company’s Management

The responsibility for the preparation of the Statement (the subject matter information) and for compliance with the requirements of the Scheme and the Rules is that of the Management of the Company. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

## Our Independence and Quality Control

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

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

## Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement for the year ended December 31, 2016 based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 ‘Assurance Engagements other than Audits or Reviews of Historical Financial Information’ (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the annexed Statement reflects the status of Company’s compliance with the Scheme and the Rules (the Criteria) and is free from material misstatement.

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

- Verifying that only permanent employees have participated in the Scheme in compliance with the Rules;

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

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

**Conclusion**  
Based on our reasonable assurance engagement, in our opinion, the annexed Statement for the year ended December 31, 2016 has been prepared, in all material respects, in compliance with the Scheme and the Rules.



Chartered Accountants  
Karachi  
Date: February 28, 2017  
  
Engagement Partner: Osama Kapadia

# management statement of compliance with employees share option scheme

Engro Foods Limited (the Company) as of December 31, 2016 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, 2016 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



Hans Laarakker  
Chief Executive Officer

Karachi  
Date: February 2, 2017



A. F. FERGUSON & CO.

auditors’ report to the members

We have audited the annexed balance sheet of Engro Foods Limited as at December 31, 2016 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, 2016 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Affymur & Co.

Chartered Accountants  
Karachi  
Date: February 28, 2017  
  
Engagement Partner: Osama Kapadia

balance sheet  
as at december 31, 2016

| (Amounts in thousand)                               | Note | 2016<br>------(Rupees)----- | 2015<br>------(Rupees)----- |
|-----------------------------------------------------|------|-----------------------------|-----------------------------|
| ASSETS                                              |      |                             |                             |
| Non-Current Assets                                  |      |                             |                             |
| Property, plant and equipment                       | 4    | 13,120,693                  | 13,860,273                  |
| Biological assets                                   | 5    | 932,726                     | 1,024,251                   |
| Intangibles                                         | 6    | 44,378                      | 63,923                      |
| Long term advances and deposits                     | 7    | 93,984                      | 134,451                     |
| Deferred employee share option compensation expense | 8    | 54,635                      | 147,456                     |
|                                                     |      | 14,246,416                  | 15,230,354                  |
| Current Assets                                      |      |                             |                             |
| Stores, spares and loose tools                      | 9    | 841,394                     | 792,929                     |
| Stock-in-trade                                      | 10   | 3,763,898                   | 3,071,379                   |
| Trade debts                                         | 11   | 69,654                      | 117,568                     |
| Advances, deposits and prepayments                  | 12   | 144,879                     | 133,999                     |
| Other receivables                                   | 13   | 114,661                     | 598,555                     |
| Sales tax recoverable                               | 14   | 2,736,249                   | 3,724,441                   |
| Taxes recoverable                                   |      | 2,039,370                   | 2,234,126                   |
| Deferred employee share option compensation expense | 8    | 54,307                      | 92,986                      |
| Cash and bank balances                              | 15   | 702,944                     | 289,049                     |
|                                                     |      | 10,467,356                  | 11,055,032                  |
| TOTAL ASSETS                                        |      | 24,713,772                  | 26,285,386                  |

EQUITY AND LIABILITIES  
Equity

| (Amounts in thousand)                                      | Note | 2016<br>------(Rupees)----- | 2015<br>------(Rupees)----- |
|------------------------------------------------------------|------|-----------------------------|-----------------------------|
| Share capital                                              | 16   | 7,665,961                   | 7,665,961                   |
| Share premium                                              |      | 865,354                     | 865,354                     |
| Employee share option compensation reserve                 | 8    | 433,982                     | 595,144                     |
| Hedging reserve                                            |      | -                           | (1,770)                     |
| Remeasurement of post employment benefits - Actuarial loss |      | (73,958)                    | (84,356)                    |
| Unappropriated profit                                      |      | 8,259,180                   | 5,872,468                   |
|                                                            |      | 17,150,519                  | 14,912,801                  |
| Non-Current Liabilities                                    |      |                             |                             |
| Long term finances                                         | 17   | 500,000                     | 2,195,988                   |
| Deferred taxation                                          | 18   | 1,605,824                   | 1,816,289                   |
| Deferred income                                            | 19   | -                           | 568                         |
|                                                            |      | 2,105,824                   | 4,012,845                   |
| Current Liabilities                                        |      |                             |                             |
| Current portion of long term finances                      | 17   | 1,695,988                   | 3,171,417                   |
| Current portion of deferred income                         | 19   | 522                         | 3,122                       |
| Trade and other payables                                   | 20   | 3,664,234                   | 3,666,927                   |
| Derivative financial instruments                           | 21   | -                           | 2,604                       |
| Accrued interest / mark-up on                              |      |                             |                             |
| - long term finances                                       |      | 29,063                      | 98,993                      |
| - short term finances                                      |      | 2,502                       | 6,920                       |
| Short term finances                                        | 22   | 65,120                      | 409,757                     |
|                                                            |      | 5,457,429                   | 7,359,740                   |
| Contingencies and Commitments                              | 23   |                             |                             |
| TOTAL EQUITY AND LIABILITIES                               |      | 24,713,772                  | 26,285,386                  |

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

Abdul Samad Dawood  
Chairman

Hans Laarakker  
Chief Executive Officer

profit and loss account  
for the year ended december 31, 2016

| (Amounts in thousand except for earnings per share) | Note | 2016<br>------(Rupees)----- | 2015<br>------(Rupees)----- |
|-----------------------------------------------------|------|-----------------------------|-----------------------------|
| Net sales                                           | 24   | 44,346,031                  | 49,834,089                  |
| Cost of sales                                       | 25   | (34,307,066)                | (38,303,002)                |
| Gross profit                                        |      | 10,038,965                  | 11,531,087                  |
| Distribution and marketing expenses                 | 26   | (5,068,408)                 | (4,952,143)                 |
| Administrative expenses                             | 27   | (920,998)                   | (1,385,412)                 |
| Other operating expenses                            | 28   | (332,244)                   | (368,648)                   |
| Other income                                        | 29   | 148,509                     | 325,520                     |
| Operating profit                                    |      | 3,865,824                   | 5,150,404                   |
| Finance costs                                       | 30   | (348,038)                   | (856,419)                   |
| Profit before taxation                              |      | 3,517,786                   | 4,293,985                   |
| Taxation                                            | 31   | (1,131,074)                 | (1,131,530)                 |
| Profit for the year                                 |      | 2,386,712                   | 3,162,455                   |
| Earnings per share - basic and diluted              | 32   | 3.11                        | 4.13                        |

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

Abdul Samad Dawood  
Chairman

Hans Laarakker  
Chief Executive Officer

statement of comprehensive income  
for the year ended december 31, 2016

| (Amounts in thousand)                                                                                                       | Note | 2016<br>------(Rupees)----- | 2015<br>------(Rupees)----- |
|-----------------------------------------------------------------------------------------------------------------------------|------|-----------------------------|-----------------------------|
| Profit for the year                                                                                                         |      | 2,386,712                   | 3,162,455                   |
| Other comprehensive income:                                                                                                 |      |                             |                             |
| Items that may be reclassified subsequently to profit or loss                                                               |      |                             |                             |
| Gain on hedges during the year                                                                                              |      | -                           | 1,410                       |
| Adjustments for amounts transferred to initial carrying amounts of hedged items - capital work-in-progress / stock-in-trade |      | 2,604                       | 37,383                      |
| Less: Income tax relating to hedging reserve                                                                                |      | (834)                       | (12,827)                    |
| Items that will not be reclassified to profit or loss                                                                       |      | 1,770                       | 25,966                      |
| Remeasurement of post employment benefits obligation - Actuarial gain / (loss)                                              | 35.6 | 14,853                      | (71,531)                    |
| Less: Income tax relating to Actuarial (gain) / loss                                                                        |      | (4,455)                     | 22,890                      |
|                                                                                                                             |      | 10,398                      | (48,641)                    |
| Other comprehensive income / (loss) for the year, net of tax                                                                |      | 12,168                      | (22,675)                    |
| Total comprehensive income for the year                                                                                     |      | 2,398,880                   | 3,139,780                   |

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

Abdul Samad Dawood  
Chairman

Hans Laarakker  
Chief Executive Officer

statement of changes in equity  
for the year ended december 31, 2016

| (Amounts in thousand)                             | Note | Reserve             |               |                                            |                 |                                                            |                       |            |
|---------------------------------------------------|------|---------------------|---------------|--------------------------------------------|-----------------|------------------------------------------------------------|-----------------------|------------|
|                                                   |      | Share capital       | Capital       |                                            | Revenue         |                                                            |                       | Total      |
|                                                   |      |                     | Share premium | Employee share option compensation reserve | Hedging reserve | Remeasurement of post employment benefits - Actuarial loss | Unappropriated profit |            |
|                                                   |      | ------(Rupees)----- |               |                                            |                 |                                                            |                       |            |
| Balance as at January 1, 2015                     |      | 7,665,961           | 865,354       | 399,740                                    | (27,736)        | (35,715)                                                   | 2,710,013             | 11,577,617 |
| Employee share option scheme                      | 8    | -                   | -             | 195,404                                    | -               | -                                                          | -                     | 195,404    |
| Profit for the year                               |      | -                   | -             | -                                          | -               | -                                                          | 3,162,455             | 3,162,455  |
| Other comprehensive income / (loss) for the year  |      | -                   | -             | -                                          | 25,966          | (48,641)                                                   | -                     | (22,675)   |
| Total comprehensive income / (loss) for the year  |      | -                   | -             | -                                          | 25,966          | (48,641)                                                   | 3,162,455             | 3,139,780  |
| Balance as at December 31, 2015 / 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                   |      | 7,665,961           | 865,354       | 433,982                                    | -               | (73,958)                                                   | 8,259,180             | 17,150,519 |

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

Abdul Samad Dawood  
Chairman

Hans Laarakker  
Chief Executive Officer

statement of cash flows  
for the year ended december 31, 2016

| (Amounts in thousand)                                         | Note | 2016<br>------(Rupees)----- | 2015        |
|---------------------------------------------------------------|------|-----------------------------|-------------|
| Cash Flows From Operating Activities                          |      |                             |             |
| Cash generated from operations                                | 33   | 6,656,268                   | 6,742,073   |
| Finance costs paid                                            |      | (422,386)                   | (1,005,623) |
| Taxes paid                                                    |      | (1,152,072)                 | (1,088,003) |
| Retirement benefits paid                                      |      | (772)                       | (106,203)   |
| Long term advances and deposits - net                         |      | 40,467                      | (25,277)    |
| Net cash generated from operating activities                  |      | 5,121,505                   | 4,516,967   |
| Cash Flows From Investing Activities                          |      |                             |             |
| Purchases of                                                  |      |                             |             |
| - property, plant and equipment                               |      | (1,348,760)                 | (967,231)   |
| - intangible assets                                           |      | (31,342)                    | (5,792)     |
| - biological assets                                           |      | (5,737)                     | (1,347)     |
| Proceeds from disposal of                                     |      |                             |             |
| - property, plant and equipment                               |      | 121,562                     | 133,046     |
| - biological assets                                           |      | 76,180                      | 51,304      |
| Net cash utilized in investing activities                     |      | (1,188,097)                 | (790,020)   |
| Cash Flows From Financing Activities                          |      |                             |             |
| Repayments of long term finances                              |      | (3,175,878)                 | (1,721,870) |
| Net increase in cash and cash equivalents                     |      | 757,530                     | 2,005,077   |
| Cash and cash equivalents at beginning of the year            |      | (120,708)                   | (2,134,993) |
| Effects of exchange rate changes on cash and cash equivalents | 34   | 1,002                       | 9,208       |
| Cash and cash equivalents at end of the year                  |      | 637,824                     | (120,708)   |

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

Abdul Samad Dawood  
Chairman

Hans Laarakker  
Chief Executive Officer

notes to the financial statements  
for the year ended december 31, 2016

(Amounts in thousand)

1. Legal Status and Operations

- 1.1 Engro Foods Limited (the Company), is a public listed company incorporated in Pakistan, under the Companies Ordinance, 1984, and its shares are quoted on Pakistan Stock Exchange. The Company is a subsidiary of FrieslandCampina Pakistan Holdings B.V (the Holding Company) which is a subsidiary of Royal FrieslandCampina N.V (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 On 19 December 2016, the Holding Company completed the acquisition of 51 per cent of the total shares in the Company, by acquiring 361,299,052 (47.1%) shares of the Company from Engro Corporation Limited and 29,664,947 (3.9%) shares of the Company through mandatory tender offer under the Securities Act, 2015. As at December 31, 2016, Engro Corporation Limited (ECL) holds 39.9% of the total shares in the Company.
- 1.3 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, as modified by remeasurement of biological assets and certain financial assets and financial liabilities, including derivative instruments, at fair value, and certain staff retirement and other service benefits at present value.
- 2.1.2 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives have been followed.
- 2.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.
- 2.1.4 Initial application of a Standard, Amendment or an Interpretation to an existing Standard

a) Standard and amendments to published standards that are effective in 2016

The following amendments to published standard are mandatory for the financial year beginning on or after January 1, 2016 and are relevant to the Company.

- IFRS 7, 'Financial instruments: Disclosures'. There are two amendments:
  - Servicing contracts - If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The amendment provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.
  - Interim financial statements - The amendment clarifies that the additional disclosure required by the amendments to

(Amounts in thousand)

IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

The amendments only affect disclosures in the Company's financial statements.

IAS 1, 'Presentation of Financial Statements'. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
  - Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
  - Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments. The amendments only affect disclosures in the Company's financial statements.

- IAS 19, (Amendment), 'Employee benefits'. The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. The Company's accounting treatment is already in line with this amendment.
- IAS 34, 'Interim financial reporting'. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. The amendment only affects disclosures in the Company's interim financial information.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January1, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2016 and have not been early adopted by the Company:

- 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. It is unlikely that the standard will have any significant impact on the Company's financial statements.
- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by Securities and Exchange Commission of Pakistan (SECP). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. It is unlikely that the standard will have any significant impact on the Company's financial statements.

(Amounts in thousand)

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Company is yet to assess the full impact of the standard.
- 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; however, initial indicators are that it may not affect the Company's financial statements significantly.
- IAS 7 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. It is unlikely that the standard will have any significant impact on the Company's financial statements.
- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses (effective for periods beginning on or after January 1, 2017). These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is unlikely that the standard will have any significant impact on the Company's financial statements.
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the standard will have any significant impact on the Company's financial statements.

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

2.2 Property, plant and equipment

2.2.1 Owned

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

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

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

(Amounts in thousand)

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.

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.

(Amounts in thousand)

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’, ‘loans, advances and deposits’ and ‘cash and cash equivalents’ in the balance sheet.

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.

(Amounts in thousand)

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

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

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

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

2.6.2 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.

(Amounts in thousand)

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.

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, and short-term highly liquid investments subject to insignificant risk of changes in values, and short term finances. Short term finances on the balance sheet are shown as part of current liabilities.

2.11 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 Retirement and other service benefits

2.13.1 Gratuity fund

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

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

2.13.2 Provident fund

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

(Amounts in thousand)

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.

2.13.3 Compensated absences

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

2.14 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 atleast twelve months after the balance sheet date.

2.15 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.

2.16 Provisions

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

2.17 Taxation

2.17.1 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.

2.17.2 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.

2.18 Foreign currency transactions and translation

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

2.19 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:

(Amounts in thousand)

- a)hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
- b)hedges of a pirticular risk associated with a recognized asset or liability or 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.

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. inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory or in depreciation in case of fixed assets.

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

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

2.20Revenue 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.

(Amounts in thousand)

2.21Research 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.

2.22Borrowing 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.

2.23Dividend and appropriation to reserves

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

2.24Segment reporting

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

3.Critical Accounting Estimates And Judgements

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

a)Taxation

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

b)Property, plant and equipment and intangibles

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

c)Biological assets

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

d)Stock-in-trade

The Company regularly reviews the net realizable value of stock-in-trade to asses 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.

(Amounts in thousand)

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 has been determined with reference to the balance sheet date in accordance with the requirements of IFRS 2 'Share based payment' and will be reassessed on the actual grant date. The fair values and the underlying assumptions are disclosed in note 8. Any change in these assumptions may significantly impact the carrying values of the related asset and reserve in the balance sheet.

4. Property, Plant and Equipment

Operating assets (note 4.1)

Capital work-in-progress (note 4.5)

Major spare parts and stand by equipment (note 9)

| 2016                | 2015       |
|---------------------|------------|
| ------(Rupees)----- |            |
| 12,234,376          | 13,281,414 |
| 732,411             | 419,755    |
| 153,906             | 159,104    |
| 13,120,693          | 13,860,273 |

(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        |
|-------------------------------------------|---------------|--------------------------------------------|---------------------------------------------------|-------------------------------|-------------------------------------------|---------------------|--------------|
|                                           |               |                                            | OwnedLeased                                       |                               |                                           | OwnedLeased         |              |
| ------(Rupees)-----                       |               |                                            |                                                   |                               |                                           |                     |              |
| As at January 1, 2015                     |               |                                            |                                                   |                               |                                           |                     |              |
| Cost                                      | 407,472       | 3,690,788                                  | 15,641,909                                        | 34,595                        | 232,514                                   | 347,153             | 21,052,438   |
| Accumulated depreciation                  | -             | (803,406)                                  | (5,183,535)                                       | (34,595)                      | (139,537)                                 | (185,607)           | (6,696,055)  |
| Accumulated impairment                    | -             | (7,001)                                    | (58,490)                                          | -                             | -                                         | -                   | (65,491)     |
| Net book value                            | 407,472       | 2,880,381                                  | 10,399,884                                        | -                             | 92,977                                    | 161,546             | 14,290,892   |
| Year ended December 31, 2015              |               |                                            |                                                   |                               |                                           |                     |              |
| Opening net book value                    | 407,472       | 2,880,381                                  | 10,399,884                                        | -                             | 92,977                                    | 161,546             | 14,290,892   |
| Additions, including transfers (note 4.5) | 1,108         | 141,974                                    | 855,459                                           | -                             | 12,756                                    | 14,272              | 1,156,752    |
| Disposals (note 4.4)                      | -             | -                                          | -                                                 | -                             | -                                         | -                   | -            |
| Cost                                      | -             | (800)                                      | (122,658)                                         | -                             | (6,681)                                   | (14,933)            | (245,272)    |
| Accumulated depreciation                  | -             | 767                                        | 35,732                                            | -                             | 6,210                                     | 10,554              | 121,001      |
|                                           | -             | (33)                                       | (86,926)                                          | -                             | (471)                                     | (4,379)             | (124,271)    |
| Depreciation (note 4.3)                   | -             | (235,210)                                  | (1,513,788)                                       | -                             | (36,376)                                  | (52,944)            | (1,977,294)  |
| Impairment (notes 25 and 26)              | -             | -                                          | (21,904)                                          | -                             | -                                         | (915)               | (22,819)     |
| Write-off (note 28)                       | -             | -                                          | -                                                 | -                             | -                                         | -                   | -            |
| Cost                                      | -             | (13,148)                                   | (3,903)                                           | -                             | (2,822)                                   | (3,077)             | (22,996)     |
| Accumulated impairment                    | -             | 7,001                                      | 1,736                                             | -                             | -                                         | -                   | 8,737        |
| Accumulated depreciation                  | -             | 5,726                                      | 2,167                                             | -                             | 2,817                                     | 2,954               | 13,710       |
|                                           | -             | (421)                                      | -                                                 | -                             | (5)                                       | (123)               | (549)        |
| Transferred to stores and spares          | -             | -                                          | -                                                 | -                             | -                                         | -                   | -            |
| Cost                                      | -             | -                                          | (47,024)                                          | -                             | -                                         | -                   | (47,024)     |
| Accumulated depreciation                  | -             | -                                          | 5,727                                             | -                             | -                                         | -                   | 5,727        |
|                                           | -             | -                                          | (41,297)                                          | -                             | -                                         | -                   | (41,297)     |
| Closing net book value                    | 408,580       | 2,786,691                                  | 9,591,428                                         | -                             | 68,881                                    | 118,372             | 13,281,414   |
| As at December 31, 2015                   |               |                                            |                                                   |                               |                                           |                     |              |
| Cost                                      | 408,580       | 3,818,814                                  | 16,323,783                                        | 34,595                        | 235,767                                   | 343,415             | 21,893,898   |
| Accumulated depreciation                  | -             | (1,032,123)                                | (6,653,697)                                       | (34,595)                      | (166,886)                                 | (225,043)           | (8,532,911)  |
| Accumulated impairment                    | -             | -                                          | (78,658)                                          | -                             | -                                         | (915)               | (79,573)     |
| Net book value                            | 408,580       | 2,786,691                                  | 9,591,428                                         | -                             | 68,881                                    | 307,462             | 13,281,414   |
| Year ended December 31, 2016              |               |                                            |                                                   |                               |                                           |                     |              |
| Opening net book value                    | 408,580       | 2,786,691                                  | 9,591,428                                         | -                             | 68,881                                    | 307,462             | 13,281,414   |
| Additions, including transfers (note 4.5) | -             | 141,628                                    | 631,309                                           | -                             | 30,739                                    | 28,906              | 1,059,542    |
| Disposals (note 4.4)                      | -             | -                                          | -                                                 | -                             | -                                         | -                   | -            |
| Cost                                      | -             | -                                          | (197,297)                                         | -                             | (14,033)                                  | (2,089)             | (405,346)    |
| Accumulated impairment                    | -             | -                                          | 381                                               | -                             | -                                         | -                   | 381          |
| Accumulated depreciation                  | -             | -                                          | 171,747                                           | -                             | 13,730                                    | 1,849               | 340,910      |
|                                           | -             | -                                          | (25,169)                                          | -                             | (303)                                     | (240)               | (64,055)     |
| Depreciation (note 4.3)                   | -             | (234,530)                                  | (1,484,167)                                       | -                             | (36,307)                                  | (45,763)            | (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)             | (104,642)    |
| Accumulated impairment                    | -             | -                                          | 7,377                                             | -                             | -                                         | 53                  | 8,280        |
| Accumulated depreciation                  | -             | 625                                        | 87,421                                            | -                             | 272                                       | 1,577               | 90,042       |
|                                           | -             | -                                          | (6,100)                                           | -                             | (129)                                     | (91)                | (6,320)      |
| Closing net book value                    | 408,580       | 2,693,789                                  | 8,601,889                                         | -                             | 62,837                                    | 367,029             | 12,234,376   |
| As at December 31, 2016                   |               |                                            |                                                   |                               |                                           |                     |              |
| Cost                                      | 408,580       | 3,959,817                                  | 16,656,897                                        | 34,595                        | 252,072                                   | 367,714             | 22,443,452   |
| Accumulated depreciation                  | -             | (1,266,028)                                | (7,878,696)                                       | (34,595)                      | (189,191)                                 | (267,380)           | (10,031,776) |
| Accumulated impairment                    | -             | -                                          | (176,312)                                         | -                             | (44)                                      | (862)               | (177,300)    |
| Net book value                            | 408,580       | 2,693,789                                  | 8,601,889                                         | -                             | 62,837                                    | 367,029             | 12,234,376   |
| Annual rate of depreciation (%)           | -             | 5 to 33.3                                  | 8.33 to 25                                        | 20                            | 20                                        | 20                  | 25           |

(Amounts in thousand)

4.2 Includes following assets held by third parties:

| Description         | 2016                |                | 2015             |                | Reason                                                            |
|---------------------|---------------------|----------------|------------------|----------------|-------------------------------------------------------------------|
|                     | Cost                | Net Book Value | Cost             | Net Book Value |                                                                   |
|                     | ------(Rupees)----- |                |                  |                |                                                                   |
| Plant and machinery | 234,492             | 90,419         | 234,492          | 107,243        | Equipment mounted on transport contractors' vehicles              |
| Plant and machinery | 1,041,073           | 356,167        | 921,714          | 330,659        | Freezers held with third party for ice cream sales                |
| Computer equipment  | 31,526              | 134            | 31,526           | 2,390          | Computer equipment managed by a third party for disaster recovery |
| Vehicles            | 116,517             | 40,918         | 116,782          | 50,108         | Trikes held with third party for ice cream sales                  |
|                     | <u>1,423,608</u>    | <u>487,638</u> | <u>1,304,514</u> | <u>490,400</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)

| 2016                 | 2015             |
|----------------------|------------------|
| ----- (Rupees) ----- |                  |
| 1,686,249            | 1,722,663        |
| 212,659              | 214,966          |
| 30,909               | 39,665           |
| <u>1,929,817</u>     | <u>1,977,294</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)                                              |                         |        |                                      |                |               |
| <b>Vehicles</b>                                       |                         |        |                                      |                |               |
| By Company policy to existing / separating executives | Ahsan Afzaal Ahmad      | 8,000  | (6,288)                              | 1,712          | 2,000         |
|                                                       | Adil Aizaz              | 1,646  | (494)                                | 1,152          | 993           |
|                                                       | Jawad Akhtar            | 1,726  | (906)                                | 820            | 1,034         |
|                                                       | Mushtaq Vighio          | 1,592  | (806)                                | 786            | 1,358         |
|                                                       | Salman Ali Khan         | 1,568  | (823)                                | 745            | 1,215         |
|                                                       | Muhammad Imran Khalil   | 2,392  | (1,659)                              | 733            | 598           |
|                                                       | Adnan Mahmood           | 2,392  | (1,682)                              | 710            | 598           |
|                                                       | Syed Ali Abbas          | 1,773  | (1,064)                              | 709            | 942           |
|                                                       | Zahid Mahmood           | 2,383  | (1,806)                              | 577            | 815           |
|                                                       | Naveed Zafar            | 1,706  | (1,151)                              | 555            | 816           |
|                                                       | Muhammad Muddasir       | 2,146  | (1,610)                              | 536            | 537           |
|                                                       | Rameez Ahmed Faraz      | 2,091  | (1,568)                              | 523            | 523           |
|                                                       | Ayaz Ahmed              | 1,594  | (1,076)                              | 518            | 941           |
|                                                       | Faheem Ahmed            | 683    | (179)                                | 504            | 547           |
|                                                       | Muhammad Raza           | 683    | (205)                                | 478            | 506           |
|                                                       | Hassan Nazir            | 1,593  | (1,135)                              | 458            | 717           |
|                                                       | Dawar Iqbal             | 690    | (234)                                | 456            | 277           |
|                                                       | Usman Saif              | 1,711  | (1,283)                              | 428            | 1,055         |
|                                                       | M Ali Raza              | 683    | (282)                                | 401            | 398           |
|                                                       | Muhammad Bilal          | 1,555  | (1,166)                              | 389            | 903           |
|                                                       | Muhammad Naeem Zulfiqar | 1,495  | (1,121)                              | 374            | 374           |
|                                                       | Faiz Ul Hassan          | 1,495  | (1,121)                              | 374            | 374           |
|                                                       | Laraib Zafar            | 1,474  | (1,106)                              | 368            | 369           |
|                                                       | Rehan Khaliq            | 1,474  | (1,106)                              | 368            | 369           |
|                                                       | Muhammad Shoaib         | 1,474  | (1,106)                              | 368            | 369           |
|                                                       | Ramzan Buriro           | 1,461  | (1,096)                              | 365            | 365           |
|                                                       | Muhammad Farjad         | 710    | (346)                                | 364            | 424           |
|                                                       | Adnan Ishtiaq           | 1,424  | (1,068)                              | 356            | 356           |
|                                                       | Muhammad Ali            | 1,534  | (1,179)                              | 355            | 868           |
|                                                       | Muhammad Imran          | 683    | (333)                                | 350            | 397           |
|                                                       | Sabir Mahmood           | 1,466  | (1,120)                              | 346            | 346           |
|                                                       | Imran Khatak            | 1,625  | (1,279)                              | 346            | 530           |
|                                                       | Zeeshan Ur Rab          | 1,374  | (1,031)                              | 343            | 344           |
|                                                       | Mustafa Hasan Qureshi   | 1,424  | (1,092)                              | 332            | 356           |
|                                                       | Bilal Muhammad Niazi    | 1,555  | (1,224)                              | 331            | 798           |
|                                                       | Nasir Iqbal             | 1,515  | (1,193)                              | 322            | 851           |
|                                                       | Sarfraz Soomro          | 1,845  | (1,556)                              | 289            | 663           |
|                                                       | Safwan Munir            | 667    | (400)                                | 267            | 311           |
|                                                       | Nabeel Ahmed            | 1,478  | (1,218)                              | 260            | 762           |
|                                                       | Ali Rashid Khan         | 1,648  | (1,405)                              | 243            | 510           |
|                                                       | M Ali Hafeez            | 1,499  | (1,259)                              | 240            | 751           |
|                                                       | Athar Jameeli           | 1,482  | (1,248)                              | 234            | 719           |
|                                                       | Ahtesham Waheed Baig    | 1,569  | (1,353)                              | 216            | 795           |
|                                                       | Balance carried forward | 70,978 | (50,377)                             | 20,601         | 28,774        |

(Amounts in thousand)

| Description and method of disposal                    | Sold to               | Cost    | Accumulated depreciation/ impairment | Net book value | Sale proceeds |
|-------------------------------------------------------|-----------------------|---------|--------------------------------------|----------------|---------------|
| ------(Rupees)-----                                   |                       |         |                                      |                |               |
| Balance brought forward                               |                       | 70,978  | (50,377)                             | 20,601         | 28,774        |
| By Company policy to existing / separating executives |                       |         |                                      |                |               |
|                                                       | Muhammad Akhtar Tahir | 1,495   | (1,285)                              | 210            | 707           |
|                                                       | Naeem Shah            | 667     | (463)                                | 204            | 274           |
|                                                       | Obaid Khan            | 667     | (463)                                | 204            | 300           |
|                                                       | Ali Sulaiman          | 1,586   | (1,398)                              | 188            | 714           |
|                                                       | Muhammad Shahzad      | 1,586   | (1,398)                              | 188            | 714           |
|                                                       | Kamran Chishti        | 1,495   | (1,317)                              | 178            | 706           |
|                                                       | Muhammad Zubair       | 1,699   | (1,529)                              | 170            | 340           |
|                                                       | Mubashir Tahir        | 676     | (507)                                | 169            | 270           |
|                                                       | Syed Imran Haider     | 1,625   | (1,462)                              | 163            | 325           |
|                                                       | Imran Aslam           | 1,586   | (1,428)                              | 158            | 714           |
|                                                       | Muhammad Rafiq Shah   | 1,586   | (1,428)                              | 158            | 724           |
|                                                       | Irfan Ali             | 1,586   | (1,428)                              | 158            | 714           |
|                                                       | Bakshal Shah Bukhari  | 1,586   | (1,428)                              | 158            | 714           |
|                                                       | Zain Ul Abidin        | 1,586   | (1,428)                              | 158            | 714           |
|                                                       | Tariq Mehmood         | 1,569   | (1,412)                              | 157            | 706           |
|                                                       | Muhammad Yousif Noori | 1,569   | (1,412)                              | 157            | 707           |
|                                                       | Fayyaz Ahmed          | 1,569   | (1,412)                              | 157            | 706           |
|                                                       | Amin Khaliq           | 1,569   | (1,412)                              | 157            | 706           |
|                                                       | Khurram Shehzad       | 1,555   | (1,399)                              | 156            | 700           |
|                                                       | Awais Ahmed Bhatti    | 1,555   | (1,399)                              | 156            | 700           |
|                                                       | Saud Farooq           | 1,534   | (1,381)                              | 153            | 690           |
|                                                       | Imran Ali Sheikh      | 657     | (505)                                | 152            | 202           |
|                                                       | Mohsin Ali            | 1,499   | (1,349)                              | 150            | 674           |
|                                                       | Kashif Nisar          | 1,495   | (1,346)                              | 149            | 673           |
|                                                       | Shaharyar Jehangir    | 1,495   | (1,345)                              | 150            | 400           |
|                                                       | Nabeel Gilani         | 1,495   | (1,345)                              | 150            | 673           |
|                                                       | Rashid Saeed Kunwar   | 1,495   | (1,345)                              | 150            | 673           |
|                                                       | Ameerzada Mumtaz      | 1,495   | (1,345)                              | 150            | 673           |
|                                                       | Usman Ali Dogar       | 1,495   | (1,345)                              | 150            | 673           |
|                                                       | Usman Faiq            | 1,495   | (1,345)                              | 150            | 747           |
|                                                       | Muhammad Imran        | 1,495   | (1,345)                              | 150            | 673           |
|                                                       | Muhammad Atiq Chishty | 1,495   | (1,345)                              | 150            | 673           |
|                                                       | Armughan Ishrat       | 1,495   | (1,345)                              | 150            | 673           |
|                                                       | Babar Iqbal Khan      | 1,495   | (1,345)                              | 150            | 908           |
|                                                       | Raja Ali Ahsan        | 1,495   | (1,345)                              | 150            | 673           |
|                                                       | Tehseen Ullah         | 1,485   | (1,337)                              | 148            | 668           |
|                                                       | Ismail Shah           | 1,485   | (1,337)                              | 148            | 668           |
|                                                       | Siraj Ur Rehman       | 1,485   | (1,337)                              | 148            | 668           |
|                                                       | Faheem Khan           | 1,482   | (1,333)                              | 149            | 667           |
|                                                       | Imran Haider Klasoon  | 1,482   | (1,333)                              | 149            | 667           |
|                                                       | Raja Masood Akhtar    | 1,482   | (1,333)                              | 149            | 667           |
|                                                       | Muhammad Iqbal        | 1,482   | (1,333)                              | 149            | 667           |
|                                                       |                       | 60,825  | (54,127)                             | 6,698          | 26,505        |
| Balance carried forward                               |                       | 131,803 | (104,504)                            | 27,299         | 55,279        |

(Amounts in thousand)

| Description and method of disposal                    | Sold to               | Cost    | Accumulated depreciation/ impairment | Net book value | Sale proceeds |
|-------------------------------------------------------|-----------------------|---------|--------------------------------------|----------------|---------------|
| ------(Rupees)-----                                   |                       |         |                                      |                |               |
| Balance brought forward                               |                       | 131,803 | (104,504)                            | 27,299         | 55,279        |
| By Company policy to existing / separating executives |                       |         |                                      |                |               |
|                                                       | Kashif Mehmood        | 1,481   | (1,333)                              | 148            | 667           |
|                                                       | Akhtar Tahir          | 1,481   | (1,333)                              | 148            | 667           |
|                                                       | Faisal Iqbal          | 1,481   | (1,333)                              | 148            | 667           |
|                                                       | Syed Ali Akbar Shah   | 1,423   | (1,282)                              | 141            | 760           |
|                                                       | M.Asad Malik          | 612     | (470)                                | 142            | 204           |
|                                                       | Kamran Abbasi         | 612     | (470)                                | 142            | 153           |
|                                                       | Muhammad Pervaz Rafiq | 666     | (533)                                | 133            | 133           |
|                                                       | Farhan Shokat         | 671     | (542)                                | 129            | 134           |
|                                                       | Shahid Saleem         | 671     | (542)                                | 129            | 215           |
|                                                       | Babar Mughal          | 612     | (482)                                | 130            | 199           |
|                                                       | Noman Ali             | 595     | (476)                                | 119            | 178           |
|                                                       | Muhamamd Akram        | 612     | (493)                                | 119            | 178           |
|                                                       | Ali Mumtaz Khan       | 581     | (464)                                | 117            | 116           |
|                                                       | Syed Ghazanfar Ali    | 574     | (459)                                | 115            | 115           |
|                                                       | Abid Anwar            | 554     | (443)                                | 111            | 111           |
|                                                       | Zeeshan Akram         | 554     | (443)                                | 111            | 111           |
|                                                       | Muhammad Yahya        | 549     | (439)                                | 110            | 110           |
|                                                       | Muhammad Imran        | 537     | (430)                                | 107            | 107           |
|                                                       | Irshad Hussain        | 586     | (483)                                | 103            | 340           |
|                                                       | Muhammad Khubaib      | 586     | (494)                                | 92             | 117           |
|                                                       | Raheel Ahmed Siddiqui | 612     | (539)                                | 73             | 122           |
|                                                       | Masood Aqeel          | 610     | (538)                                | 72             | 214           |
|                                                       | Babar Ahmed Khan      | 586     | (515)                                | 71             | 117           |
|                                                       | Abid Jalal            | 586     | (515)                                | 71             | 117           |
|                                                       | Jahangir Shah         | 586     | (515)                                | 71             | 127           |
|                                                       | Saif Ullah Jamali     | 612     | (551)                                | 61             | 122           |
|                                                       | Kashif Liaquat        | 612     | (551)                                | 61             | 122           |
|                                                       | Kazim Hussain         | 612     | (551)                                | 61             | 122           |
|                                                       | Junaid Khalid         | 612     | (551)                                | 61             | 134           |
|                                                       | Khalid Rehman         | 612     | (551)                                | 61             | 122           |
|                                                       | Mairaj Mughal         | 610     | (549)                                | 61             | 122           |
|                                                       | Muhammad Noman        | 610     | (549)                                | 61             | 122           |
|                                                       | Ather Abbas           | 610     | (549)                                | 61             | 122           |
|                                                       | Imran Qasim Malik     | 586     | (526)                                | 60             | 117           |
|                                                       | Muhammad Aslam Javaid | 1,394   | (1,334)                              | 60             | 349           |
|                                                       | Ali Rafique           | 586     | (528)                                | 58             | 117           |
|                                                       | Irfan Qadir           | 586     | (528)                                | 58             | 117           |
|                                                       | Tauqeer Ahmed         | 586     | (528)                                | 58             | 117           |
|                                                       | Dr Noor               | 586     | (528)                                | 58             | 137           |
|                                                       | Dr. Zubair            | 586     | (528)                                | 58             | 117           |
|                                                       | Usman Amin            | 586     | (527)                                | 59             | 143           |
|                                                       | Dr Liaquat Ali        | 586     | (527)                                | 59             | 117           |
|                                                       | Dr Rameez             | 586     | (527)                                | 59             | 117           |
|                                                       |                       | 29,976  | (26,049)                             | 3,927          | 8,415         |
| Balance carried forward                               |                       | 161,779 | (130,553)                            | 31,226         | 63,694        |

(Amounts in thousand)

| Description and method of disposal                                                              | Sold to                           | Cost    | Accumulated depreciation/ impairment | Net book value | Sale proceeds |
|-------------------------------------------------------------------------------------------------|-----------------------------------|---------|--------------------------------------|----------------|---------------|
| ------(Rupees)-----                                                                             |                                   |         |                                      |                |               |
| Balance Brought forward                                                                         |                                   | 161,779 | (130,553)                            | 31,226         | 63,694        |
| By Company policy to existing / separating executives                                           |                                   |         |                                      |                |               |
|                                                                                                 | Muhammad Yasir                    | 583     | (525)                                | 58             | 117           |
|                                                                                                 | Dr Faseh                          | 583     | (525)                                | 58             | 117           |
|                                                                                                 | Mehboob Alam                      | 583     | (525)                                | 58             | 117           |
|                                                                                                 | Jawad Saleem                      | 572     | (515)                                | 57             | 114           |
|                                                                                                 | Saeed Ahmed                       | 554     | (499)                                | 55             | 111           |
|                                                                                                 |                                   | 2,875   | (2,589)                              | 286            | 576           |
| By Company policy to existing / separating executives having net book value of less than Rs. 50 |                                   | 718     | (503)                                | 215            | 293           |
| To employees and others through auction                                                         |                                   |         |                                      |                |               |
|                                                                                                 | Umer Ayaz Khan                    | 1,398   | (1,048)                              | 350            | 897           |
|                                                                                                 | Waseem Mirza                      | 1,956   | (1,760)                              | 196            | 888           |
|                                                                                                 | Syed Riaz Ahmed                   | 1,268   | (1,141)                              | 127            | 735           |
|                                                                                                 | Waseem Mirza                      | 596     | (525)                                | 71             | 347           |
|                                                                                                 | Khalid Anwar                      | 680     | (612)                                | 68             | 951           |
|                                                                                                 | Adam Khan Afridi                  | 630     | (567)                                | 63             | 321           |
|                                                                                                 | Muhammad Amir Khan                | 622     | (560)                                | 62             | 299           |
|                                                                                                 | Muhammad Idrees                   | 598     | (538)                                | 60             | 379           |
|                                                                                                 | Muhammad Javed                    | 597     | (537)                                | 60             | 344           |
|                                                                                                 | Abrar Khan                        | 597     | (537)                                | 60             | 348           |
|                                                                                                 | Khalid Anwar                      | 597     | (537)                                | 60             | 305           |
|                                                                                                 | Muhammad Amir Khan                | 586     | (528)                                | 58             | 275           |
|                                                                                                 | Sheikh Waheed                     | 586     | (528)                                | 58             | 190           |
|                                                                                                 | Muhammad Amir Khan                | 586     | (528)                                | 58             | 273           |
|                                                                                                 | Sheikh Waheed                     | 586     | (528)                                | 58             | 195           |
|                                                                                                 | Syed Adil Ali                     | 586     | (528)                                | 58             | 189           |
|                                                                                                 | Syed Riaz Ahmed                   | 528     | (475)                                | 53             | 296           |
|                                                                                                 | Adam Khan Afridi                  | 528     | (475)                                | 53             | 371           |
|                                                                                                 |                                   | 13,525  | (11,952)                             | 1,573          | 7,603         |
| Insurance claims                                                                                |                                   |         |                                      |                |               |
|                                                                                                 | EFU General Insurance Limited     | 2,374   | (294)                                | 2,080          | 2,155         |
|                                                                                                 | Adamjee Insurance Company Limited | 691     | (104)                                | 587            | 562           |
|                                                                                                 |                                   | 3,065   | (398)                                | 2,667          | 2,717         |
| Assets having net book value of less than Rs. 50                                                |                                   | 9,965   | (7,589)                              | 2,376          | 2,400         |
| Balance carried forward                                                                         |                                   | 191,927 | (153,584)                            | 38,343         | 77,283        |

| Description and method of disposal               | Sold to                                                       | Cost                    | Accumulated depreciation/ impairment | Net book value          | Sale proceeds           |
|--------------------------------------------------|---------------------------------------------------------------|-------------------------|--------------------------------------|-------------------------|-------------------------|
| ------(Rupees)-----                              |                                                               |                         |                                      |                         |                         |
| Balance brought forward                          |                                                               | 191,927                 | (153,584)                            | 38,343                  | 77,283                  |
| Plant, machinery and related equipment           |                                                               |                         |                                      |                         |                         |
| Sold to Third Party under Company Policy         | MAZ Consolidation Smart Power Systems                         | 69,866<br>875<br>70,741 | (51,911)<br>(612)<br>(52,523)        | 17,955<br>263<br>18,218 | 35,543<br>158<br>35,701 |
| Sold through auction                             | M/s Shafiq M/s Shama Engineering                              | 873<br>1,483<br>2,356   | (784)<br>(602)<br>(1,386)            | 89<br>881<br>970        | 20<br>33<br>53          |
| Insurance Claims                                 | Pak Kuwait Takaful Company Ltd. EFU General Insurance Limited | 114<br>57<br>171        | (10)<br>(5)<br>(15)                  | 104<br>52<br>156        | 77<br>57<br>134         |
| Assets having net book value of less than Rs. 50 |                                                               | 124,029                 | (118,204)                            | 5,825                   | 7,431                   |
|                                                  |                                                               | 197,297                 | (172,128)                            | 25,169                  | 43,319                  |
| Office equipment                                 |                                                               |                         |                                      |                         |                         |
| Sold to Third Party under Company Policy         | Agility Logistics                                             | 214                     | (98)                                 | 116                     | 116                     |
| Assets having net book value of less than Rs. 50 |                                                               | 1,875<br>2,089          | (1,751)<br>(1,849)                   | 124<br>240              | 291<br>407              |
| Computer equipment                               |                                                               |                         |                                      |                         |                         |
| Insurance claims                                 | EFU General Insurance Limited                                 | 214                     | (105)                                | 109                     | 113                     |
| Assets having net book value of less than Rs. 50 |                                                               | 13,819<br>14,033        | (13,625)<br>(13,730)                 | 194<br>303              | 440<br>553              |
| December 31, 2016                                |                                                               | <u>405,346</u>          | <u>(341,291)</u>                     | <u>64,055</u>           | <u>121,562</u>          |
| December 31, 2015                                |                                                               | <u>245,272</u>          | <u>(121,001)</u>                     | <u>124,271</u>          | <u>133,046</u>          |

(Amounts in thousand)

4.5 Capital work-in-progress

|                                 | Land                 | Building on<br>freehold land | Plant,<br>machinery<br>and related<br>equipment | IS and milk<br>automation<br>projects | Office<br>equipment/<br>Furniture &<br>Fitting/Computer<br>equipment | Vehicles      | Total          |
|---------------------------------|----------------------|------------------------------|-------------------------------------------------|---------------------------------------|----------------------------------------------------------------------|---------------|----------------|
|                                 | ----- (Rupees) ----- |                              |                                                 |                                       |                                                                      |               |                |
| Year ended December 31, 2015    |                      |                              |                                                 |                                       |                                                                      |               |                |
| Balance as at January 1, 2015   | -                    | 108,005                      | 471,927                                         | 4,126                                 | 6,017                                                                | 15,843        | 605,918        |
| Additions during the year       | 1,108                | 106,101                      | 677,539                                         | 5,792                                 | 30,621                                                               | 151,862       | 973,023        |
| Transferred to:                 |                      |                              |                                                 |                                       |                                                                      |               |                |
| - operating assets (note 4.1)   | (1,108)              | (141,974)                    | (855,459)                                       | -                                     | (27,028)                                                             | (131,183)     | (1,156,752)    |
| - intangible assets (note 6)    | -                    | -                            | -                                               | (2,434)                               | -                                                                    | -             | (2,434)        |
| Balance as at December 31, 2015 | <u>-</u>             | <u>72,132</u>                | <u>294,007</u>                                  | <u>7,484</u>                          | <u>9,610</u>                                                         | <u>36,522</u> | <u>419,755</u> |
| 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 | <u>-</u>             | <u>44,928</u>                | <u>607,019</u>                                  | <u>30,922</u>                         | <u>11,633</u>                                                        | <u>37,909</u> | <u>732,411</u> |

4.6 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. Accordingly, provision for impairment was recognized thereagainst. The recoverable amount of these assets amounted to 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.

5. Biological Assets

Dairy livestock (note 5.1)

- mature
- immature

Provision for culling (notes 5.2 and 29)

Crops - feed stock

|  | 2016                | 2015             |
|--|---------------------|------------------|
|  | ------(Rupees)----- |                  |
|  | 567,873             | 606,622          |
|  | <u>370,279</u>      | <u>427,473</u>   |
|  | 938,152             | 1,034,095        |
|  | <u>(26,067)</u>     | <u>(24,748)</u>  |
|  | 912,085             | 1,009,347        |
|  | <u>20,641</u>       | <u>14,904</u>    |
|  | <u>932,726</u>      | <u>1,024,251</u> |

(Amounts in thousand)

5.1 Reconciliation of carrying amounts of livestock

Carrying amount at the beginning of the year

Add:

Changes in fair value due to biological transformation:

- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 180,862 (2015: Rs. 168,657)]
- Loss due to increase in age of livestock

Changes in fair value due to price changes:

- Gain due to currency devaluation
- Loss due to decrease in international market prices

Total gain (note 29)

Less:

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

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

2016 2015  
------(Rupees)-----

|           |           |
|-----------|-----------|
| 1,009,347 | 845,123   |
| 228,197   | 250,179   |
| (46,173)  | (14,244)  |
| 182,024   | 235,935   |
| 494       | 36,287    |
| (174,403) | (28,619)  |
| (173,909) | 7,668     |
| 8,115     | 243,603   |
| (79,310)  | (54,631)  |
| (26,067)  | (24,748)  |
| 912,085   | 1,009,347 |

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

5.3 As at December 31, 2016, the Company held 2,895 (2015: 2,739) mature assets able to produce milk and 2,356 (2015: 2,129) immature assets that are being raised to produce milk in the future. During the year, the Company produced approximately 16,326,526 (2015: 12,809,590) gross litres of milk from these biological assets with a fair value less estimated point-of-sale costs of Rs. 929,965 (2015: Rs.782,234), determined at the time of milking.

5.4 As at December 31, 2016, the Company held 375 (2015: 561) immature male calves.

5.5 The valuation of dairy livestock as at December 31, 2016 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, 2016. 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)

|                                                           | 2016                | 2015      |
|-----------------------------------------------------------|---------------------|-----------|
|                                                           | ------(Rupees)----- |           |
| 6. Intangible - Computer software                         |                     |           |
| Net carrying value                                        |                     |           |
| Balance at beginning of the year                          | 63,923              | 112,208   |
| Add: Additions at cost (note 4.5)                         | 7,904               | 2,434     |
| Less: Amortization charge for the year (notes 6.1 and 27) | (27,449)            | (50,719)  |
| Less: Write-off                                           |                     |           |
| - Cost                                                    | -                   | (7,712)   |
| - Accumulated amortization                                | -                   | 858       |
| - Accumulated impairment                                  | -                   | 6,854     |
|                                                           | -                   | -         |
| Balance at end of the year                                | 44,378              | 63,923    |
| Gross carrying value                                      |                     |           |
| Cost                                                      | 336,876             | 328,972   |
| Less: Accumulated amortization                            | (292,498)           | (265,049) |
| Net book value                                            | 44,378              | 63,923    |

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)                        | 67,931   | 64,694   |
| Less: Recoverable within one year shown under current assets (note 12) | (25,627) | (19,965) |
|                                                                        | 42,304   | 44,729   |
| Deposits                                                               | 51,680   | 89,722   |
|                                                                        | 93,984   | 134,451  |

7.1 Reconciliation of the carrying amount of advances to executives

|                           |          |          |
|---------------------------|----------|----------|
| Balance as at January 1   | 64,694   | 64,371   |
| Add: Disbursements        | 43,921   | 46,144   |
| Less:                     |          |          |
| - Repayments              | (16,478) | (21,770) |
| - Amortization            | (24,206) | (24,051) |
| Balance as at December 31 | 67,931   | 64,694   |

(Amounts in thousand)

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

7.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 73,073 (2015: Rs. 75,098).

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

8. Employees' Share Option Scheme

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

Under the Scheme, options were to be granted in the years 2013 to April 2015. 50% of the options granted were to vest in two years whereas the remaining 50% were to vest in three years from the date of the grant of options. These options are exercisable within 3 years from the end of vesting period. During the year, 8,437,500 share options were granted to some employees, however, few of the employees left the Company during the year which resulted 737,500 options lapsing during the year. The details of share options granted to date under the Scheme, which remained outstanding as at December 31, 2016 are as follows:

|                                               |                         |
|-----------------------------------------------|-------------------------|
| - number of options                           | 12,900,000              |
| - range of exercise price                     | Rs. 182.85 - Rs. 305.18 |
| - weighted average remaining contractual life | 3.37 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. 28.31 per option, whereas weighted average fair value of options to be granted has been estimated as Rs. 35.25 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 to be granted in 2017 | Options to be granted in 2018 |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------------|-------------------------------|
| - number of options              | 4,400,000               | 800,000                 | 7,700,000               | 425,000                       | 1,525,000                     |
| - share price                    | Rs. 133.58              | Rs. 107.67              | Rs. 156.85              | Rs. 191.94                    | Rs. 191.94                    |
| - exercise price                 | Rs. 191.89              | Rs. 182.85              | Rs. 230.76              | Rs. 291.92                    | Rs. 291.92                    |
| - expected volatility            | 32.54%                  | 30.32%                  | 34.86%                  | 28.41%                        | 28.41%                        |
| - expected life                  | 3 years                 | 3.5 years               | 3.5 years               | 3.75 years                    | 4.75 years                    |
| - annual risk free interest rate | 9.42%                   | 7.93%                   | 6.15%                   | 5.95%                         | 5.95%                         |

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 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, 2016, 4,000,000 options remained ungranted. Out of the remaining options, management estimates that 425,000 will be granted in 2017 and 1,525,000 will be granted in 2018. The remaining 2,050,000 options 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. 433,982 has been recognized, out of which Rs. 325,040 has been amortized to date, including Rs. 35,816 reversal of charge in current period owing to change in fair value of options to be granted and expected lapse of options, net of charge in respect ofEmployees services received to the balance sheet date.

(Amounts in thousand)

|                                                                                                     | 2016                | 2015           |
|-----------------------------------------------------------------------------------------------------|---------------------|----------------|
|                                                                                                     | ------(Rupees)----- |                |
| 9. Stores, Spares and Loose Tools                                                                   |                     |                |
| Stores                                                                                              | 124,083             | 130,374        |
| Spares and loose tools, including in-transit Nil (2015: Rs. 592) (note 9.1)                         | 871,217             | 821,659        |
| Less: Major spare parts and stand by equipment - shown under Property, plant and equipment (note 4) | (153,906)           | (159,104)      |
|                                                                                                     | <u>841,394</u>      | <u>792,929</u> |

9.1 These are net of provision against slow moving items amounting to Rs. 51,373 (2015: Rs. 24,700).

|                                                  | 2016                | 2015             |
|--------------------------------------------------|---------------------|------------------|
|                                                  | ------(Rupees)----- |                  |
| 10. Stock-in-trade                               |                     |                  |
| Raw and packaging material (notes 10.1 and 10.3) | 2,668,770           | 2,103,805        |
| Work-in-process                                  | 429,762             | 169,194          |
| Finished goods (notes 10.2 and 10.3)             | 665,366             | 798,380          |
|                                                  | <u>3,763,898</u>    | <u>3,071,379</u> |

10.1 Includes Rs. 378,869 (2015: Rs. 15,187) in respect of stock held by third parties.

10.2 Includes Rs. 169,082 (2015: Rs. 65,752) in respect of finished goods carried at net realizable value and Rs. 162,111 (2015: Rs. 163,084) in respect of stock held by third parties.

10.3 These are net of provision against expired / obsolete stock amounting to Rs. 48,088 (2015: Rs. 47,092). Stock amounting to Rs. 57,734 (2015: Rs. 80,380) has been written off against the provision during the year.

|                                            | 2016                | 2015           |
|--------------------------------------------|---------------------|----------------|
|                                            | ------(Rupees)----- |                |
| 11. Trade Debts - Unsecured                |                     |                |
| Considered good (notes 11.1 and 11.2)      | 69,654              | 117,568        |
| Considered doubtful (note 11.3)            | 228                 | 282            |
|                                            | <u>69,882</u>       | <u>117,850</u> |
| Less: Provision for impairment (note 11.3) | (228)               | (282)          |
|                                            | <u>69,654</u>       | <u>117,568</u> |

11.1 As at December 31, 2016, trade debts aggregating to Rs. 4,943 (2015: Rs. 5,900) 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, 2016, trade debts aggregating to Rs. 64,711 (2015: Rs. 111,668) 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.

(Amounts in thousand)

11.3 As at December 31, 2016, trade debts aggregating to Rs. 228 (2015: Rs. 282) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

|                                                            | 2016                | 2015       |
|------------------------------------------------------------|---------------------|------------|
|                                                            | ------(Rupees)----- |            |
| Balance as at January 1                                    | 282                 | 4,959      |
| Provision (reversed) / made during the year (note 27)      | (70)                | 902        |
| Receivables written back / (written-off) against provision | 16                  | (5,579)    |
| Balance as at December 31                                  | <u>228</u>          | <u>282</u> |

12. Advances, Deposits and Prepayments  
- Unsecured, considered good

Advances to:  
- Executives (notes 12.1 and 12.2)  
- Other employees (note 12.3)  
  
Add: Current portion of long term advances to executives (note 7)

Advances to suppliers  
Deposits  
Prepayments

|  | 2016          | 2015          |
|--|---------------|---------------|
|  | 8,541         | 9,958         |
|  | <u>24,551</u> | <u>28,977</u> |
|  | 33,092        | 38,935        |
|  | <u>25,627</u> | <u>19,965</u> |
|  | 58,719        | 58,900        |
|  | <u>16,750</u> | <u>33,213</u> |
|  | 36,061        | 10,945        |
|  | <u>33,349</u> | <u>30,941</u> |
|  | 144,879       | 133,999       |

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. 13,900 (2015 Rs. 13,029).

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

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.

13. Other Receivables

Receivable from Tetra Pak Pakistan Limited (note 13.1)  
Receivable from Ecolan AB (note 13.1)  
Others

|  | 2016                | 2015           |
|--|---------------------|----------------|
|  | ------(Rupees)----- |                |
|  | -                   | 462,509        |
|  | <u>112,709</u>      | <u>132,474</u> |
|  | 1,952               | 3,572          |
|  | <u>114,661</u>      | <u>598,555</u> |

(Amounts in thousand)

- 13.1 Represents reimbursement of expenses and other receivable under cost sharing agreements.
- 13.2 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to their historical performance with no defaults ever.

14. Sales Tax Recoverable

- 14.1 Till June 2016, the Company's supplies of dairy products were zero rated against the Company's claimed input adjustment of sales tax paid on raw materials, components and assemblies. However, through Finance Act 2016, zero rated supplies of dairy products have been categorized as exempt supplies, resulting in no input tax available for adjustment / recoupment on such supplies of Company's dairy products.
- 14.2 During the year, 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.

| 2016                 | 2015 |
|----------------------|------|
| ----- (Rupees) ----- |      |

15. Cash and Bank Balances

- Cash at bank on:
- current accounts [including foreign currency account of Rs. 98,449 (2015: Rs. 107,172)]
  - savings accounts [including foreign currency account of Rs. 221,668 (2015: Rs. 178,713)]

|         |         |
|---------|---------|
| 308,015 | 110,336 |
| 394,929 | 178,713 |
| 702,944 | 289,049 |

| 2016                 | 2015 |
|----------------------|------|
| ----- (Rupees) ----- |      |

16. Share Capital

- Authorized capital
- 850,000,000 (2015: 850,000,000) Ordinary shares of Rs. 10 each
- Issued, subscribed and paid-up capital 766,596,075 (2015: 766,596,075)  
Ordinary shares of Rs. 10 each fully paid in cash (note 16.1)

|           |           |
|-----------|-----------|
| 8,500,000 | 8,500,000 |
| 7,665,961 | 7,665,961 |

- 16.1 As at December 31, 2016, FrieslandCampina Pakistan Holdings B.V. ( the Holding Company) holds 390,963,999 (2015: Nil) ordinary shares of Rs. 10 each and Engro Corporation Liimited holds 306,075,939 (2015: 66,37,991) ordinary shares of Rs. 10 each.

(Amounts in thousand)

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

Long term finances utilized under mark-up arrangements:

|                                                       | Instalments   |                   | Interest Rate          | 2016        | 2015        |
|-------------------------------------------------------|---------------|-------------------|------------------------|-------------|-------------|
|                                                       | Number        | Commencing from   |                        | Rupees      |             |
| Long-term finances                                    |               |                   |                        |             |             |
| Syndicated Finance I                                  | 4 half yearly | February 20, 2015 | 6 months KIBOR + 0.69% | -           | 1,275,000   |
| Habib Bank Limited                                    | 6 half yearly | November 2, 2014  | 6 months KIBOR + 0.65% | 129,606     | 388,817     |
| NIB Bank Limited                                      | 6 half yearly | June 5, 2015      | 6 months KIBOR + 0.60% | 496,437     | 992,604     |
| The Bank of Punjab                                    | 6 half yearly | April 3, 2015     | 6 months KIBOR + 0.70% | 166,195     | 332,234     |
| United Bank Limited                                   | 6 half yearly | May 12, 2016      | 6 months KIBOR + 0.65% | 1,000,000   | 1,500,000   |
|                                                       |               |                   |                        | 1,792,238   | 4,488,655   |
| Certificate                                           |               |                   |                        |             |             |
| Sukuk Certificates                                    | 4 half yearly | July 13, 2015     | 6 month KIBOR + 0.69%  | 403,750     | 878,750     |
|                                                       |               |                   |                        | 2,195,988   | 5,367,405   |
| Less: Current portion shown under current liabilities |               |                   |                        | (1,695,988) | (3,171,417) |
|                                                       |               |                   |                        | 500,000     | 2,195,988   |

- 17.1 The proceeds from these finances are carried net of unamortized portion of transaction costs amounting to Rs. 4,034 (2015: Rs. 8,595).
- 17.2 The above finances and ljarah arrangements (note 23.5) are secured by registered floating charges / mortgages over the present and future fixed assets of the Company upto a maximum of Rs. 10,604,500 (2015: Rs. 10,562,500).
- 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.

| 2016                 | 2015 |
|----------------------|------|
| ----- (Rupees) ----- |      |

18. Deferred Taxation

- Credit balances arising due to:
- Accelerated tax depreciation / amortization
  - Gain on biological assets
  - Long term finances
  - Others

- Debit balances arising due to:
- Provisions for stock-in-trade, store & spares and receivables
  - Derivative financial instruments, net to equity
  - Share issuance cost, net to equity
  - Others

|           |           |
|-----------|-----------|
| 1,360,735 | 1,525,906 |
| 273,626   | 310,290   |
| 1,210     | 1,291     |
| 12,210    | 15,806    |
| 1,647,781 | 1,853,293 |
| (29,907)  | (23,064)  |
| -         | (834)     |
| (11,234)  | (13,106)  |
| (816)     | -         |
| (41,957)  | (37,004)  |
| 1,605,824 | 1,816,289 |

(Amounts in thousand)

|                                                                                                       | 2016                | 2015      |
|-------------------------------------------------------------------------------------------------------|---------------------|-----------|
|                                                                                                       | ------(Rupees)----- |           |
| 19. Deferred Income                                                                                   |                     |           |
| Deferred income under Ijarah arrangement:                                                             |                     |           |
| Balance as at January 1                                                                               | 3,690               | 9,410     |
| Less: Amortization for the year                                                                       | (3,168)             | (5,720)   |
|                                                                                                       | 522                 | 3,690     |
| Less: Current portion                                                                                 | (522)               | (3,122)   |
| Balance as at December 31                                                                             | -                   | 568       |
| 20. Trade and Other Payables                                                                          |                     |           |
| Trade payables                                                                                        | 1,349,846           | 1,482,176 |
| Accrued liabilities (note 20.2)                                                                       | 1,166,742           | 1,297,894 |
| Advances from customers                                                                               | 512,117             | 457,618   |
| Retention money                                                                                       | 7,994               | 18,361    |
| Security deposits                                                                                     | 285                 | 1,485     |
| Withholding tax payable                                                                               | 95,704              | 71,157    |
| Payable to provident fund                                                                             | 25,753              | 23,086    |
| Payable to gratuity fund (note 35.4)                                                                  | 139,776             | 51,664    |
| Workers' profits participation fund (note 20.3)                                                       | (4,069)             | (4,478)   |
| Workers' welfare fund                                                                                 | 311,030             | 230,052   |
| Others (note 20.1)                                                                                    | 59,056              | 37,912    |
|                                                                                                       | 3,664,234           | 3,666,927 |
| 20.1 Includes amount due to following related parties:                                                |                     |           |
| - Engro Corporation Limited                                                                           | -                   | 2,937     |
| - FrieslandCampina Nederland B.V.                                                                     | 20,642              | -         |
|                                                                                                       | 20,642              | 2,937     |
| 20.2 Includes Rs. 64,997 (2015: Rs. 60,840) on account of Gas Infrastructure Development Cess (GIDC). |                     |           |
| 20.3 Workers' profits participation fund                                                              |                     |           |
| Balance as at January 1                                                                               | (4,478)             | 26,539    |
| Add: Allocation for the year (note 28)                                                                | 189,409             | 230,818   |
|                                                                                                       | 184,931             | 257,357   |
|                                                                                                       | (189,000)           | (261,835) |
| Less: Amount paid to the Fund                                                                         | (4,069)             | (4,478)   |
| Balance as at December 31                                                                             |                     |           |

(Amounts in thousand)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 21. Derivative Financial Instruments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |
| The Company entered into various foreign currency forward contracts with banks to manage its foreign currency exposure. These contracts have maturity dates approximately matching with the anticipated payment dates for commitments with respect to import of plant and machinery and stock-in-trade. The fair value of the outstanding forward contracts as at December 31, 2016 amounts to a liability of Nil (2015: Rs. 2,604).                                                                                                                      |  |
| 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. 7,467,073 (2015: Rs. 8,000,000). The unutilized balance against these facilities as at year end was Rs. 7,401,953 (2015: Rs. 7,590,243). The rates of mark-up on these finances are KIBOR based and range from 6.04% to 6.24% (2015: 7.26% to 8.10%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company. |  |
| 22.2 The facilities for opening letters of credit and bank guarantees as at December 31, 2016 amounts to Rs. 6,547,927 (2015: Rs. 6,015,000), of which the amount remaining unutilized as at year end was Rs. 5,138,457 (2015: Rs. 3,871,198).                                                                                                                                                                                                                                                                                                            |  |
| 23. Contingencies and Commitments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |
| 23.1 The Company has provided bank guarantees to:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |
| - Sui Southern Gas Company Limited amounting to Rs. 74,828 (2015: Rs. 62,842) under the contract for supply of gas;                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |
| - Sui Northern Gas Company Limited amounting to Rs. 34,350 (2015: 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 (2015: 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 (2015: Rs. 172,000) have been received to-date;                                                                                                                                                                                                                                                     |  |
| - Controller Military Accounts, Rawalpindi amounting to Rs. 4,675 (2015: Rs. 4,675), as collateral against supplies;                                                                                                                                                                                                                                                                                                                                                                                                                                      |  |
| - Parco Pearl Gas Co. (Private) Limited amounting to Rs. 1,000 (2015: Rs. 1,000) as collateral against supplies;                                                                                                                                                                                                                                                                                                                                                                                                                                          |  |
| - Officer Commanding PAF Faisal Base amounting to Nil (2015: Rs. 4,745) as collateral against supplies; and                                                                                                                                                                                                                                                                                                                                                                                                                                               |  |
| - Collector of Customs MCC (Model Customs Collectorate) Port Qasim amounting to Rs. 11,125 (2015: Nil) as collateral against clearance of imported goods.                                                                                                                                                                                                                                                                                                                                                                                                 |  |
| 23.2 Subsequent to the balance sheet date, the Company received an order from Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of Company's marketing activities relating to one of its products. The Company is in the process of filing an appeal against the aforementioned order. The Company, based on the opinion of its legal advisor, is confident of a favorable outcome of the appeal, and accordingly no provision has been recognized in these financial statements in this respect.                           |  |
| 23.3 As at December 31, 2016 post-dated cheques amounting to Nil (2015: 467) have been provided as collateral to customs authorities, in accordance with the procedures prescribed by the Government of Pakistan through notifications dated July 8, 2011 and August 1, 2011.                                                                                                                                                                                                                                                                             |  |
| 23.4 Commitments in respect of capital expenditure contracted for but not incurred as at December 31, 2016 amounts to Rs. 578,767 (2015: Rs. 791,590).                                                                                                                                                                                                                                                                                                                                                                                                    |  |
| 23.5 Commitments in respect of purchase of certain commodities as at December 31, 2016 amounts to Rs. 631,248 (2015: Rs. 1,090,580).                                                                                                                                                                                                                                                                                                                                                                                                                      |  |

(Amounts in thousand)

23.6 Commitments for rentals payable under the Ijarah agreement as at December 31, 2016 amounts to Rs. 119,825 (2015: Rs. 214,005) as follows:

|                                                   | 2016                | 2015           |
|---------------------------------------------------|---------------------|----------------|
|                                                   | ------(Rupees)----- | -----          |
| Not later than one year                           | 64,364              | 93,111         |
| Later than one year but not later than five years | 55,461              | 120,894        |
|                                                   | <u>119,825</u>      | <u>214,005</u> |

24. Net Sales

|                             |                   |                   |
|-----------------------------|-------------------|-------------------|
| Manufactured goods          | 47,097,632        | 52,015,858        |
| Less:                       |                   |                   |
| - Sales tax                 | (965,985)         | (858,778)         |
| - Trade and other discounts | (1,817,183)       | (1,354,435)       |
|                             | <u>44,314,464</u> | <u>49,802,645</u> |
| Raw milk                    | 31,567            | 31,444            |
|                             | <u>44,346,031</u> | <u>49,834,089</u> |

24.1 Includes export sales amounting to Rs. 862,772 (2015: Rs. 993,848).

|                                                    | 2016                | 2015              |
|----------------------------------------------------|---------------------|-------------------|
|                                                    | ------(Rupees)----- | -----             |
| Raw and packaging material consumed (note 25.1)    | 27,532,090          | 30,776,179        |
| Salaries, wages, and staff welfare (note 25.2)     | 1,339,138           | 1,378,792         |
| Fuel and power (note 25.3)                         | 917,164             | 1,159,798         |
| Repair and maintenance                             | 662,540             | 591,287           |
| Freight inwards                                    | 588,891             | 618,053           |
| Depreciation (note 4.3)                            | 1,686,249           | 1,722,663         |
| Impairment of operating assets                     | 101,942             | 17,197            |
| Travelling                                         | 108,030             | 121,142           |
| Communication and other office expenses            | 101,119             | 165,859           |
| Insurance                                          | 126,841             | 130,339           |
| Rent and utilities                                 | 552,919             | 577,937           |
| Research and business development                  | 8,351               | 16,630            |
| Fee for technical assistance                       | 27,805              | -                 |
| Legal and professional                             | 8,269               | 9,424             |
| Purchased services                                 | 556,302             | 492,847           |
| Provision against:                                 |                     |                   |
| - stock-in-trade                                   | 58,730              | 46,069            |
| - slow moving spares                               | 26,673              | 17,919            |
| Manufacturing cost                                 | <u>34,403,053</u>   | <u>37,842,135</u> |
| Add: Opening stock of work-in-process              | 169,194             | 529,977           |
| Less: Closing stock of work-in-process             | (429,762)           | (169,194)         |
| Cost of goods manufactured                         | <u>34,142,485</u>   | <u>38,202,918</u> |
| Add: Opening stock of finished goods manufactured  | 798,380             | 867,020           |
| Less: Closing stock of finished goods manufactured | (665,366)           | (798,380)         |
|                                                    | <u>34,275,499</u>   | <u>38,271,558</u> |
|                                                    | 31,567              | 31,444            |
|                                                    | <u>34,307,066</u>   | <u>38,303,002</u> |

Add: Cost of Raw milk sold directly (note 25.1)

(Amounts in thousand)

|                                                                 | 2016                | 2015              |
|-----------------------------------------------------------------|---------------------|-------------------|
|                                                                 | ------(Rupees)----- | -----             |
| 25.1 Raw and packaging material consumed                        |                     |                   |
| Opening stock of raw and packaging material                     | 2,103,805           | 2,300,790         |
| Add: Purchases                                                  | 29,058,587          | 31,392,872        |
| Less:                                                           |                     |                   |
| - Fair value of milk produced from biological assets (note 5.3) | (929,965)           | (782,234)         |
| - Raw milk sold directly                                        | (31,567)            | (31,444)          |
| - Closing stock of raw and packaging material                   | (2,668,770)         | (2,103,805)       |
| Raw and packaging material consumed                             | <u>27,532,090</u>   | <u>30,776,179</u> |

25.2 Includes Rs. 131,725 (2015: Rs. 103,701) in respect of staff retirement benefits referred to in notes 35 and 45.

25.3 This is net of reversal of accrual of Gas Infrastructure Development Cess of prior periods amounting to Nil (2015: Rs. 37,778).

|                                                | 2016                | 2015             |
|------------------------------------------------|---------------------|------------------|
|                                                | ------(Rupees)----- | -----            |
| 26. Distribution and Marketing Expenses        |                     |                  |
| Salaries, wages, and staff welfare (note 26.1) | 797,610             | 782,774          |
| Advertising                                    | 2,514,515           | 2,419,328        |
| Freight outward                                | 1,122,390           | 1,117,467        |
| Travelling                                     | 96,488              | 107,539          |
| Communication and other office expenses        | 59,042              | 79,158           |
| Depreciation (note 4.3)                        | 212,659             | 214,966          |
| Impairment of operating assets                 | 4,446               | 5,622            |
| Fuel and power                                 | 3,303               | 3,102            |
| Repairs and maintenance                        | 87,027              | 82,780           |
| Rent, rates and taxes                          | 42,694              | 27,658           |
| Insurance                                      | 13,014              | 13,373           |
| Research and business development              | 325                 | 113              |
| Legal and professional                         | 15,070              | 10,743           |
| Ijarah rentals                                 | 91,559              | 86,658           |
| Purchased services                             | 8,266               | 862              |
|                                                | <u>5,068,408</u>    | <u>4,952,143</u> |

26.1 Includes Rs. 78,457 (2015: Rs. 58,874) in respect of staff retirement benefits referred to in notes 35 and 45.

|                                                                     | 2016                | 2015             |
|---------------------------------------------------------------------|---------------------|------------------|
|                                                                     | ------(Rupees)----- | -----            |
| 27. Administrative Expenses                                         |                     |                  |
| Salaries, wages and staff welfare (notes 27.1 and 27.2)             | 410,738             | 636,386          |
| Training and development                                            | 80,605              | 108,100          |
| Communication and other office expenses                             | 109,866             | 214,282          |
| Rent, rates and taxes                                               | 103,290             | 84,769           |
| Travelling                                                          | 27,178              | 42,437           |
| Depreciation (note 4.3)                                             | 30,909              | 39,665           |
| Amortization (note 6)                                               | 27,449              | 50,719           |
| Fuel and power                                                      | 11,125              | 10,434           |
| Repairs and maintenance                                             | 18,732              | 15,578           |
| Insurance                                                           | 3,785               | 3,889            |
| Research and business development                                   | 5                   | 67               |
| Legal and professional                                              | 39,172              | 111,097          |
| Auditors' remuneration (note 27.3)                                  | 2,653               | 3,575            |
| Software maintenance and license cost                               | 16,805              | 19,264           |
| Provision for / (Reversal of) impairment of trade debts (note 11.3) | (70)                | 902              |
| Purchased services                                                  | <u>38,756</u>       | <u>44,248</u>    |
|                                                                     | <u>920,998</u>      | <u>1,385,412</u> |

(Amounts in thousand)

|      |                                                                                                                                                                                                                                                                                                                                                      |                           |               |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------|
| 27.1 | Includes Rs. 40,402 (2015: Rs. 50,743) in respect of staff retirement benefits referred to in notes 35 and 45.                                                                                                                                                                                                                                       |                           |               |
| 27.2 | Includes reversal of Rs. 35,816 (2015: charge of Rs. 157,973) in respect of Employees' share option compensation expense.                                                                                                                                                                                                                            |                           |               |
| 27.3 | Auditors' remuneration                                                                                                                                                                                                                                                                                                                               | 2016<br>-----<br>(Rupees) | 2015<br>----- |
|      | Fee for:                                                                                                                                                                                                                                                                                                                                             |                           |               |
|      | - audit of annual financial statements                                                                                                                                                                                                                                                                                                               | 1,500                     | 1,100         |
|      | - review of half yearly financial information                                                                                                                                                                                                                                                                                                        | 315                       | 225           |
|      | - review of compliance with the Code of Corporate Governance                                                                                                                                                                                                                                                                                         | 40                        | 40            |
|      | - audit of retirement benefit funds                                                                                                                                                                                                                                                                                                                  | 85                        | 325           |
|      | - special certifications and other assurance services                                                                                                                                                                                                                                                                                                | 344                       | 1,430         |
|      |                                                                                                                                                                                                                                                                                                                                                      | 2,284                     | 3,120         |
|      | Reimbursement of expenses                                                                                                                                                                                                                                                                                                                            | 369                       | 455           |
|      |                                                                                                                                                                                                                                                                                                                                                      | 2,653                     | 3,575         |
| 28.  | Other Operating Expenses                                                                                                                                                                                                                                                                                                                             |                           |               |
|      | Workers' profits participation fund (note 20.3)                                                                                                                                                                                                                                                                                                      | 189,409                   | 230,818       |
|      | Workers' welfare fund                                                                                                                                                                                                                                                                                                                                | 80,978                    | 85,881        |
|      | Donations (note 28.1)                                                                                                                                                                                                                                                                                                                                | 26,239                    | 23,086        |
|      | Loss on death / disposals of biological assets                                                                                                                                                                                                                                                                                                       | 3,130                     | 3,327         |
|      | Provision for culling of biological assets (note 5)                                                                                                                                                                                                                                                                                                  | 26,067                    | 24,748        |
|      | Operating assets written-off (note 4.1)                                                                                                                                                                                                                                                                                                              | 6,320                     | 549           |
|      | Others                                                                                                                                                                                                                                                                                                                                               | 101                       | 239           |
|      |                                                                                                                                                                                                                                                                                                                                                      | 332,244                   | 368,648       |
| 28.1 | Includes donation to Engro Foundation, a related party, amounting to Rs. 18,000 (2015: Rs. 16,000). The Directors including the Chief Executive and their spouses do not have any interest in the donee, except that one of the Director - Mr. Ghiasuddin Khan and CEO - Mr. Babur Sultan are trustees on the Board of Trustees of Engro Foundation. |                           |               |
| 29.  | Other Income                                                                                                                                                                                                                                                                                                                                         | 2016<br>-----<br>(Rupees) | 2015<br>----- |
|      | From financial assets                                                                                                                                                                                                                                                                                                                                |                           |               |
|      | Interest on bank deposits / saving accounts                                                                                                                                                                                                                                                                                                          | 6,421                     | 2,430         |
|      | Gain realized on disposal of short term investments                                                                                                                                                                                                                                                                                                  | 8,772                     | 1,014         |
|      |                                                                                                                                                                                                                                                                                                                                                      | 15,193                    | 3,444         |
|      | From other than financial assets                                                                                                                                                                                                                                                                                                                     |                           |               |
|      | Gain arising from changes in fair value of biological assets (note 5.1)                                                                                                                                                                                                                                                                              | 8,115                     | 243,603       |
|      | Gain on disposal of operating assets                                                                                                                                                                                                                                                                                                                 | 57,507                    | 8,775         |
|      | Exchange gain                                                                                                                                                                                                                                                                                                                                        | 1,002                     | 11,381        |
|      | Scrap sales                                                                                                                                                                                                                                                                                                                                          | 46,211                    | 47,331        |
|      | Others                                                                                                                                                                                                                                                                                                                                               | 20,481                    | 10,986        |
|      |                                                                                                                                                                                                                                                                                                                                                      | 133,316                   | 322,076       |
|      |                                                                                                                                                                                                                                                                                                                                                      | 148,509                   | 325,520       |
| 30.  | Ffinance Cost                                                                                                                                                                                                                                                                                                                                        |                           |               |
|      | Mark-up on                                                                                                                                                                                                                                                                                                                                           |                           |               |
|      | - short-term finances                                                                                                                                                                                                                                                                                                                                | 44,682                    | 243,754       |
|      | - long-term finances                                                                                                                                                                                                                                                                                                                                 | 274,980                   | 585,071       |
|      |                                                                                                                                                                                                                                                                                                                                                      | 319,662                   | 828,825       |
|      | Bank charges                                                                                                                                                                                                                                                                                                                                         | 28,376                    | 27,594        |
|      |                                                                                                                                                                                                                                                                                                                                                      | 348,038                   | 856,419       |
| 31.  | Taxation                                                                                                                                                                                                                                                                                                                                             |                           |               |
|      | Current                                                                                                                                                                                                                                                                                                                                              |                           |               |
|      | - for the year                                                                                                                                                                                                                                                                                                                                       | 1,195,642                 | 1,324,834     |
|      | - for prior year (note 31.1)                                                                                                                                                                                                                                                                                                                         | 146,731                   | -             |
|      |                                                                                                                                                                                                                                                                                                                                                      | 1,342,373                 | 1,324,834     |
|      | Deferred                                                                                                                                                                                                                                                                                                                                             | (211,299)                 | (193,304)     |
|      |                                                                                                                                                                                                                                                                                                                                                      | 1,131,074                 | 1,131,530     |

(Amounts in thousand)

|        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|
| 31.1   | Represents 'Super Tax for rehabilitation of temporary displaced persons' at the rate of 3% on specified income for the tax year 2016 (i.e. for the year ended December 31, 2015) levied through Finance Act 2016.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |  |
|        | 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 the Ordinance and a requirement under the Group Companies Registration Regulations, 2008 (the Regulations) notified by the SECP on December 31, 2008.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  |  |
|        | Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the Company to 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 Sindh High Court, which are under the process of hearings. However, in any event, should the reference application be upheld and the losses are returned to the Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to ECL for refund of the consideration received. As such there will be no effect on the results of the Company.                                                                                                                                                                              |  |  |
|        | In 2013, the Appellate Tribunal also decided similar appeal filed by ECL for the year ended December 31, 2008 in favour of ECL.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |
| 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 2013, the Sindh High Court, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum tax paid cannot be carried forward in respect of the year where no tax has been paid on account of loss for the year. Further, during the year Deputy Commissioner Inland Revenue has disallowed minimum turnover tax credit for tax years 2008, 2010 and 2011 claimed in tax year 2013 on the basis of aforementioned judgement of Sindh High Court. The Company's management, based on the opinion of its legal advisor, is of the view that the above order is not correct and would not be maintained by the Supreme Court, which they intend to approach, if required. Therefore, the Company has maintained the adjustment of carried forward minimum turnover tax amounting to Rs. 1,026,701 made in prior years. |  |  |
| 31.2.5 | In 2014, the Additional Commissioner Inland Revenue raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. The Company has obtained a stay order from the Sindh High Court against the recovery proceedings and has also filed an appeal there against before the Commissioner Appeals. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.                                                                                                                                                                                    |  |  |
| 31.2.6 | 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.                                                                                                                                                                                                                                                                                                                                                                                          |  |  |

(Amounts in thousand)

- 31.2.7 During the year, the Deputy Commissioner Inland Revenue 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 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. 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 During the year, 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.
- 31.2.9 During the year, 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.

31.3 Relationship between tax expense and accounting profit

- Profit before taxation
- Tax at the applicable tax rate of 31% (2015: 32%)
- Tax effect of:
  - differential of reduction in tax rate
  - lower tax rate on exports and gain on short-term investments
  - inadmissible expenses
  - super tax charge
  - tax credits under section 65B of ITO, 2001
  - others

| 2016                | 2015      |
|---------------------|-----------|
| ------(Rupees)----- |           |
| 3,517,786           | 4,293,985 |
| 1,090,514           | 1,374,075 |
| (18,149)            | (153,974) |
| (52,862)            | (36,115)  |
| -                   | 7,387     |
| 146,731             | -         |
| (35,154)            | (57,150)  |
| (6)                 | (2,693)   |
| 40,560              | (242,545) |
| 1,131,074           | 1,131,530 |

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:

|                                                                     | 2016                           | 2015      |
|---------------------------------------------------------------------|--------------------------------|-----------|
|                                                                     | ------(Rupees)-----            |           |
| Profit for the year                                                 | 2,386,712                      | 3,162,455 |
|                                                                     | Numbers of shares in thousands |           |
| Weighted average number of ordinary shares in issue during the year | 766,596                        | 766,596   |

(Amounts in thousand)

33. Cash Generated from Operations

- Profit before taxation
- Adjustment for non-cash charges and other items:
  - Depreciation
  - Impairment of operating assets
  - Exchange gain
  - Operating assets written off, net
  - Amortization of intangibles
  - Amortization of deferred income
  - Amortization of arrangement fees on long term finances
  - (Reversal of amortization) / Amortization of deferred employee share option compensation reserve
  - Loss on death / disposal of biological assets
  - Gain on disposal of operating assets
  - Gain arising from changes in fair value of biological assets
  - Provision for culling of biological assets
  - Provision for retirement and other service benefits
  - Provision for stock-in-trade
  - Provision for slow moving spares
  - (Reversal of provision) / Provision for impairment of trade debt
  - Finance costs
  - Working capital changes (note 33.1)

| 2016                | 2015      |
|---------------------|-----------|
| ------(Rupees)----- |           |
| 3,517,786           | 4,293,985 |
| 1,929,817           | 1,977,294 |
| 106,388             | 22,819    |
| (1,002)             | (9,208)   |
| 6,320               | 549       |
| 27,449              | 50,719    |
| (3,168)             | (5,720)   |
| 4,461               | 6,685     |
| (29,662)            | 157,973   |
| 3,130               | 3,327     |
| (57,507)            | (8,775)   |
| (8,115)             | (243,603) |
| 26,067              | 24,748    |
| 103,737             | 86,336    |
| 58,730              | 46,069    |
| 26,673              | 17,919    |
| (70)                | 902       |
| 348,038             | 856,419   |
| 597,196             | (536,365) |
| 6,656,268           | 6,742,073 |

33.1 Working capital changes

- Decrease / (Increase) in current assets
  - Stores, spares and loose tools
  - Stock-in-trade
  - Trade debts
  - Advances, deposits and prepayments
  - Other receivables
  - Sales tax recoverable

- (Decrease) / Increase in current liabilities
  - Trade and other payables - net

|           |           |
|-----------|-----------|
| (69,940)  | (15,805)  |
| (751,249) | 580,339   |
| 47,984    | (22,508)  |
| (10,880)  | (20,498)  |
| 483,894   | (544,826) |
| 988,192   | (912,563) |
| 688,001   | (935,861) |
| (90,805)  | 399,496   |
| 597,196   | (536,365) |

34. Cash and Cash Equivalents

- Cash and bank balances (note 15)
- Short term finances (note 22)

|          |           |
|----------|-----------|
| 702,944  | 289,049   |
| (65,120) | (409,757) |
| 637,824  | (120,708) |

(Amounts in thousand)

35. Staff Retirement and Other Service Benefits

- 35.1
- As stated in note 2.13.1, the Company operates an approved funded gratuity scheme (the Fund), for all its permanent employees subjected to minimum prescribed period of service. Actuarial valuation of the Fund is carried out every year and the latest actuarial valuation was carried out as at December 31, 2016.
- 35.2
- Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Fund. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The Board of Trustees must be composed of representatives of the Company and plan participants in accordance with the Trust deed of the Fund.
- 35.3
- The latest actuarial valuation of the Fund as at December 31, 2016 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

|                                                                           | 2016                 | 2015      |
|---------------------------------------------------------------------------|----------------------|-----------|
|                                                                           | ----- (Rupees) ----- |           |
| 35.4 Balance sheet reconciliation                                         |                      |           |
| Present value of defined benefit obligation (note 35.7)                   | (610,231)            | (526,803) |
| Fair value of plan assets (note 35.8)                                     | 469,331              | 475,217   |
| Deficit                                                                   | (140,900)            | (51,586)  |
| Recoverable / (payable) to group companies                                | 1,124                | (78)      |
| Net liability at end of the year                                          | (139,776)            | (51,664)  |
| 35.5 Movement in net liability in the balance sheet                       |                      |           |
| Net liability at beginning of the year                                    | (51,664)             | -         |
| Charge for the year (note 35.9)                                           | (103,737)            | (86,336)  |
| Contribution made during the year to the Fund (note 35.8)                 | 772                  | 106,203   |
| Remeasurements recognized in Other Comprehensive Income (OCI) (note 35.6) | 14,853               | (71,531)  |
| Net liability at end of the year                                          | (139,776)            | (51,664)  |
| 35.6 Remeasurement recognized in Other comprehensive income               |                      |           |
| Loss from changes in financial assumptions                                | (13,846)             | (12,729)  |
| Experience gains / (loss)                                                 | 21,945               | (48,715)  |
| Remeasurement of defined benefit obligation                               | 8,099                | (61,444)  |
| Actual return on plan assets                                              | 57,885               | 40,462    |
| Expected return on plan assets                                            | (51,131)             | (50,549)  |
| Remeasurement of fair value of plan assets                                | 6,754                | (10,087)  |
|                                                                           | 14,853               | (71,531)  |
| 35.7 Movement in present value of defined benefit obligations             |                      |           |
| Present value of defined benefit obligations at beginning of the year     | 526,803              | 382,274   |
| Current service cost                                                      | 98,885               | 86,336    |
| Interest cost                                                             | 55,983               | 50,549    |
| Liability in respect of transfers - Inter Group                           | 1,515                | (73)      |
| Benefits paid during the year                                             | (64,856)             | (53,727)  |
| Remeasurement on obligation (note 35.6)                                   | (8,099)              | 61,444    |
| Present value of defined benefit obligation at end of the year            | 610,231              | 526,803   |

(Amounts in thousand)

35.7.1 Analysis of present value of defined benefit obligation

Vested Benefits  
Non-Vested benefits

Accumulated benefit obligation  
Amounts attributed to future salary increases

35.8 Movement in fair value of plan assets

Fair value of plan assets at beginning of the year  
Expected return on plan assets  
Contributions for the year  
Assets in respect of transfers - Inter Group  
Assets in respect of transfers - Inter Fund  
Benefits paid during the year  
Remeasurement (note 35.6)  
Fair value of plan assets at end of the year

35.9 Cost charged to profit and loss account:

Current service cost  
Net interest cost  
Cost for the year

35.10 Charge for the year has been allocated as follows:

Cost of sales  
Distribution and marketing expenses  
Administrative expenses

35.11 Principle actuarial assumptions used are as follows:

- Financial assumptions
- Discount rate - per annum compound

- Expected rate of increase in salaries - per annum

- First year

- Long-term

- Expected rate of return on plan assets - per annum

- Demographic assumptions
- Expected mortality rate

- Withdrawal rates / Rate of employees turnover

|                                                                | 2016                 | 2015           |
|----------------------------------------------------------------|----------------------|----------------|
|                                                                | ----- (Rupees) ----- |                |
| 35.7.1 Analysis of present value of defined benefit obligation |                      |                |
| Vested Benefits                                                | 606,207              | 524,023        |
| Non-Vested benefits                                            | 4,024                | 2,780          |
|                                                                | 610,231              | 526,803        |
| Accumulated benefit obligation                                 | 285,129              | 219,784        |
| Amounts attributed to future salary increases                  | 325,102              | 307,019        |
|                                                                | 610,231              | 526,803        |
| 35.8 Movement in fair value of plan assets                     |                      |                |
| Fair value of plan assets at beginning of the year             | 475,217              | 383,822        |
| Expected return on plan assets                                 | 51,131               | 50,549         |
| Contributions for the year                                     | 772                  | 106,203        |
| Assets in respect of transfers - Inter Group                   | 313                  | (1,543)        |
| Assets in respect of transfers - Inter Fund                    | -                    | -              |
| Benefits paid during the year                                  | (64,856)             | (53,727)       |
| Remeasurement (note 35.6)                                      | 6,754                | (10,087)       |
| Fair value of plan assets at end of the year                   | 469,331              | 475,217        |
| 35.9 Cost charged to profit and loss account:                  |                      |                |
| Current service cost                                           | 98,885               | 86,336         |
| Net interest cost                                              | 4,852                | -              |
| Cost for the year                                              | 103,737              | 86,336         |
| 35.10 Charge for the year has been allocated as follows:       |                      |                |
| Cost of sales                                                  | 54,981               | 41,971         |
| Distribution and marketing expenses                            | 32,158               | 23,828         |
| Administrative expenses                                        | 16,598               | 20,537         |
|                                                                | 103,737              | 86,336         |
| 35.11 Principle actuarial assumptions used are as follows:     |                      |                |
| Financial assumptions                                          |                      |                |
| - Discount rate - per annum compound                           | 9.00%                | 10.00%         |
| - Expected rate of increase in salaries - per annum            |                      |                |
| - First year                                                   | 8.00%                | 10.00%         |
| - Long-term                                                    | 8.00%                | 9.00%          |
| - Expected rate of return on plan assets - per annum           | 9.00%                | 10.00%         |
| Demographic assumptions                                        |                      |                |
| - Expected mortality rate                                      | SLIC (2001-05)       | SLIC (2001-05) |
| - Withdrawal rates / Rate of employees turnover                | Moderate             | Moderate       |

(Amounts in thousand)

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%                                   | 546,572                | 686,244                |
| Expected rate of increase in salaries - long term | 1%                                   | 686,244                | 545,483                |

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

35.14 Plan assets comprise of following:

|                              | 2016                |                |                |             | 2015                |                |                |             |
|------------------------------|---------------------|----------------|----------------|-------------|---------------------|----------------|----------------|-------------|
|                              | Quoted              | Un-Quoted      | Total          | %           | Quoted              | Un-Quoted      | Total          | %           |
|                              | ------(Rupees)----- |                |                |             | ------(Rupees)----- |                |                |             |
| <b>Equity Instruments</b>    |                     |                |                |             |                     |                |                |             |
| Quoted Shares                | 59,965              | -              | 59,965         | 13%         | 50,521              | -              | 50,521         | 11%         |
| Mutual Funds                 | 7,498               | -              | 7,498          | 2%          | 5,412               | -              | 5,412          | 1%          |
|                              | 67,463              | -              | 67,463         | 15%         | 55,933              | -              | 55,933         | 12%         |
| <b>Debt Instruments</b>      |                     |                |                |             |                     |                |                |             |
| Government Bonds             | -                   | 134,217        | 134,217        | 28%         | -                   | 241,148        | 241,148        | 51%         |
| Special Savings Certificates | -                   | 58,880         | 58,880         | 13%         | -                   | 59,270         | 59,270         | 12%         |
| Engro Rupiya Certificates    | 17,664              | -              | 17,664         | 4%          | 17,736              | -              | 17,736         | 4%          |
| Regular Income Certificates  | -                   | 14,720         | 14,720         | 3%          | -                   | 14,780         | 14,780         | 3%          |
|                              | 17,664              | 207,817        | 225,481        | 48%         | 17,736              | 315,198        | 332,934        | 70%         |
| Cash and cash equivalents    | -                   | 170,271        | 170,271        | 36%         | -                   | 86,056         | 86,056         | 18%         |
| Others                       | -                   | 6,116          | 6,116          | 1%          | -                   | 294            | 294            | 0%          |
| <b>Total</b>                 | <u>85,127</u>       | <u>384,204</u> | <u>469,331</u> | <u>100%</u> | <u>73,669</u>       | <u>401,548</u> | <u>475,217</u> | <u>100%</u> |

35.15 The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect the long-term real rates of return experienced in the market.

35.16 Expected contributions to the Fund for the year ending December 31, 2017 are Rs. 109,934.

35.17 The weighted average duration of the defined benefit obligation is 10.43 years.

(Amounts in thousand)

35.18 Historical information of staff retirement benefits:

|                              | 2016                | 2015            | 2014         | 2013            | 2012            | 2011            |
|------------------------------|---------------------|-----------------|--------------|-----------------|-----------------|-----------------|
|                              | ------(Rupees)----- |                 |              |                 |                 |                 |
| Present value of obligations | (610,231)           | (526,803)       | (382,274)    | (312,434)       | (241,468)       | (171,407)       |
| Fair value of plan assets    | 469,331             | 475,217         | 383,822      | 253,792         | 200,821         | 129,997         |
| (Deficit)/ Surplus           | <u>(140,900)</u>    | <u>(51,586)</u> | <u>1,548</u> | <u>(58,642)</u> | <u>(40,647)</u> | <u>(41,410)</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:

|                                                                | 2016                |               |                  | 2015            |               |                  |
|----------------------------------------------------------------|---------------------|---------------|------------------|-----------------|---------------|------------------|
|                                                                | Directors           |               | Executive        | Directors       |               | Executive        |
|                                                                | Chief Executive     | Others        |                  | Chief Executive | Others        |                  |
|                                                                | ------(Rupees)----- |               |                  |                 |               |                  |
| Managerial remuneration                                        | 32,065              | -             | 1,289,544        | 37,788          | -             | 1,192,590        |
| Contribution for staff retirement benefits                     | 2,336               | -             | 172,496          | 918             | -             | 154,817          |
| Bonus paid                                                     | 16,421              | -             | 274,259          | 1,831           | -             | 41,587           |
| Fees                                                           | -                   | 33,650        | -                | -               | 31,659        | -                |
| Total                                                          | <u>50,822</u>       | <u>33,650</u> | <u>1,736,299</u> | <u>40,537</u>   | <u>31,659</u> | <u>1,388,994</u> |
| Number of persons, including those who worked part of the year | <u>1</u>            | <u>15</u>     | <u>673</u>       | <u>2</u>        | <u>13</u>     | <u>667</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. 680 (2015: Rs. 627).

37. Financial Instruments by Category

37.1 Financial assets as per balance sheet

|                                           | 2016                | 2015             |
|-------------------------------------------|---------------------|------------------|
|                                           | ------(Rupees)----- |                  |
| - Loans and receivables at amortized cost |                     |                  |
| Long term deposits                        | 51,680              | 89,722           |
| Trade debts                               | 69,654              | 117,568          |
| Advances and deposits                     | 44,602              | 20,903           |
| Other receivables                         | 114,661             | 598,555          |
| Cash and bank balances                    | 702,944             | 289,049          |
|                                           | <u>983,541</u>      | <u>1,115,797</u> |

(Amounts in thousand)

37.2 Financial liabilities as per balance sheet

- Financial liabilities measured at amortized cost

|                            | 2016                | 2015             |
|----------------------------|---------------------|------------------|
|                            | ------(Rupees)----- |                  |
| Long term finances         | 2,195,988           | 5,367,405        |
| Trade and other payables   | 2,583,923           | 2,837,828        |
| Accrued interest / mark-up | 31,565              | 105,913          |
| Short term finances        | 65,120              | 409,757          |
|                            | <u>4,876,596</u>    | <u>8,720,903</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.

At December 31, 2016, 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, 2016, 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. 4,475 (2015: Rs. 35,457) mainly as a result of higher / lower interest exposure on variable rate borrowings.

(Amounts in thousand)

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

As at December 31, 2016, the Company has significant concentration of credit risk resulting from receivable from Tetra Pak Pakistan Limited, Ecolean AB and deposits with banks and financial institutions amounting to Rs. 815,653 (2015: Rs. 884,032). The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings as follows:

Banks / Investments

| National Bank of Pakistan                  | Rating Agency | 2016       |           |
|--------------------------------------------|---------------|------------|-----------|
|                                            |               | Short term | Long term |
| The Bank of Punjab                         | PACRA         | A1+        | AAA       |
| Allied Bank Limited                        | PACRA         | A1+        | AA        |
| Bank Alfalah Limited                       | PACRA         | A1+        | AA+       |
| Bank Al-Habib Limited                      | PACRA         | A1+        | AA        |
| Faysal Bank Limited                        | PACRA         | A1+        | AA+       |
| Habib Metropolitan Bank Limited            | PACRA         | A1+        | AA        |
| MCB Bank Limited                           | PACRA         | A1+        | AA+       |
| NIB Bank Limited                           | PACRA         | A1+        | AAA       |
| Soneri Bank Limited                        | PACRA         | A1+        | AA-       |
| Standard Chartered Bank (Pakistan) Limited | PACRA         | A1+        | AA-       |
| Albaraka Bank (Pakistan) Limited           | PACRA         | A1+        | AAA       |
| Askari Bank Limited                        | PACRA         | A1         | A         |
| Habib Bank Limited                         | JCR-VIS       | A-1+       | AA        |
| United Bank Limited                        | JCR-VIS       | A-1+       | AAA       |
| Meezan Bank Limited                        | JCR-VIS       | A-1+       | AAA       |
| Samba Bank Limited                         | JCR-VIS       | A-1+       | AA        |
| Summit Bank Limited                        | JCR-VIS       | A-1        | AA        |
| Tameer Microfinance Bank Limited           | JCR-VIS       | A-1        | A-        |
| Citibank N.A.                              | JCR-VIS       | A-1        | A+        |
| Industrial and Commercial Bank of China    | Moody’s       | P-1        | A1        |
| Deutsche Bank AG                           | Moody’s       | P-1        | A1        |
|                                            | Moody’s       | P-2        | Baa2      |

(Amounts in thousand)

The Company attempts to control credit risk arising on receivable from Tetra Pak Pakistan Limited and Ecolan 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 regulator requirements and maintaining debt financing plans. These objectives are achieved by maintaining sufficient cash and readily marketable securities and availability of funding through committed credit facilities. Due to dynamic nature of the business,the Company maintains flexibility in funding by maintaining committed credit lines available.

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

|                            | 2016                   |                         |                  | 2015                   |                         |                  |
|----------------------------|------------------------|-------------------------|------------------|------------------------|-------------------------|------------------|
|                            | Maturity upto one year | Maturity after one year | Total            | Maturity upto one year | Maturity after one year | Total            |
|                            | ------(Rupees)-----    |                         |                  |                        |                         |                  |
| Long term finances         | 1,695,988              | 500,000                 | 2,195,988        | 3,171,417              | 2,195,988               | 5,367,405        |
| Trade and other payables   | 2,583,923              | -                       | 2,583,923        | 2,837,828              | -                       | 2,837,828        |
| Accrued interest / mark-up | 31,565                 | -                       | 31,565           | 105,913                | -                       | 105,913          |
| Short term finances        | 65,120                 | -                       | 65,120           | 409,757                | -                       | 409,757          |
|                            | <u>4,376,596</u>       | <u>500,000</u>          | <u>4,876,596</u> | <u>6,524,915</u>       | <u>2,195,988</u>        | <u>8,720,903</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.

(Amounts in thousand)

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

The Company manages capital by maintaining gearing ratio at certain level. The ratio is calculated as long term finances (note 17) divided by total capital. Total capital is calculated as ‘equity’ in the balance sheet plus long term finances. The gearing ratio as at December 31 is as follows:

|                      | 2016                | 2015              |
|----------------------|---------------------|-------------------|
|                      | ------(Rupees)----- |                   |
| Long term finances   | 500,000             | 2,195,988         |
| Total equity         | 17,150,519          | 14,912,801        |
|                      | <u>17,650,519</u>   | <u>17,108,789</u> |
| Total capital        |                     |                   |
|                      | <u>0.03</u>         | <u>0.13</u>       |
| Debt to equity ratio |                     |                   |

40. Transactions with Related Parties

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

| Nature of relationship                  | Nature of transactions                                               | 2016                | 2015    |
|-----------------------------------------|----------------------------------------------------------------------|---------------------|---------|
|                                         |                                                                      | ------(Rupees)----- |         |
| Holding Company                         | Arrangement for sharing of premises, utilities, personnel and assets | 233,282             | 197,383 |
|                                         | Reimbursement of expense paid on behalf of                           | 41,641              | 35,639  |
|                                         | Fee for technical assistance                                         | 27,805              | -       |
|                                         |                                                                      |                     |         |
| Subsidiary and associated companies     | Arrangement for sharing of premises, utilities, personnel and assets | 14,266              | 12,338  |
|                                         | Reimbursement of expense paid on behalf of                           | 67,800              | 19,341  |
|                                         | Purchases of goods                                                   | 40,765              | 55,302  |
|                                         | Sale of goods                                                        | -                   | 2,979   |
|                                         | Purchases of services                                                | 1,481               | 75      |
|                                         | Donations                                                            | 18,000              | 16,000  |
|                                         |                                                                      |                     |         |
| Contribution for staff retirement funds | Managed and operated by the Company :<br>- Gratuity fund             | 772                 | 106,203 |
|                                         |                                                                      |                     |         |
|                                         | Managed and operated by the Engro Corporation:<br>- Pension fund     | -                   | 358     |
| Key management personnel                | - Provident fund                                                     | 293,695             | 253,964 |
|                                         | - Gratuity fund                                                      | 2,848               | 1,252   |
|                                         |                                                                      |                     |         |
|                                         | Managerial remuneration                                              | 178,628             | 152,615 |
|                                         | Contribution for staff retirement benefits                           | 13,931              | 10,946  |
|                                         | Bonus payments                                                       | 67,487              | 11,370  |
|                                         | Other benefits                                                       | 1,180               | 1,127   |

(Amounts in thousand)

- 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, 2016 are included in respective notes to the financial statements.

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

The following information presents operating results information regarding operating segments for the year ended December 31, 2016 and asset information regarding operating segments as at December 31, 2016:

|                                           | 2016                |                             |            |        |            | 2015                |                             |            |         |            |
|-------------------------------------------|---------------------|-----------------------------|------------|--------|------------|---------------------|-----------------------------|------------|---------|------------|
|                                           | Dairy and Beverages | Ice cream & frozen desserts | Dairy farm | Others | Total      | Dairy and Beverages | Ice cream & frozen desserts | Dairy farm | Others  | Total      |
| Results for the year                      | ------(Rupees)----- |                             |            |        |            |                     |                             |            |         |            |
| Net sales                                 | 40,680,891          | 3,657,790                   | 929,965    | -      | 45,268,646 | 46,521,474          | 3,478,879                   | 782,234    | -       | 50,782,587 |
| Inter-segment sales                       | (24,217)            | -                           | (929,965)  | -      | (954,182)  | (197,708)           | -                           | (782,234)  | -       | (979,942)  |
|                                           | 40,656,674          | 3,657,790                   | -          | -      | 44,314,464 | 46,323,766          | 3,478,879                   | -          | -       | 49,802,645 |
| Raw milk sales                            | 31,567              | -                           | -          | -      | 31,567     | 31,444              | -                           | -          | -       | 31,444     |
| Depreciation, impairment and amortization | 40,688,241          | 3,657,790                   | -          | -      | 44,346,031 | 46,355,210          | 3,478,879                   | -          | -       | 49,834,089 |
|                                           | 1,646,416           | 342,880                     | 74,358     | -      | 2,063,654  | 1,627,768           | 354,289                     | 68,775     | -       | 2,050,832  |
| Finance costs                             | (5,176)             | 222,775                     | 130,439    | -      | 348,038    | 422,740             | 284,610                     | 149,069    | -       | 856,419    |
| Net profit / (loss) after tax             | 2,473,803           | 42,773                      | (129,864)  | -      | 2,386,712  | 3,227,478           | (75,228)                    | 12,530     | (2,325) | 3,162,455  |
| Assets                                    |                     |                             |            |        |            |                     |                             |            |         |            |
| - Segment assets                          | 14,683,089          | 2,079,166                   | 2,030,254  | -      | 18,792,509 | 14,453,470          | 2,278,947                   | 2,090,922  | -       | 18,823,339 |
| - Un-allocated assets                     | -                   | -                           | -          | -      | 5,921,263  | -                   | -                           | -          | -       | 7,462,047  |
|                                           | 14,683,089          | 2,079,166                   | 2,030,254  | -      | 24,713,772 | 14,453,470          | 2,278,947                   | 2,090,922  | -       | 26,285,386 |

(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<br>Annual Capacity<br>(note 43.1) |         | Actual Production |         | Remarks                                 |
|---------------------|--------------------------------------------|---------|-------------------|---------|-----------------------------------------|
|                     | 2016                                       | 2015    | 2016              | 2015    |                                         |
|                     | Litres in thousand                         |         |                   |         |                                         |
|                     |                                            |         |                   |         |                                         |
| Dairy and Beverages | 748,000                                    | 748,000 | 482,958           | 552,532 | Production planned as per market demand |
| Ice cream           | 39,000                                     | 39,000  | 19,518            | 19,364  |                                         |

43.1 Represents capacity as at balance sheet date.

44. Number of Employees

|                          | Number of employees as at |                   | Average number of employees |                   |
|--------------------------|---------------------------|-------------------|-----------------------------|-------------------|
|                          | December 31, 2016         | December 31, 2015 | December 31, 2016           | December 31, 2015 |
| Management employees     | 1,361                     | 1,382             | 1,358                       | 1,414             |
| Non-management employees | 195                       | 200               | 200                         | 199               |
|                          | <u>1,556</u>              | <u>1,582</u>      | <u>1,558</u>                | <u>1,613</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 audited financial statements of provident fund as at June 30, 2016.

|                                 | June 30, 2016        | June 30, 2015    |
|---------------------------------|----------------------|------------------|
|                                 | ----- (Rupees) ----- |                  |
| Size of the fund - Total assets | <u>3,205,658</u>     | <u>3,161,499</u> |
| Cost of the investments made    | <u>2,800,793</u>     | <u>2,333,996</u> |
| Percentage of investments made  | <u>94%</u>           | <u>87%</u>       |
| Fair value of investments       | <u>3,015,867</u>     | <u>2,736,879</u> |

(Amounts in thousand)

The break-up of investments is as follows:

|                                        | 2016             |             | 2015             |             |
|----------------------------------------|------------------|-------------|------------------|-------------|
|                                        | Rupees           | %           | Rupees           | %           |
| National savings scheme                | 790,505          | 26%         | 223,037          | 8%          |
| Government securities                  | 702,336          | 23%         | 1,045,090        | 38%         |
| Listed securities and unit trust       | 927,211          | 31%         | 1,164,311        | 43%         |
| Balances with banks in savings account | 595,815          | 20%         | 304,441          | 11%         |
|                                        | <u>3,015,867</u> | <u>100%</u> | <u>2,736,879</u> | <u>100%</u> |

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

45.3 An amount of Rs. 146,847 (2015: Rs. 126,982) has been charged during the year in respect of contribution to the provident fund.

46. Supplementary Information

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

|                                         | Rupees        |
|-----------------------------------------|---------------|
| Salaries, wages and staff welfare       | 21,679        |
| Freight outward                         | 52,660        |
| Rent and utilities                      | 221           |
| Communication and other office expenses | 3,948         |
| Travelling                              | 7,398         |
| Legal charges                           | 4,006         |
| Bank charges                            | 1,769         |
|                                         | <u>91,681</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 2, 2017 has proposed a final cash dividend of Rs. 10 (2015: Nil) per share for the year ended December 31, 2016, for approval of the members at the Annual General Meeting to be held on March 24, 2017. The amount of total dividend is calculated at the number of shares outstanding as at December 31, 2016.

48. Corresponding Figures

Corresponding figures and balances have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

49. Date of Authorization For Issue

These financial statements were authorized for issue on February 2, 2017 by the Board of Directors of the Company.

  
Abdul Samad Dawood  
Chairman

  
Hans Laarakker  
Chief Executive Officer



## Independent Assurance Report to the Members of Engro Foods Limited on the Shari'ah Compliance of Sukuk-ul-Musharaka (Sukuk)

We have performed an independent reasonable assurance engagement of Engro Foods Limited ("the Company") to express an opinion on annexed Statement of Compliance with Sukuk Features and Shari'ah Requirements for the year ended December 31, 2016 about whether the annexed statement presents fairly the status of Compliance with Sukuk Features and Shari'ah Requirements as required under Sukuk Regulations, 2015, Fatwa issued by Shariah Advisory Board and to the extent applicable, the guidelines of Shari'ah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in all material respects.

### Managements' Responsibilities

The Management of the Company is responsible for preparation of the annexed statement and to ensure that is free from material misstatement.

It is the responsibility of the Company's Management to ensure that all Sukuk related financial arrangements, contracts and transactions are in substance and their legal form are in compliance with Sukuk Features and Shari'ah Requirements as specified above.

The Company's Management is also responsible for overall compliance of the Sukuk Features and Shari'ah Requirements, prevention and detection of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its Sukuk related activities and also to design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant records and such risk management systems the management determines is necessary to mitigate the risk of non-compliance of the Sukuk Features and Shariah Requirements whether due to fraud or error. They are also responsible for ensuring that the management, where appropriate, those charged with governance and personnel involved with the Company's compliance with Sukuk Features and Shari'ah Requirements are properly trained, systems are properly updated and that any changes in reporting relevant to the Company's compliance with the Sukuk Features and Shari'ah Requirements encompass all significant business units.

### Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagement Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. The standard requires that we comply with the ethical requirements, implement the quality control procedures applicable to individual engagement and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance with Sukuk Features and Shari'ah Requirements as required under Sukuk Regulations 2015, Fatwa issued by Shariah Advisory Board and to extent applicable, the guidelines of Shari'ah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in all material respects.

*Jasb*



The procedures selected depend on our judgment including the assessment of the risk of the Company's non-compliance with Sukuk Features and Shari'ah Requirement, whether due to fraud or error. In making those risk assessments, we have considered Internal control relevant to ensure compliance with Sukuk Features and Shari'ah Requirements, in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion as to the effectiveness of the Company's Internal Control over ensuring compliance with Sukuk Features and Shari'ah Requirements. The procedures performed included:

- Review of the Transaction Documents and Sharia'h Approval thereon by the Sharia'h Advisor;
- Verification that the Sharia'h Advisor was not changed during the tenure;
- Verification that payments were made on time and there was no delay;
- Evaluation of the systems, procedures and practices in place with respect to Sukuk related transactions against the Features and Shari'ah Requirements;

### Conclusion

Based on our reasonable assurance engagement, in our opinion, the annexed statement prepared by the Management, for the year ended December 31, 2016, presents fairly the status of compliance with Sukuk Features and Shari'ah Requirements as required under Sukuk Regulations 2015, Fatwa and to the extent applicable, the guidelines of Shari'ah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in all material respects.

*Jasb f Associates*

Chartered Accountants  
Dated: March 1, 2017  
Karachi

Annexure

**Statement of Compliance with the Issue of Sukuk Regulations, 2015**

This statement is being presented to comply with the requirements under Issue of Sukuk Regulations 2015 issued by the Securities and Exchange Commission of Pakistan for a Shariah Compliance Audit for the year ended 31<sup>st</sup> December 2016.

The financial arrangements, contracts and transaction, entered by Engro Foods Limited (the Company) with Bank Al Habib Islamic Banking in respect of Rs.950 million Sukuk for the period from 13<sup>th</sup> January 2009 to 12<sup>th</sup> January 2017 are in compliance with the Sukuk features and Shariah requirements.

We also confirm that:

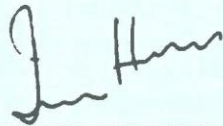
- The Company has established policies and procedures for all Sukuk related transactions to comply with Sukuk features and Shariah requirements;
- The Company has implemented and maintained such internal control and risk management systems, the management determines are necessary to mitigate the risk of non-compliances of the Sukuk features and Shariah requirements, whether due to fraud or error; and
- The Company has a process to ensure that the management, where appropriate, those charged with governance, and personnel responsible to ensure the Company’s compliance with the Sukuk related features and Shariah requirements are properly trained and systems are properly updated.

The Sukuk features and Shariah requirements as per the Issue of Sukuk Regulations, 2015, shall mean the following:

- a) Transaction Documents as defined in the Shariah approval certificate of the Shariah Advisor, dated 28<sup>th</sup> October 2008, are as follows:
  - 1. Conditions Precedent Letter
  - 2. The Investment Agency Agreement
  - 3. The Musharaka Agreement
  - 4. The Payment Agreement
  - 5. The Asset Purchase Agreement
  - 6. The Purchase Undertaking
  - 7. The Management Agreement
  - 8. The Security Documents
  - 9. The declaration of trust
- b) Compliance of Sukuk Regulations 2015 issued by the Securities and Exchange Commission of Pakistan; and
- c) Compliance of all the relevant standards, notified by the Accounting and Auditing Organization of the Islamic Financial Institutions and the Islamic Financial Accounting Standard as notified by the Commission for adoption relating to the financial reporting and accounting treatment of Sukuk.



Hans Laarakker  
Chief Executive Officer



Imran Husain  
Chief Financial Officer

annexure

# 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 7,700,000 new options have been granted to certain critical employees, including 3 senior management personnel. Till date 12,900,000 options have been granted, out of which, 7,600,000 options have been granted to the following senior management personnel:

| S.No. | Name                      | No. of Options |
|-------|---------------------------|----------------|
| 1     | Ahsan Afzal Ahmed         | 800,000        |
| 2     | Babur Sultan              | 1,000,000      |
| 3     | Imran Anwer (Ex-employee) | 1,000,000      |
| 4     | Salman Goheer             | 800,000        |
| 5     | Usman Zaheer              | 800,000        |
| 6     | Imran Husain              | 800,000        |
| 7     | Imran Ahmed               | 800,000        |
| 8     | Syed Saud Ahmed Pasha     | 800,000        |
| 9     | 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 24th day of March, 2017 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

## WITNESSES:

1) Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
\_\_\_\_\_  
CNIC or : \_\_\_\_\_  
Passport No.: \_\_\_\_\_  
\_\_\_\_\_

2) Signature : \_\_\_\_\_  
Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
\_\_\_\_\_  
CNIC or : \_\_\_\_\_  
Passport No.: \_\_\_\_\_  
\_\_\_\_\_

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

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

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

# electronic transmission consent form

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

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

## Electronic Transmission Consent Form

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

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

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

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

\_\_\_\_\_

Signature of Member/Shareholder

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

# request for video conferencing facility form

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

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

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

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

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

# ویڈیوکانفرنسنگ کی سہولت کے فارم کی درخواست

لاہور اور اسلام آباد میں اراکین ویڈیوکانفرنس کی سہولت بھی حاصل کر سکتے ہیں۔ لاہور اور ریاسلام آباد میں مقیم وہ شیئرز ہولڈرز جو مجموعی طور پر 10 فیصد یا اس سے زیادہ شیئرز کے حامل ہوں اور اجلاس میں ویڈیوکانفرنس کے ذریعے شامل ہونا چاہتے ہوں تو اگر اجلاس کی تاریخ سے کم از کم 10 روز قبل کمپنی کو ان کی طرف سے اجازت موصول ہو جاتی ہے تو وہ ان میں سے کسی بھی شہر میں اُن کے لئے ویڈیوکانفرنس کی سہولت مہیا کر سکتی ہے۔

اس ضمن میں براہ مہربانی درج ذیل فارم پُر کیجئے اور اسے کمپنی کے رجسٹرڈ پتے پر سالانہ اجلاس عام کے انعقاد کی تاریخ سے کم از کم 10 روز قبل داخل کروا دیجئے۔

میں/ہم \_\_\_\_\_ ایگزوفوڈز لمیٹڈ کے رکن اور رجسٹر کے \_\_\_\_\_  
صفحہ نمبری ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ کے مطابق \_\_\_\_\_ عام شیئر (ز) کے حامل کی حیثیت سے \_\_\_\_\_ میں ویڈیوکانفرنس کی سہولت حاصل کرنا چاہتا ہوں/چاہتے ہیں۔

تاریخ: \_\_\_\_\_  
\_\_\_\_\_

دستخط رکن/شیئر ہولڈر

## پراسی فارم

میں رہم۔  
اینگرفوڈز لمیٹڈ کے رکن اور عام شیئر کے حامل کی حیثیت کے  
(شیئرز کی تعداد)  
رجسٹر کا فولیو نمبر۔۔۔۔۔ اور ری ای ڈی سی فولیو کا آئی ڈی نمبر۔۔۔۔۔ اور پبلی اکاؤنٹ نمبر۔۔۔۔۔،  
یا۔۔۔۔۔ کے

کو کمپنی کے سالانہ عام اجلاس جو 24 مارچ 2017ء کو منعقد ہوگا، میں میرے ہمارے لئے اور میری طرف سے بحیثیت اپنا پر کسی، ووٹ دینے کے لئے نامزد کرتا ہوں کر تے ہیں۔

دستخط \_\_\_\_\_ بروز \_\_\_\_\_ تاریخ \_\_\_\_\_ / \_\_\_\_\_ - 2017

گواہان:

- [illegible]

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

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

بورڈ کے اجلاس اور حاضری

2016ء میں، بورڈ آف ڈائریکٹرز نے 6 ملاقاتیں کیں ڈائریکٹرز حاضری ریکارڈ مندرجہ ذیل ہے۔

| ڈائریکٹرز کے نام          | ملاقاتیں |
|---------------------------|----------|
| جناب عبدالصمد داؤد        | 6        |
| جناب بابر سلطان           | 5        |
| جناب محمد امین            | 4 **     |
| محترمہ سہرینا داؤد        | 5        |
| جناب ریحان حسن            | 3 **     |
| جناب ظفر یاب علی خان      | 5 **     |
| جناب اسفندیار شاہین       | 5 **     |
| جناب مارکواہل اسپٹس       | 5 **     |
| جناب سید خالد سراج سبحانی | 3 *      |
| جناب ویم ٹورف             | 6        |
| جناب غیاث خان             | 1 ***    |
| محترمہ ہیدی ون ڈر کوئے    | 1 ***    |
| جناب ہین شوماکر           | 1 ***    |
| محترمہ یاسکا ڈی بیکر      | 1 ***    |
| جناب ہانس لارا کر         | 1 ***    |
| جناب پیٹ ہیلار ٹیڈس       | 1 ***    |

\*30 نومبر کو استعفیٰ دے دیا

**20\*\* دسمبر کو استعفیٰ دے دیا**

\*\*\*20 دسمبر کو مقرر کئے گئے

## مستقبل کا منظر نامہ

کمپنی کا ارادہ ہے کہ وہ اپنے برانڈز میں سرمایہ کاری جاری رکھے گی تاکہ کھلے دودھ سے پیک دودھ کی طرف صارفین کو متوجہ کیا جاسکے۔ برق رفتار نمو پر توجہ برقرار رہے گی اور ڈسٹری بیوشن نیٹ ورک کو مزید بہتر بنا کر مارکیٹ لیڈر کی پوزیشن مزید مضبوط کی جائے گی۔ فریز لینڈ کمپنی کی ہماری کمپنی کے حصول کے بعد ہم سمجھتے ہیں کہ فریز لینڈ کمپنی کی ریسرچ اور ڈولپمنٹ، جدت اور کسانوں کی بہتری کی صلاحیتوں سے خاطر خواہ فائدہ ہوگا اور ہم اپنے صارفین کو بہترین ڈیری مصنوعات فراہم کرتے رہیں گے۔

جی ایس ٹی اور ریگولیٹری ڈیوی کے لاگو ہوجانے سے کاروبار کرنے کی لاگت میں اضافہ ہوا ہے جو کہ جزوی طور پر صارفین کو منتقل کر دیئے گئے ہیں جس سے صنعت کی ترقی کے جزوی طور پر متاثر ہوجانے کا اندیشہ ہے۔

انڈسٹری کوریگولیٹری اتھارٹیز کی مدد کی ضرورت ہے تاکہ وفاقی اور صوبائی فوڈ قوانین کے درمیان ناہمواری کو ختم کیا جاسکے کیونکہ یہ پیکنگ انڈسٹری کے لئے چیلنج ہے۔ دنیا بھر کی طرح پاکستان میں بھی پیپر انرینگ کے قوانین لاگو ہونے چاہیں تاکہ مضرت صحت کھلے دودھ کے حوالے سے اقدامات لئے جاسکیں۔

|               |              |
|---------------|--------------|
| عبدالصمد داؤد | ہانس لارا کر |
| چیرمین        | سی ای او     |

### کیش فلو اور ورکنگ کیپٹل مینجمنٹ

سال کے دوران آپریٹنگ سرگرمیوں سے بائزکیش پیدا کیا گیا جو 5,122 ملین روپے رہا جبکہ گزشتہ سال 4,516 ملین روپے تھا۔ سیلز ٹیکس ری فنڈ کی مد میں کمپنی نے 1,616 ملین روپے وصول کیے۔ زیر جائزہ سال کے لئے کمپنی نے 1,152 ملین روپے ٹیکس ادا کیا۔ پچھلے سال 2015ء میں کمپنی نے 1,088 ملین ٹیکس ادا کیا تھا۔

### کیپٹل سرمایہ کاری، کیپٹیل اسٹرکچر اور فنانس

سال کے اختتام تک کمپنی کی نیٹ طویل مدتی قرضے گھٹ کر 500 ملین روپے رہ گئے (2015: Rs. 2,196 million)

بیلنس شیٹ گنیرینگ (کمپنی کی طویل مدتی قرض ایکوٹی تناسب کے حساب سے) برائے اختتام سال 2016ء 03:97 ہے (2015: 13:87)۔ کمپنی کی لیکوڈیٹی کی پوزیشن 1.9:1 سے (2015: 1.5:1) زیر جائزہ سال میں بہت مضبوط رہی۔

### فیصلہ طلب اہم ایریاز (Decision Making Areas)

اہم ایریاز میں ٹیکسیشن، جائیداد، پلانٹ اور ایکوپمنٹ، غیر محسوس اثاثے، حیاتیاتی اثاثے، اسٹاک ان ٹریڈ، ایمپلائئ شیئر آپشن اسکیم، عملے کی ریٹائرمنٹ اور دیگر سروس اور بینیفٹس ہیں۔

### اکاؤنٹنگ اسٹینڈرز

کمپنی کی اکاؤنٹنگ پالیسیاں کمپنیز آرڈیننس 1984ء کی اُن ہدایات کے عین مطابق ہیں جن میں انٹرنیشنل اکاؤنٹنگ اسٹینڈرز اور انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز شامل ہیں۔ اس کے علاوہ سکیورٹیز اینڈ ایکسچینج کمیشن پاکستان کی ہدایات کو بھی مکمل فالو کیا گیا ہے۔

### کریڈٹ ریٹنگ

اینگروفوڈز کے سکوک کو JCR-VIS کی طرف سے "A+" (سنگل A پلس ) طویل مدتی کریڈٹ ریٹنگ میں درمیانے درجے کا تقویض کیا گیا ہے۔ ریٹنگ کمپنی کے مالی اور انتظامی طاقت کی عکاسی کرتی ہے اور کریڈٹ رسک کو کم اور کمپنی کی بروقت ادائیگی کی صلاحیت کا اظہار ہے۔

#### ڈیوڈنڈ

بورڈ مسرت سے 10 روپے فی شیئر فائل ڈیوڈنڈ (بشمول خاص ون ٹائم 9 روپے ڈیوڈنڈ) برائے اختتام سال 31 دسمبر 2016ء دینے کی تجویز پیش کرتا ہے۔ یہ تجویز حتمی منظوری کے لئے ممبران کے سامنے سالانہ جنرل میٹنگ میں پیش کی جائے گی جو کہ 24 مارچ 2017ء کو ہوگی۔

### ایمپلائئ شیئر آپشن اسکیم

کمپنی اپنے ملازمین کو شیئر آپشن اسکیم آفر کرتی ہے۔ اس اسکیم کی تفصیلات اکاؤنٹس کے نوٹ 8 میں بیان کی گئی ہیں۔

#### پینشن، گریجویٹی اور پروویڈنٹ فنڈ

کمپنی اپنے ملازمین کو بعد از ملازمت اور ریٹائرمنٹ کی مد میں فنڈز کی سہولیات فراہم کرتی ہے۔ ان میں کنٹری بیوٹری پروویڈنٹ فنڈ اور گریجویٹی اسکیم شامل ہیں۔

سرمایہ کاری کی ویلیو پرتازہ ترین آڈٹ شدہ فنانشل بیان مندرجہ ذیل ہیں

### گریجویٹی فنڈ (ملین روپے میں) 30 جون 2016ء

| آڈٹ شدہ مالی بیانات کے مطابق نیٹ اثاثہ جات | 464  |
|--------------------------------------------|------|
| SSCs/PIBs/RICs                             | 308  |
| میوچل فنڈز                                 | 7    |
| ٹی ایف سیز                                 | 19   |
| حصص                                        | 57   |
| بینک ڈپازٹس                                | 69   |
| واجب ادائیگی                               | (13) |
| ٹوٹل                                       | 464  |

مندرجہ بالا پلان فنڈ ڈاسکیم کا ہے جسے ٹیکس وصول کرنے والی اتھارٹی نے بھی تسلیم کیا ہے۔

گریجویٹی اسکیم کی تازہ ترین ایکچوریل ویلیوشن 31 دسمبر 2016ء کو کی گئی جبکہ فنانشل اسٹیٹمنٹ کو 30 جون 2016ء تک آڈٹ کیا گیا ہے۔

کمپنی کے تمام مستقل ملازمین کے لئے اینگروکارپوریشن لمیٹڈ (ای سی ایل)، کمپنی کی جانب سے، ڈیفائنڈ کنٹری بیوشن فنڈ آپریٹ کرتی ہے۔ ہر مہینے تنخواہ کا 10 فیصد حصہ کمپنی اور ملازمین کی جانب سے ڈیفائنڈ کنٹری بیوشن فنڈ میں ڈالا جاتا ہے۔

### آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس ریٹائر ہو چکے ہیں اور اہل ہونے کی بنیاد پر خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ کی آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز ان کی باحیثیت آڈیٹر تقرری کی توثیق کرتے ہیں۔

### شیئر ہولڈنگ کا پیٹرن

فریز لینڈ کمپینا پاکستان ہولڈنگز بی۔ وی،، ہماری کمپنی اینگروفوڈز کی 51 فیصد اور اینگرو کارپوریشن کی 40 فیصد شیئر ہولڈر ہے۔ باقی حصص یافتگان میں مقامی انسٹیٹیوشن اور عوام ہیں۔

شیئر ہولڈنگ کا پیٹرن کا اسٹیٹمنٹ اور ڈائریکٹرز، ایکزیکیٹو، زوجہ اور چھوٹے بچوں کے سال 2016ء میں حصص کی خرید و فروخت کا اسٹیٹمنٹ اس رپورٹ میں دکھایا گیا ہے۔

#### ڈائریکٹرز کی ذمہ داریوں کا اسٹیٹمنٹ

ڈائریکٹرز ایس ای سی پی کے کوڈ آف گورننس کے کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کے ساتھ تعمیل کی تصدیق کرتے ہیں۔

۱۔ کمپنی کی انتظامیہ کی طرف سے تیار کئے جانے والے مالیاتی سٹیٹمنٹس منصفانہ طور پر کمپنی کے امور، آپریشنز کے نتائج، کیش فلو ز اور ایکوٹی میں تبدیلی بیان کرتے ہیں۔

۲۔ کمپنی کے اکاؤنٹس کی بکس کی معقول دیکھ بھال کی گئی ہیں۔

۳۔ مناسب اکاؤنٹنگ پالیسیوں کو مالی بیانات کی تیاری میں لاگو کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول دانشمندانہ فیصلوں پر مبنی ہیں۔

۴۔ بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جو پاکستان میں بھی لاگو ہیں، ان کی تمام فنانشل اسٹیٹمنٹس میں مکمل پیروی کی گئی ہے۔

۵۔ اندرونی کنٹرول کے نظام کا ڈیزائن بلکل ٹھیک ہے اور اسے مؤثر طریقے سے لاگو اور مانیٹر کیا گیا ہے۔

۶۔ کمپنی کے جاری رہنے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔

۷۔ لسٹنگ ریگولیشنز میں تفصیلی طور پر درج کارپوریٹ گورننس کے بہترین طریقوں

میں سے کوئی میٹر یل ڈیپارچر نہیں۔

### بورڈ انڈکشن اینڈ گورننس

2016ء کے آخر میں، رائل فریز لینڈ کمپینا اور اینگروفوڈز لمیٹڈ کے درمیان اہم بین الاقوامی شراکت داری عمل میں آئی جس کی وجہ سے قیادت میں کچھ اہم تبدیلیاں رونما ہوئیں۔ 20 دسمبر کو نیا بورڈ قائم ہوا جس میں رائل فریز لینڈ کمپینا گروپ کے پانچ ارکان کو شامل کیا گیا۔ بابر سلطان جو ایک دہائی سے اینگروفوڈز کی سینئر قیادت کی حیثیت سے منسلک رہے ہیں، 3 جنوری کو سی ای او کے عہدے سے سبکدوش ہوئے۔ ہانس لارا کرکو کمپنی کا نیا سی ای او مقرر کیا گیا۔ آپ فنانشل اور جنرل مینجمنٹ کے کلیدی عہدوں پر 25 سال سے ذمہ داریاں نبھاتے آرہے ہیں۔ دو سال سے ہانس ایم اینڈ اے (Mergers & Acquisition) کی ذمہ داریوں سے نبرد آزما ہیں اور حال ہی میں یورپ، افریقہ، جنوب مشرق ایشیا اور چین کے ساتھ ٹرانزیکشن کلوز کرنے کے ذمہ دار ہیں۔

نیا بورڈ اور لیڈرشپ پر اعتماد ہیں کہ تمام سطحوں پر نمومزید تیز ہوگی۔

ہے۔ اس منصوبے میں جانوروں میں پائی جانے والی بنیادی بیماریوں سے آگاہی، مویشیوں کی ویکسین اور علاج اور دودھ جمع کرنے کے جدید طریقوں کے متعلق ٹریننگ دی گئی۔ اس منصوبے کی کامیابی کے بعد اینگرو فاؤنڈیشن اور اینگرو فوڈز نے 2015ء میں SEaDS نیٹ منصوبے کا اجرا کیا جس کے تحت 56 مائیکرو انٹر پرائیور کو اپنے کاروبار کو بڑھانے، نئے پروڈکٹ متعارف کروائے جیسے فوڈ ریفڈ، جانوروں کی صحت اور دودھ کی غذائیت کو برقرار رکھنے کے حوالے سے مزید تربیت دی گئی جن میں 49 ایکسٹینشن ورکر ہیں اور 7 دیہاتوں سے دودھ جمع کرنے والے لککٹر۔ اس کے علاوہ انٹر پرائیورز کے لئے مارکیٹ سے روابط کو بہتر کرنے کے لئے بھی کامیاب اقدامات لئے گئے۔

سال بھر میں فنانشل مینجمنٹ اور ریکارڈ کیپنگ کے حوالے سے 20 ٹریننگ پروگرام مکمل کئے گئے تاکہ انٹر پرائیورز کو بزنس پلان اور اپنے نئے پروڈکٹس اور سروسز پر منافع کا تعین کر سکیں۔ اب تک 5,723 کسانوں کو تربیت فراہم کی جا چکی ہے حالانکہ پلان 5,200 کا تھا۔ منصوبے کی رو سے ہر انٹر پرائیور کو انٹرنیٹ کی سہولت سے مزین ڈیجیٹل ٹیبلٹ دئے گئے تاکہ وہ اپنے ریکارڈ کو دیکھ سکیں۔ مزید براں اینڈ رائیڈ میسڈ اپلیکیشن بھی متعارف کروائی ہے تاکہ انٹر پرائیورز اپنے مویشیوں کے لئے جانوروں کے ڈاکٹروں سے ریل ٹائم خدمات حاصل کر سکیں اور اپنے کسٹمرز کا ڈیٹا بیس سنبھال سکیں۔

### ہمارے لوگ

ہماری کامیابی باصلاحیت لوگوں کو اپنی ٹیم کا حصہ بنانے اور اپنے ساتھ رکھنے میں پنہاں ہے۔ ہم مسلسل باصلاحیت لوگوں کو اپنی ٹیم کا حصہ بنانے، تربیت دینے، کمپنی میں انہیں رکھنے، تسلسل کے ساتھ اپنی طرف متوجہ کرنے کی کوشش کرتے ہیں۔ سال 2016ء میں بھی ہم نے کئی ایچ آر کے اقدامات لئے جن میں ملازموں کی تشخیص کے طریقے، ٹریننگ اور ڈویلپمنٹ کے پروگرام، کمپنیشن کی حکمت عملی، ملازمین کے انگیجمنٹ سروے، ملازم رضا کار پروگرام اور ریٹائرمنٹ کی پالیسیاں شامل ہیں۔ سال 2016ء میں بھی ہم نے جن ایریز پر فوکس کیا ان میں تنوع کا فروغ اور شمولیت، صلاحیتوں میں اضافہ، خوبیوں کو ایک سمت کرنا، ٹیلنٹ کی ڈیولپمنٹ، صحت اور بہتری شامل ہیں۔

### صلاحیتوں میں اضافے کے لئے اقدامات

باصلاحیت افراد کو اپنی جانب راغب کرنا اور آرگنائزیشن میں ڈولپمنٹ کرنے کی حکمت عملی ہمارے اُس فلسفے کی عکاسی کرتی ہے جس کے تحت ہم اپنے ملازمین میں سرمایہ کاری کو کمپنی کی سب سے بہتر سرمایہ کاری گردانتے ہیں۔ سال 2016ء کے دوران گروپ کی مشترکہ قائدانہ صلاحیتوں کو ابھارنے کے لئے لرننگ ماڈیول کا اجراء کیا گیا جس نے ملازمین کی ضروریات کا احاطہ کیا اس کے علاوہ بھی سینئر لیڈرشپ پرکٹم پروگرام کا آغاز کیا تھا جہاں ملازمین کی چھپی صلاحیتوں کو ابھارنے کا روڈ میپ واضح کیا گیا۔

### تنوع اور شمولیت

ہم تنوع اور شمولیت پر یقین رکھتے ہیں کیونکہ جدت اور تخلیقی سوچ کے پیچھے بھی عوامل کارفرما ہوتے ہیں اسی لیے کمپنی امپلائمنٹ دیتے وقت اس کا خاص خیال رکھتی ہے۔ گزشتہ کچھ سالوں سے ہم نے تنوع کو اپنے کاروبار کا طریقہ کار بنانے کی تگ و دو کی ہے۔ شمولیت اور تنوع سے ایمپلائ ٹیس کو روشناس کروانے کی ٹھوس کوششوں کے بعد ہم نے تنوع اور شمولیت کو اپنا بیچ مارک عمل بنالیا ہے۔ اسی طرح ہم نے معذور افراد کے لئے بھی ایک پروجیکٹ کی بنیادوں پر اسپیشلائزڈ انٹرن شپ پروگرام کا آغاز کیا۔ یہ انٹرن شپ دو سے تین ماہ کے عرصے پر محیط ہیں، ان میں معذور افراد کو مختلف شعبہ جات میں کام کرنے کا موقع فراہم کیا جاتا ہے تاکہ وہ بھی اپنی صلاحیتیں پروفیشنل ماحول میں بروکار لائیں۔ ان انٹرن شپس کے اختتام پر ایک سیشن کا انعقاد کیا گیا جس میں منتخب امیدواروں کو مستقل نوکری کے مواقع دیئے گئے۔

### سیلز فنکشنل مہارت ماڈل

کاروبار کو درپیش بدلتے نت نئے چیلنجز، صارفین کی ضروریات کو سمجھنا اور اُسی حساب سے فیصلے کرنا، نمو کو برقرار رکھنا اور منافع بڑھانے جیسے معاملات سے نہرو آزا ماہو نے کیلئے ایمپلائز کی صلاحیتوں کی تعمیر اور فنکشنل ٹرانزیشن نمو اور ترقی کیلئے ناگزیر ہیں۔ لہذا، ہم کاروباری فراست اور ہماری سیلز فورس کی مہارت فعال کرنے پر زور دیتے ہیں کیونکہ صارفین کی ضروریات کو سمجھنے اور مارکیٹ میں مسابقتی برتری کو برقرار رکھنے کے لئے یہ بہت ضروری ہے۔ بدلتے ہوئے منظر نامے کی روشنی میں ٹیلنٹ کو ترقی دینے کے لئے سیلز فنکشنل مہارت ماڈل کلیدی کردار ادا کر رہا ہے۔ اس ماڈل کے ذریعے ملازمین کی

کارکردگی کا جائزہ، ٹریننگ، مہارت کی تشخیص اور ملازمین کے ڈولپمنٹ کی منصوبہ بندیوں کو یقینی بنانے میں معاونت مل رہی ہے۔

### صحت اور فلاح وبہبود کے اقدامات

اینگرو فوڈز کی انتظامیہ ملازمین کی صحت اور فلاح بہبود کو بہت سنجیدگی سے لیتی ہے اسی لئے ہم نے کئی ان ہاؤس پروگراموں اور اقدامات کا آغاز کیا ہے تاکہ ملازمین کے صحت مندانہ لائف اسٹائل کو فروغ دیا جاسکے۔ ہیلتھ لیٹکس کی چھتری تلے کمپنی نے کئی منصوبوں کا اجراء کیا۔ تازہ ترین ٹیکنالوجی کے رجحانات کو سامنے رکھتے ہوئے ہم اپنے ملازمین کو معلومات کی برق رفتار رسائی فراہم کرنے کی اہمیت کو سمجھتے ہیں۔ ہماری ہیلتھ انشورنس کی اپیلی کیشن ’’ایکشیور‘‘ اسی اصول کے تحت ڈیزائن کی گئی ہے جو 2016ء میں شروع کی گئی۔ یہ ایک مکمل اپیلی کیشن ہے جو نا صرف ایمرجنسی کی شکل میں ضروری ڈیٹا فراہم کرتی ہے بلکہ میڈیکل اور ہسپتال کی معلومات بھی اس اپیلی کیشن کا حصہ ہے۔ ہمارے ملازمین کے درمیان صحت مندانہ عادات کی حوصلہ افزائی کرنے کے لئے دفتری اوقات کے بعد ورک آؤٹ متعارف کروایا گیا۔ آفس کی کینٹین میں صحت مندانہ غذا دستیاب کی گئی اور ملازمین کو لاحق ممکنہ صحت کے مسائل کے حوالے سے ڈاکٹروں کے ساتھ تفصیلی مشاورت کروائی گئی۔

کلیدی HR انڈیکیٹر/ KPIs:

چھوڑنے کی شرح 10.82 فیصد

ملازمین کی شمولیت (Engagement) انڈیکس 64 فیصد

### صحت، حفاظت اور ماحول:

کام کی جگہ پر ملازمین کی حفاظت کو یقینی بنانے کے اقدامات

اینگرو فوڈز میں ہم حفاظت کے ساتھ کاروبار کرتے ہیں اور ایک مثال قائم کرنا چاہتے ہیں۔ ہماری ترجیحات میں ہمارے لوگ اور ماحولیات شامل ہیں۔ ہم نے HSE کی بہترین پریکٹسز کو اپنانے کے ساتھ ساتھ 2016ء میں بھی بین الاقوامی اسٹینڈرز کو اپنے سسٹم اور پراسز سے ہم آہنگ کرنے کی بھرپور کوشش کی ہے۔

کسی بھی ہنگامی صورتحال سے نمٹنے کے لئے ہم نے اپنی تیاری کو مزید بہتر بنانے کے واسطے سکھر اور ساہیوال میں قائم ہمارے مینوفیکچرنگ پلانٹس میں امونیا کی ریلیز کی اسٹڈی کی گئی۔ مزید براں سکھر اور ساہیوال پلانٹس میں فائر رسک اور بلڈنگ اسسمنٹ بھی مکمل کی گئیں۔

رات کے اوقات میں ڈرائیونگ کرنے والے ملازمین کی حفاظت پر پالیسی بین الاقوامی بیچ مارک اسٹڈی کے بعد ترتیب دی گئی۔ اس کے ساتھ ساتھ ڈرائیونگ پالیسی کا ازسرنو جائزہ لیا گیا اور ٹرانسپورٹ سیفٹی آپریشنل پلان کو لاگو کیا گیا جس میں جدید ٹیکنالوجیکل گجٹس کی وجہ سے ڈرائیونگ کے دوران دھیان بٹنے کے رسک کو اُجاگر کیا گیا۔

#### سرٹیفیکیشن

ISO 9001

ISO 14001

ISO 22000

OHSAS 18001

Halal

BRC - AA Grade

ISO 17025 accredited across 09 laboratory tests

FSSC 22000

IFACA

Global Gap

## کے پی آئیز (KPIs)

|                                       |            |
|---------------------------------------|------------|
| کل ریکارڈ چوٹ کی شرح                  | 0.15       |
| لاس آف ورکنگ انجری                    | 03         |
| ٹوٹل مین آؤرز                         | 19,621,855 |
| اموات                                 | کوئی نہیں  |
| ریکارڈ انجریز                         | 15         |
| نیشنل انوائزمنٹ کوانٹی اسٹینڈرز ایشین | کوئی نہیں  |

## ڈائریکٹر رپورٹ

**اینگروفوڈز لمیٹڈ** (فریز لینڈ کمپنا 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 31 دسمبر 2016 کو اختتام پذیر ہوا، مسرت سے پیش کر رہے ہیں۔

### فریز لینڈ کمپنا کا اینگروفوڈز کا حصول

19 دسمبر 2016ء کو فریز لینڈ کمپنا پاکستان ہولڈنگز بی.وی. نے اینگروکارپوریشن سے اینگروفوڈز کی خرید مکمل کر لی۔ اب فریز لینڈ کمپنا پاکستان ہولڈنگز بی.وی. اینگروفوڈز کے 51 فیصد حصص کی مالک ہے۔ فریز لینڈ کمپنا پاکستان ہولڈنگز بی.وی. ہالینڈ کی کمپنی رائل فریز لینڈ کمپنا این.وی. کی ماتحت کمپنی ہے۔

#### کاروبار کا جائزہ

2016ء مسابقت اور بجٹ تبدیلیوں کی وجہ سے ڈیری کی صنعت اور کمپنی کے لئے ایک چیلنجک سال ثابت ہوا۔ 17-2016 کے وفاقی بجٹ میں جی ایس ٹی کی شرح زیرو ریٹنگ سے مستثنیٰ اور خشک پاؤڈر دودھ کی درآمد پر 25 فیصد ریگولیٹری ڈیوٹی لاگو ہوجانے سے کاروبار کرنے کی لاگت میں اضافہ ہوا جس کی وجہ سے صنعت کی نمو کچھ عرصے کے لیے رُک گئی۔ اس کے علاوہ اس صنعت میں مسابقت بہت جارحانہ رہی اور نئے آنے والوں نے مارکیٹ میں کافی سرمایہ کاری کی۔

2016ء میں کمپنی نے 44.3 ارب روپے کی آمدنی رپورٹ کی جو پچھلے سال 2015ء میں 49.8 ارب روپے تھی، 2016ء میں گروس مارجن 22.6 فیصد رہا جو کہ پچھلے سال (2015) میں 23.1 فیصد تھا اور اس کی وجوہات وفاقی بجٹ میں جی ایس ٹی کی شرح زیرو ریٹنگ سے مستثنیٰ اور خشک پاؤڈر دودھ کی درآمد پر 25 فیصد ریگولیٹری ڈیوٹی لاگو ہو جانا ہے۔ مجموعی طور پر کمپنی کا نیٹ منافع 2016ء میں 2,387 ملین روپے رہا، جبکہ 2015 میں 3,162 ملین روپے ریکارڈ کیا گیا تھا۔

#### ڈیری اور مشروبات سیگمنٹ

اسپیشلائزڈ ڈی کریمر کی لیٹگری میں نئی کمپنیوں کی جانب سے کی گئی بھاری برانڈ سرمایہ کاری کی بدولت مارکیٹ شیئر کے لیے مسابقت دیکھی گئی۔ سال کی دوسری ششماہی میں متفرق محصولات میں بڑھوتری اور ان کے باعث ترنگ کی قیمت میں اضافے کی وجہ سے ترنگ کی نمو کافی زیادہ متاثر ہوئی۔ ان چیلنجز سے نبرد آزما ہونے کے باوجود ترنگ مستحکم طور پر ترقی کی جانب گامزن رہا اور مارکیٹ لیڈر کی حیثیت برقرار رکھنے میں کامیاب رہا۔

اولپر ز پورے سال متاثر کن کارکردگی کا مظاہرہ کرتا رہا باوجود کہ مسابقتی کمپنیوں کی طرف سے اپنے اپنے پروڈکٹس کے لیے جارحانہ حکمت عملی اختیار کی گئی۔ کمپنی نے اولپر کی پوزیشن یعنی بچوں کے لئے بہترین چوائس کو برقرار رکھنے میں سرمایہ کاری جاری رکھی۔ برانڈ اپنی کیٹگری کا واحد پلیئر رہا جس کے منفرد SKUs تمام سائز میں دستیاب ہیں اور توقع کی جارہی ہے کہ آنے والے سالوں میں اس کی گروتھ مسلسل جاری رہے گی۔

ڈیری اور مشروبات سیگمنٹ نے سال 2016ء میں 40.7 ارب روپے کا ٹاپ لائن کاروبار رپورٹ کیا جبکہ نمو کی شرح پچھلے سال کے مقابلے 12 فیصد کم رہی۔ سیگمنٹ نے کمپنی کے مجموعی منافع میں اس سال 2,474 ملین روپے کا حصہ ڈالا جبکہ پچھلے سال سیگمنٹ کا نفع 3,227 ملین روپے تھا۔

#### آئس کریم اور منجمد ڈزرت سیگمنٹ

زیر جائزہ سال 2016ء کے دوران اینگروفوڈز آئس کریم اور منجمد ڈزرت سیگمنٹ نے 2015ء میں ہونے والی کامیابی کے تسلسل کو برقرار رکھا۔ 2016ء میں کلیدی برانڈ اومور کی مخصوص پرموشن کی گئی تاکہ عوام الناس میں برانڈ کو ازسرنو پہچان دی جائے۔ 2016ء میں حاصل ہونے والی کامیابیوں میں جدت نے اہم کردار ادا کیا جس کی وجہ سے ہمارے کئی برانڈ مارکیٹ میں مقبول ہوتے گئے۔ برانڈ پورٹ فولیو میں جیم کی بحالی اور نئی مصنوعات کی ڈویلپمنٹ جاری رہی۔ آئس کریم اور منجمد ڈزرت بزنس سیگمنٹ نے 2016ء میں 3.66 ارب روپے کی آمدنی رپورٹ کی، گزشتہ سال کی آمدنی کے مقابلے 5 فیصد کا اضافہ ریکارڈ ہوا۔ بہتر کنٹرول اور کاروبار کی لاگت کم ہونے سے بھی سیگمنٹ کو بہت فائدہ ہوا اور سال 2016ء میں سیگمنٹ کا منافع 43 ملین روپے رہا جبکہ پچھلے سال کمپنی کے اس سگمنٹ میں خسارہ 75 ملین روپے ریکارڈ ہوا تھا۔

#### ڈیری فارم سیگمنٹ

کمپنی کے نارڈیری فارم نے ہمارے ڈیری سیگمنٹ کے لیے خام مال کا غذائیت سے بھرپور منبع رہنے کا سلسلہ جاری رکھا۔ فارم فی الوقت 44,608 لیٹر دودھ روزانہ کی بنیاد پر پیدا کر رہا ہے (2015:35,095)۔ 5,626 جانوروں کے ریوڑ میں سے 2,895 مویشی دودھ دہنے کی سائیکل کا حصہ ہیں۔ جانوروں کی بین الاقوامی مارکیٹ میں

قیمتوں میں گراوٹ کی وجہ سے نارڈیری فارم کو ویلوشن لاسز (Valuation Losses) کا سامنا کرنا پڑا جس کی وجہ سے سیگمنٹ نے پچھلے سال کے منافع 12.5 ملین روپے کے مقابلے اس سال 2016ء میں 130 ملین روپے کا نقصان رپورٹ کیا ہے۔

#### سماجی سرمایہ کاری

اینگروفوڈز اپنے اسٹیک ہولڈرز کی زندگی کو بہتر بنانے کے لیے ایک مستقل عزم رکھتی ہے اور ان اسٹیک ہولڈرز میں ہم اپنی میزبان کمیونٹیز کے مسائل کو فوqیت دیتے ہیں۔ 2016ء میں ہم نے سماجی سرمایہ کاری کے وعدوں کے تحت 18 ملین روپے سے اپنا حصہ ڈالا۔ کمپنی کے سماجی بہبود کے کام اینگروفوڈنڈیشن انجام دیتی ہے۔ اینگروفوڈنڈیشن (تمام اینگرو کمپنیوں کی سی ایس آر شاخ) اور پارٹنرز نے سب سے زیادہ توجہ طلب علاقوں میں EFL کے سماجی انویسٹمنٹ پروگراموں کے ذریعے 2016ء میں سماجی بہبود، تعلیم، صحت، ماحولیاتی ترقی، انفراسٹرکچر اور معیار زندگی کو بہتر بنانے کے لیے بھرپور کوششیں کی اور اس طرح اپنی میزبان کمیونٹیز میں افراد اور گھرانوں کی ایک بڑی تعداد کے لئے معاشی مواقعے فراہم کئے۔ سال 2016ء میں ہمارے ملازمین نے میزبان برادریوں اور مقامی آبادیوں میں جہاں وہ رہائش پذیر ہیں، ماحولیاتی، اقتصادی اور سماجی تانے بانے کو بہتر بنانے کے لیے انتہائی موثر اور نتیجہ خیزی ایس آر ہم چلائیں اور ہمارے ملازمین نے 6,252 رضا کارانہ گھنٹے سماجی کاموں میں وقف کئے۔

#### نارا کے اسکول

اینگروفوڈز نے اینگروفوڈنڈیشن کے تعاون سے ناراریگستان میں نارافارم کے قریب بنے دو پرائمری اسکولوں کی مدد جاری رکھی۔ یہ کامیاب منصوبہ چار سال سے بھی زیادہ عرصے سے جاری ہے اور یہ علاقے میں واحد اسکول ہیں جو بچوں کے لیے بہترین تعلیم حاصل کرنے کی جگہ ہیں جو 280 سے زائد بچوں (لڑکے لڑکیوں) کو تعلیم دے رہے ہیں۔ ان اسکولوں میں باقاعدہ نصابی سرگرمیوں کے علاوہ غیر نصابی سرگرمیوں کا بھی انتظام کیا جاتا ہے۔ اس سال ہمارے ساتھیوں کی مدد سے ان اسکولوں کو سرکاری مالی معاونت کے لیے بھی رجسٹرڈ کروادیا گیا ہے۔

#### سایہوال کے اسکول

11-2010 میں اینگروفوڈز نے اینگروفوڈنڈیشن اور پارٹرنر تنظیم کیئر فاؤنڈیشن کیساتھ مل کر سایہوال شہر سے ملحقہ گاؤں میں 6 سال کے عرصے میں چار پرائمری اسکول زیر انتظام لیے تھے۔ اب یہ اسکول 1400 سے زائد بچوں کو تعلیم فراہم کر رہے ہیں جن میں 64 فیصد بچیاں ہیں اور مزید بچوں کی انرولمنٹ مسلسل جاری ہے جو بہت خوش آئند بات ہے۔ سال بھر کے دوران، اسکولوں کے کلاس رومز کے انتظام، بچوں کو پڑھائے جانے والے سبق کی منصوبہ بندی اور طالب علموں کی حوصلہ افزائی کے حوالے سے اساتذہ کی تربیت کے لئے 90 مین آور ریکارڈ کئے گئے۔

#### صحت عامہ سے متعلق لیے گئے اقدامات

گزشتہ سالوں کی طرح زیر جائزہ سال کے دوران بھی اینگروفوڈز اور اینگروفوڈنڈیشن نے پارٹرنر تنظیم دی ہلیئنگز فاؤنڈیشن کے ساتھ شراکت داری جاری رکھی اور اس سال اینگرو فوڈز پلانٹ سکھر سے ملحقہ اوپی ڈی کلینک کو سپورٹ کرنا جاری رکھا۔ طبی یونٹ بنیادی طور پر حفاظتی ٹیکوں اور حفاظتی ٹیکوں کے پروگرام کے ساتھ ساتھ لیڈی ہیلتھ رضا کاروں کے ذریعے قبل از ولادت اور بعد از ولادت طبی معائنے اور مطلوبہ علاج معالجہ فراہم کرتا ہے۔ یہ اوپی ڈی کلینک علاقے کے پسماندہ اور غریب لوگوں کو معیاری میڈیکل سہولیات فراہم کرتا ہے۔ 2016ء میں 10,000 سے زائد مریضوں نے کلینک میں علاج معالجے کی سہولیات سے فائدہ اٹھایا۔

Strengthening Entrepreneurs & Dairy Stakeholders Network (SEaDS-Net) project

2015ء میں دیہاتی ڈیری کمیونٹی کے ساتھ شروع کیا جانے والا پروگرام ویمن امپاورمنٹ بزیرعہ لائیو شاک ڈویلپمنٹ(WELD) سے ہمیں جو مدد ملی اس سے سکھ کر اینگروفوڈز نے اینگروفوڈنڈیشن کے ساتھ مل کر SEaDS Net Project کا آغاز کیا جس کی تکنیکی معاونت گرانٹ کی مد میں KFW-DEG نے کی ہے، پروگرام کا مقصد بڑے پیمانے پر دیہی سندھ اور پنجاب بھر میں کسانوں کے شانہ بشانہ کام کرنا ہے۔ اینگروفوڈز چھوٹے پیمانے پر ڈیری کا کام کرنے والے کسانوں تک رسائی کیلئے مسلسل کوشش کرتی ہے اور ان سے دودھ خریدنے کے مواقعوں کے ساتھ ساتھ انہیں مفصل خدمات فراہم کرتی

