Dawood Hercules

ANNUAL REPORT 2015

making food & energy

Available, Affordable, Sustainable

making food & energy

Available, Affordable, Sustainable

Dawood Hercules is a partner in Pakistan's growth and prosperity, and this ethos serves as the foundation of our business operations. Energy, agriculture and food sectors are the strongest drivers of Pakistan's economic growth, and are therefore the core areas of investment for our group. We are a holding company founded on family values. This allows us to deploy capital and invest in people and partnerships over a long period of time to solve two of the most pressing issues the world is facing today:

making food and energy available,
affordable and sustainable.

About cover

The creative image on the title is driven from our aim on Food and Energy. The combination of crops and energy bulb is an interesting juxtaposition the represents our core efforts. The theme is further carried inside in the same fashion.

CONTENTS

Published by the Public Affairs Department, Dawood Hercules Corporation Limited. For questions regarding this report and its contents please email: Ronald Inayat, Manager Public Affairs & Corporate Communications (ronald.inayat@dawoodhercules.com)

VISION

To make food and energy available, affordable and sustainable for the developing world via pairing capital with capability and with ideas that will have the biggest impact.

PURPOSE

Food and Energy security is inextricably linked to economic empowerment

Population and GDP growth is putting more pressure on the existing supply of food and energy. Thus we believe that achieving our vision will require supply side innovation to improve productivity

We have a long track record of improving efficiencies and productivity in both these sectors

We believe in deep collaboration between group companies that will allow us to innovate in ways others can't, and we will only participate in markets where we can make a significant contribution. We are not going to settle for anything less than excellence in every aspect of our work

OUR BUSINESSES

Dawood Hercules

Hubco Narowal Plant

Engro Elengy Terminal

Hub Power Plant, Hub

Engro Vopak Terminal

Engro Polymer & Chemicals

our current input

We supply over 30% of all farm nutrients in the country through our fertilizer business, helping 3 million farmers

problem worth solving

Despite being one of the largest crop producers in the world, Pakistan's per acre yield is over 23% lower than the global average

BUSINESS ETHICS & CORE VALUES

This statement of Business Ethics and Core Values constitutes the basis on which Dawood Hercules Corporation Limited conducts its business. The Board of Directors and the employees of Dawood Hercules Corporation Limited are the custodians of the excellent reputation for conducting our business according to the highest principles of business ethics.

Our reputation not only affects whether or not someone will do business with us, it also determines whether we are proud to be associated with this Company.

We are committed to conducting our business activities in honest and sincere alignment with our Core Values and in full compliance with all the applicable laws and regulations. We also believe in treating our employees with the same principles in order to build mutual respect, confidence and trust based upon integrity, honesty, openness and competence.

In order to maintain and enhance our reputation for integrity in our business, it is important for all of us individually and collectively to adhere to the highest moral, ethical and legal standards.

CORE VALUES

At Dawood Hercules Corporation Limited, all our actions are based on and guided by the following values:

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

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

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

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

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

PERFORMANCE HIGHLIGHTS CONSOLIDATED

Key Figures

Revenue
+2.8%

PKR 179,629 Million
2014

PKR 184,592 Million
2015

Profit after tax
+187%

PKR 7,454 Million
2014

PKR 21,364 Million
2015

Share Price
+41%

PKR 84.51
2014

PKR 119.14
2015

Shareholders equity
+25%

PKR 74,459 Million
2014

PKR 92,866 Million
2015

PACRA Rating (Long Term)

A+
2014

AA-
2015

Distribution

PKR 1/Share
2014

PKR 16/Share
2015

@ WORK


Provide 20% of all farm produce in Pakistan for local and international markets
Create over 1 million jobs
Dawood Hercules
Our Aim is to make food and energy available, affordable, and sustainable by 2035
Become a leading private sector player in resolving the energy crisis
Provide low cost, sustainable electricity resulting in 20% (160 TWH) to the national grid
Earn/save the country billions in terms of foreign exchange
Provide 20% of the food and electricity in the country

COMPANY INFORMATION

Board of Directors

Mr. Hussain Dawood Chairman
Mr. Samad Dawood - Chief Executive Officer
Mr. M. Abdul Aleem - Director
Mr. Shahzada Dawood - Director
Ms. Sabrina Dawood - Director
Mr. Parvez Ghias - Director
Mr. Shabbir Hussain Hashmi - Director
Mr. Frank Murray Jones - Director
Mr. Hasan Reza Ur Rahim - Director
Mr. Saad Raja - Director

Board Compensation Committee

Mr. Hussain Dawood - Chairman
Mr. M. Abdul Aleem - Member
Mr. Parvez Ghias - Member

Board Audit Committee

Mr. M. Abdul Aleem - Chairman
Mr. Parvez Ghias - Member
Mr. Hasan Reza Ur Rahim - Member

Registered Office

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

Chief Financial Officer & Company Secretary

Mr. Shafiq Ahmed

Bankers

Bank Al-Habib Limited
Habib Bank Limited
Allied Bank Limited
United Bank Limited
Habib Metropolitan Bank Limited
MCB Islamic Bank Limited

Auditors

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

Shares Registrar

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

Tax Consultants

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

Legal Advisors

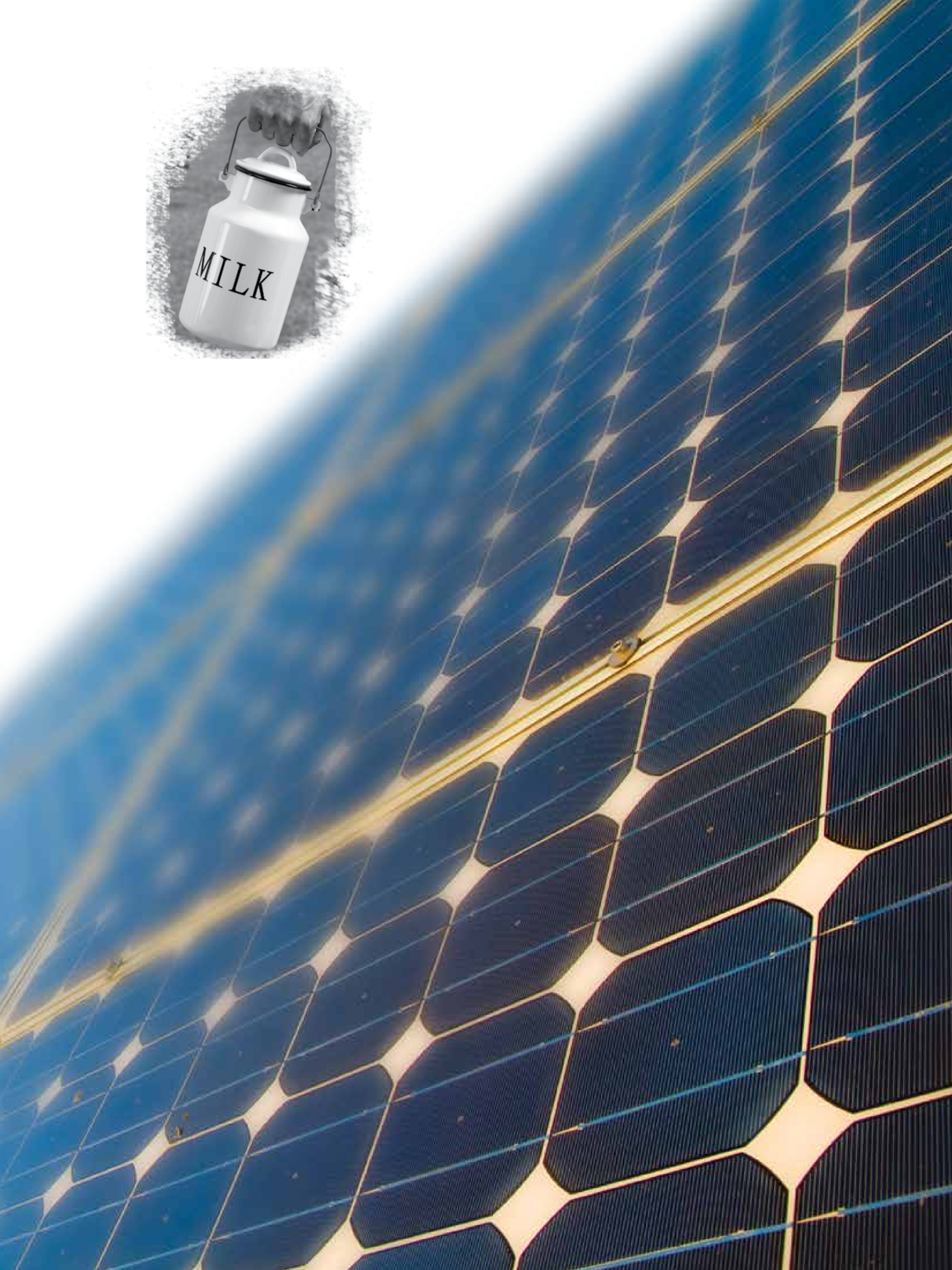
HaidermotaBNR & Co.
(Barristers at law)
D-79, Block – 5, Clifton
KDA Scheme No.5
Karachi- 75600
Tel: +92 (21) 111520000, 35879097
Fax: +92 (21) 35862329, 35871054

problem worth solving

Over 40% children are undernourished
mainly due to lack of protein

our current input

Provide over 5 million consumers with
good quality dairy products everyday


MILK

CHAIRMAN

Hussain Dawood is a Pakistani industrialist and ardent philanthropist. He chairs an array of profit and not-for-profit ventures namely Dawood Hercules Corporation Ltd. the group's flagship holding arm with investments in foods and energy, Engro Corporation Ltd.; Hub Power Company Ltd., the largest Independent Power Producer in Pakistan; Karachi Education Initiative, which funds the graduate management school Karachi School of Business & Leadership, and The Dawood Foundation, with its legacy of establishing various education and health institutions across the country.

His social responsibilities include Memberships of the World Economic Forum and its Global Agenda Councils of Anti-Corruption and Education. He was conferred the award "Ufficiale Ordine Al merito della Repubblica Italiana" by the Republic of Italy. Hussain Dawood holds an MBA from the Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK.

CHIEF EXECUTIVE

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 Lawrencepur Limited, The Hub Power Company Limited, Engro Corporation Limited, Engro Fertilizers Limited, Towershare (Private) Limited and Tenaga Generasi Limited. He was recently appointed Italian Honorary Consul General in Lahore. Samad is a member of Young Presidents' Organization, Pakistan Chapter.

M. Abdul Aleem

Mohammad Abdul Aleem is a Fellow Chartered Accountant (FCA) and a Fellow Cost and Management Accountant (FCMA). Mr. Aleem has worked for 16 years in senior positions with Engro Corporation Limited and Esso Singapore. Thereafter, he has worked for another 14 years with British American Tobacco Group UK (BAT) in Pakistan and overseas. For over ten years Mr. Aleem served as Chief Executive Officer of BAT operations in Cambodia, Mauritius and Indian Ocean.

Since 2004, Mr. Aleem has served in senior positions with large Government owned corporations in Pakistan. His last assignment was as the Managing Director, Pakistan State Oil Company Limited. Currently, he is the Chief Executive and Secretary General of Overseas Investors Chamber of Commerce and Industry. Mr. Aleem is also serving on the Board of Directors of Engro Corporation Limited and Meezan Bank Limited."

Shahzada Dawood

Shahzada Dawood serves as a Director on the Boards of Dawood Corporation (Pvt) Ltd, Engro Corporation Ltd, Engro Eximp & Agri Products (Pvt) Ltd, Engro Foods Ltd, Engro Polymer & Chemicals Limited, Engro Vopak Terminal Ltd, Patek (Pvt) Ltd, Sirius (Pvt) Ltd, Dawood Lawrencepur Ltd and The Hub Power Company Ltd. He is a Chairman of Cyan Limited. He is a Trustee of The Dawood Foundation, which is one of the largest public charitable trusts in Pakistan, supporting education and health initiatives.

He also serves as a Member of the Board of Governors of the National Management Foundation, the sponsoring body of Lahore University of Management Sciences (LUMS). He is an M.Sc. in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance (PICG). He joined the Board in 2015.

Sabrina Dawood

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

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

Parvez Ghias

Parvez Ghias is the CEO at Indus Motor Company Limited, a leading automobile manufacturer in the country of Toyota brand vehicles.

He holds a Bachelor Degree in Economics and is a fellow of the Institute of Chartered Accountants in England & Wales.

Parvez Ghias also serves as an independent director on the boards of Standard Chartered Bank (Pakistan) Limited and Injaz Pakistan.

Shabbir Hashmi

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

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

Frank Murray Jones

Frank Murray Jones is a researcher working on producing algorithms for use in different regional world economies. He has an Honors degree in Physics from University of Sheffield. Mr. Jones started his career in 1972 at Guest, Keen and Nettlefolds Steel Division in Birmingham and London. He has extensive experience of working in Client Services, Marketing and Econometrics in a diversified portfolio of companies (and countries) including Corn Products Corp, Cadbury Schweppes (UK), Anglo American Corp, South African Breweries, Eternit and the Govts of Hungary and Burundi.

Mr. Jones has also worked as a consultant for economic development for the World Bank; the Common Wealth Secretariat and the Govts of the Sultanate of Oman, Yemen and Sri Lanka; National Development Company, UAE; Central Bank of Oman; and the National Institute of Cultural Organizations, Abu Dhabi.

In 2009, Mr. Jones, along with co-workers at the University of Cambridge researched factors that affect the success & failure of startup enterprises. The formal results were published by the Royal Society of Arts and Manufacturers. He continues to fund and participate in formal research at the University of London on self-referencing perception systems and language structures.

Hasan Reza ur Rahim

Hasan Reza ur Rahim is an accomplished professional who has over 30 years of international experience in the Banking and Financial Services industry. Most recently he served as the Executive Director, in-charge of the Chairman's Office of the Dawood Hercules Group. He currently serves on the Boards of Cyan Limited, Dawood Hercules Corporation Limited, Dawood Lawrencepur Limited and Inbox Business Technologies (Pvt) Limited.

He has also held several senior roles in international banks and has been instrumental in implementing new business initiatives and establishing novel client coverage platforms. At JP Morgan he set up and headed the Global Corporate Bank in Bahrain, Qatar and Saudi Arabia, prior to which he also was the Senior Country Officer in Pakistan and was a part of the Regional Corporate Finance team based in Singapore. He has originated, led and executed large complex M&A transactions and Privatizations totalling USD 5.0 billion, Sovereign Debt and Bond issues of over USD 2.0 billion in the Telecom, Airlines, O&G and Petrochemical industries.

Previously, Mr. Rahim has worked with Mashreq Bank psc, ANZ Grindlays Bank plc, and Exxon Chemical Pakistan Limited. He was also posted to Zurich, Singapore, Bahrain and Dubai and received his degree from the University of Delaware in USA.

Saad Raja

Mr. Saad Raja is an engineer from UET, Lahore and an MBA from the London Business School. He joined DFJ eplanet ventures in 2001 till 2010, prior to which he had worked at senior management levels in the international asset management and investment sector. His diverse experiences have included tenures with DIAM international and Industrial Bank of Japan Asset Management International. He was also a Director on the Board of Engro Corporation Limited.

problem worth solving

More than 97% of smallholder farmers are unable to sell their milk

our current input

We procure 1.3 million liters of milk per day from 150,000 dairy farms through 1,800 milk collection centers

COMMITTEES

Board compensation committee

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

The Board Compensation Committee consists of one non-executive Director and two independent Directors, as follows:

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

The Chief Executive Officer attends the meetings by invitation. Manager HR acts as secretary of the committee.

Board Audit Committee

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

Mr. M. Abdul Aleem	Chairman
Mr. Parvez Ghias	Member
Mr. Hasan Reza Ur Rahim	Member

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

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

Board Investment Committee

The Board Investment Committee is responsible for reviewing the Company's strategic investments in accordance with the mandate of the Board.

The Board Investment Committee consists of two members, as follows:

Mr. Hussain Dawood	Chairman
Mr. Hasan Reza ur Rahim	Member

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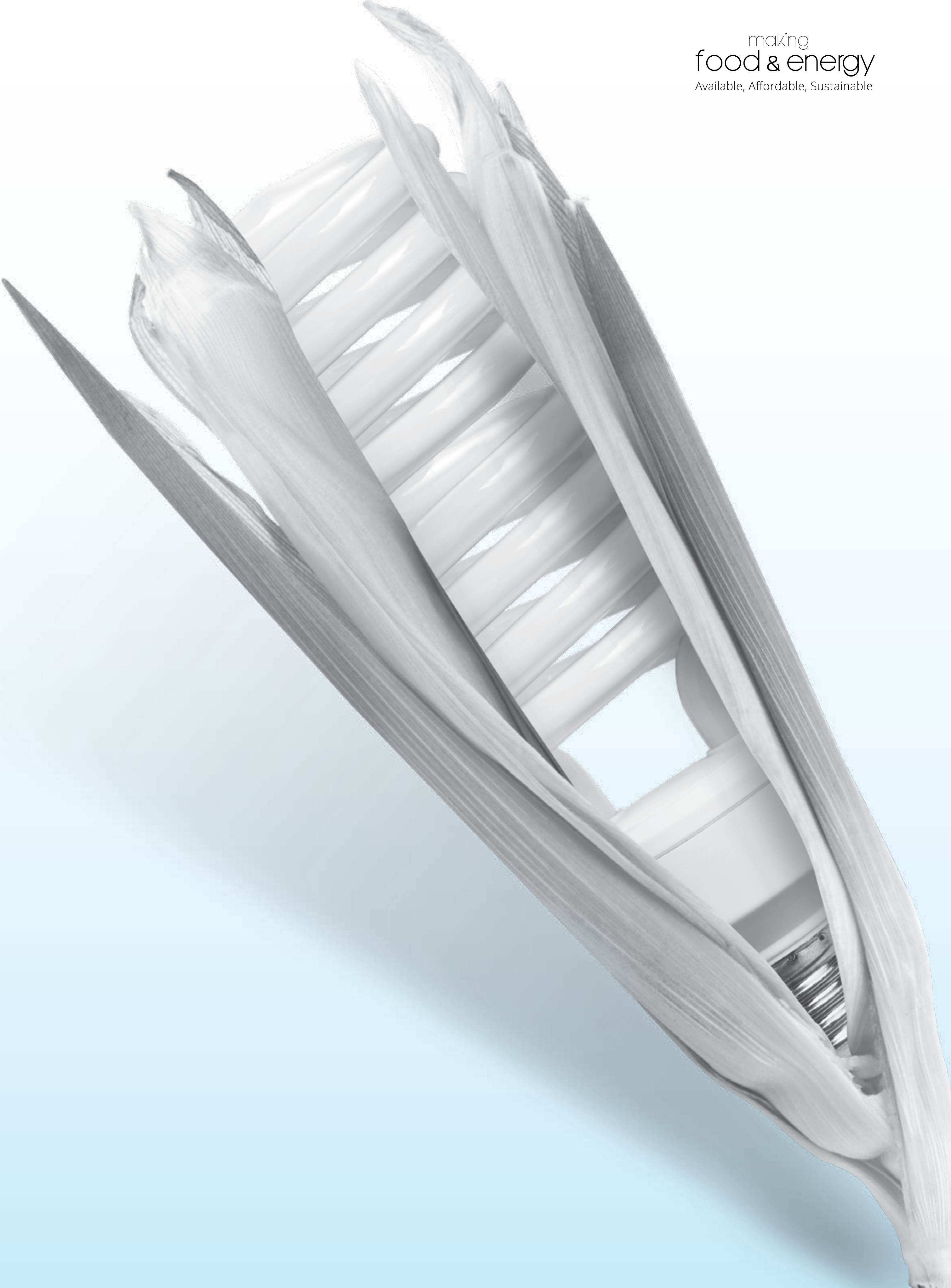

problem worth solving

There is over 5,000 MW supply shortfall in the system at current level of demand

our current input

We supply over 12% of the electricity to the national grid, lighting up more than 5.6 million households

OPERATING HIGHLIGHTS

SIX YEARS AT A GLANCE

Sr.#	PARTICULARS	UNIT	2010
A)	INCOME STATEMENT		
1	Sales Value	Rs. in Million	8,716
2	Gross Profit	Rs. in Million	3,501
3	Operating Profit	Rs. in Million	3,145
4	EBITDA	Rs. in Million	5,308
5	Profit Before Taxation	Rs. in Million	4,191
6	Profit After Taxation	Rs. in Million	3,248
B)	DIVIDEND		
1	Cash Dividend	%	50
2	Stock Dividend	%	300
C)	BALANCE SHEET		
1	Fixed assets	Rs. in Million	2,238
2	Long term investments	Rs. in Million	22,425
3	Current Assets	Rs. in Million	5,690
4	Current Liabilities	Rs. in Million	2,320
5	Paid Up Capital	Rs. in Million	1,203
6	Reserves	Rs. in Million	21,156
7	Non Controlling Interest	Rs. in Million	-
8	No. of Ordinary Shares	Million	120.32
D)	RATIO ANALYSIS		
1	Gross Profit	%	40.17
2	Net Profit to Sales	%	37.27
3	Operating Profit Margin	%	36.09
4	EBITDA margin	%	60.90
5	Earnings Per Share	Rs.	6.75
6	Inventory Turnover	Time	34.83
7	Age of Inventory	Days	10.48
8	Debtors Turnover	Time	1,433.6
9	Average Collection Period	Days	0.25
10	Operating Cycle	Days	10.73
11	Total Assets Turnover	Time	0.29
12	Fixed Assets Turnover	Time	3.89
13	Break-up Value of Share	Rs.	185.83
14	Dividend Yield	%	2.52
15	Dividend Payout Ratio	%	18.52
16	Return on Equity	%	14.53
17	Debt Equity Ratio	Time	0.26
18	Current Ratio	Time	2.45
19	Quick Ratio	Time	2.36
20	Total Debt Ratio	Time	0.26
21	Interest Cover Ratio	Time	5.61
22	Dividend Cover Ratio	Time	5.40
23	Return on capital employed	%	14.53
24	Market Value per Share	Rs.	198.36
25	Market Capitalization	Rs. in Million	23,867
26	Price Earning Ratio	Times	29.39
E)	PRODUCTION		
1	Urea	Metric Tons	456
2	NPK	Metric Tons	-
3	PVC - Resin	Metric Tons	-
4	EDC	Metric Tons	-
5	Caustic Soda	Metric Tons	-
6	VCM	Metric Tons	-
7	Power	Mega watts	-
8	Dairy and beverages	Thousand Litres	-
9	Milling/Drying unit of rice processing plant	Metric Tons	-
10	Ice Cream	Thousand Litres	-
F)	OTHERS		
1	Employees	Nos.	564
2	Capital Expenditure	Rs. in Million	393.12
3	Contribution to the National Exchequer	Rs. in Million	783

*Due to change in accounting policy for recognizing Engro Corp as subsidiary, only 2014 and 2015 figures have been restated.

2011	2012 Restated	2013 Restated	2014 Restated*	2015 Restated*
6,310	4,602	4,840	179,628	184,592
2,266	786	789	36,490	51,287
1,462	746	294	22,234	36,696
4,636	2,231	4,950	33,286	51,989
3,632	1,107	3,893	10,868	30,385
2,893	984	3,452	7,455	21,364
10	10	10	10	160
-	-	-	-	-
2,247	2,229	140,002	142,105	134,336
24,702	30,814	7,616	8,610	9,598
4,579	1,065	72,481	77,829	59,639
680	582	68,872	89,775	65,840
4,813	4,813	4,813	4,813	4,813
20,293	20,892	18,972	22,903	28,152
-	-	37,606	46,743	59,901
481.29	481.29	481.29	481.29	481.29
35.91	17.08	16.31	20.31	27.78
45.85	21.38	71.32	4.15	11.57
23.17	16.20	6.08	12.38	19.88
73.48	48.48	102.27	18.53	28.16
6.01	2.04	7.17	4.70	19.17
22.01	37.53	0.39	8.84	10.37
16.58	9.72	938.17	41.31	35.21
2,619.73	3,053.01	3.15	46.73	32.53
0.14	0.12	115.88	7.81	11.22
16.72	9.84	1,054.05	49.12	46.43
0.20	0.13	0.02	0.79	0.91
2.81	2.06	0.03	1.26	1.37
52.16	53.41	49.42	57.59	68.49
2.36	3.07	1.78	1.18	13.43
16.64	48.92	13.94	6.46	36.04
11.52	3.83	14.51	26.90	64.81
0.19	0.27	0.36	0.32	0.25
6.74	1.83	1.05	0.87	0.91
6.52	1.74	0.75	0.74	0.69
0.20	0.25	0.72	0.68	0.55
5.48	2.21	5.58	1.82	4.41
6.01	2.04	7.17	15.49	2.77
11.52	3.83	14.51	26.90	64.81
42.39	32.54	56.12	84.51	119.14
20,402	15,661	27,010	40,674	57,341
7.05	15.95	7.83	17.98	6.21
200	58	1,622,345	1,860,867	1,964,034
-	-	92,839	117,193	126,074
-	-	146,000	153,000	162,000
-	-	117,000	118,000	100,000
-	-	115,000	114,000	98,000
-	-	170,000	168,000	162,000
-	-	1,333,664	1,721,959	1,424,015
-	-	422,818	472,735	562,532
-	-	196,478	166,801	45,982
-	-	14,500	16,726	19,364
572	473	465	4,113	3,975
91.64	217.21	6.82	9,579.81	9,891.56
1,557	1,145	1,206	1,214	1,311

*Due to change in accounting policy for recognizing Engro Corp as subsidiary, only 2014 and 2015 figures have been restated.

HORIZONTAL ANALYSIS

BALANCE SHEET

---------------------------- Rs in million ----------------------------

Particulars	2010	2011 Restated	2012 Restated	2013 Restated*	2014 Restated*	2015 Restated*
Share Capital and Reserves						
Issued, subscribed and paid up capital	1,203	4,813	4,813	4,813	4,813	4,813
Revenue reserves	21,021	20,293	20,890	18,972	22,903	28,152
Fair value reserve	136	-	1	-	-	-
Non-Controlling interest	-	-	-	37,606	46,743	59,901
Share holder's equity with FVR	22,360	25,106	25,704	61,391	74,459	92,866
Non Current Liabilities	5,675	5,744	7,822	91,815	66,710	49,758
Sub Total	28,035	30,850	33,526	153,206	141,169	142,624
Current Liabilities						
Current portion - long term loan	661	-	216	16,797	19,316	22,791
Short term financing - secured	46	-	32	7,285	12,201	6,608
Trade and other payables	695	642	302	41,097	54,669	34,619
Markup payable on secured loans	233	9	32	2,306	2,124	1,428
Provision for taxation	686	29	-	-	-	-
Others	-	-	-	1,387	1,465	394
Sub Total	2,320	680	582	68,872	89,775	65,840
Total	30,355	31,530	34,109	222,078	230,944	208,464

---------------------------- Rs in million ----------------------------

Particulars	2010	2011 Restated	2012 Restated	2013 Restated*	2014 Restated*	2015 Restated*
Assets						
Property, plant and equipment	2,238	2,247	2,229	140,002	142,105	134,336
Long term investments	22,425	24,702	30,814	7,616	8,610	9,598
Long term loans and advances	2	2	1	307	1,184	3,758
Others	-	-	-	1,672	1,216	1,133
Sub Total	24,665	26,951	33,044	149,597	153,115	148,825
Current Assets						
Stores, spares and loose tools	1,074	678	676	7,806	8,276	7,679
Stock in trade	216	151	52	20,772	11,628	14,089
Trade debts	2	3	-	3,073	4,615	6,734
Loans, advances, deposit, prepayments and other receivables including advance income tax	708	66	298	6,519	7,082	9,599
Others	-	-	-	4,569	4,693	2,368
Short term investments	2,440	2,951	3	22,700	29,163	14,050
Cash and bank balances	1,250	731	36	7,042	12,372	5,120
Sub Total	5,690	4,579	1,065	72,481	77,829	59,639
Total Assets Employed	30,355	31,530	34,109	222,078	230,944	208,464

*Due to change in accounting policy for recognizing Engro Corp as subsidiary, only 2013, 2014 and 2015 figures have been restated.

Percentage change

10 Over 09	11 Over 10	12 Over 11	13 Over 12	14 Over 13	15 Over 14
10%	300%	0%	0%	0%	0%
12%	-3%	3%	-9%	21%	23%
3307%	-100%	100%	-100%	0%	0%
0%	0%	0%	0%	24%	28%
12%	12%	2%	139%	21%	25%
-16%	1%	36%	1074%	-27%	-25%
5%	10%	9%	357%	-8%	1%
100%	-100%	100%	7680%	15%	18%
-96%	-100%	100%	22455%	67%	-46%
7%	-8%	-53%	13510%	33%	-37%
-17%	-96%	275%	7043%	-8%	-33%
-20%	-96%	-100%	0%	0%	0%
0%	0%	0%	0%	6%	-73%
-22%	-71%	-14%	11725%	30%	-27%
3%	4%	8%	551%	4%	-10%

Percentage change

10 Over 09	11 Over 10	12 Over 11	13 Over 12	14 Over 13	15 Over 14
8%	0%	-1%	6181%	2%	-5%
4%	10%	25%	-75%	13%	11%
-31%	31%	-37%	22098%	0%	217%
0%	0%	0%	0%	-27%	-7%
4%	9%	23%	353%	2%	-3%
-18%	-37%	0%	1054%	6%	-7%
160%	-30%	-66%	39769%	-44%	21%
-79%	26%	-88%	933943%	50%	46%
-22%	-91%	354%	2089%	9%	36%
			0%	3%	-50%
-28%	21%	-100%	867969%	28%	-52%
350%	-42%	-95%	19719%	76%	-59%
-5%	-20%	-77%	6708%	7%	-23%
3%	4%	8%	551%	4%	-10%

*Due to change in accounting policy for recognizing Engro Corp as subsidiary, only 2013, 2014 and 2015 figures have been restated.

VERTICAL ANALYSIS

BALANCE SHEET

---------------------------- Rs in million ----------------------------

Particulars	2010	2011 Restated	2012 Restated	2013 Restated*	2014 Restated*	2015 Restated*
Share Capital and Reserves						
Issued, subscribed and paid up capital	1,203	4,813	4,813	4,813	4,813	4,813
Revenue reserves	21,021	20,293	20,890	18,972	22,903	28,152
Fair value reserve	136	-	1	-	-	-
Non-Controlling interest	-	-	-	37,606	46,743	59,901
Share holder’s Equity with FVR	22,360	25,106	25,704	61,391	74,459	92,866
Non Current Liabilities	5,675	5,744	7,822	91,815	66,710	49,758
Sub Total	28,035	30,850	33,526	153,206	141,169	142,624
Current Liabilities						
Current portion - long term loan	661	-	216	16,797	19,316	22,791
Short term financing - secured	46	-	32	7,285	12,201	6,608
Trade and other payables	695	642	302	41,097	54,669	34,619
Markup payable on secured loans	233	9	32	2,306	2,124	1,428
Provision for taxation	686	29	-	-	-	-
Others	-	-	-	1,387	1,465	394
Sub Total	2,320	680	582	68,872	89,775	65,840
Total	30,355	31,530	34,109	222,078	230,944	208,464

---------------------------- Rs in million ----------------------------

Particulars	2010	2011 Restated	2012 Restated	2013 Restated*	2014 Restated*	2015 Restated*
Assets						
Property, plant and equipment	2,238	2,247	2,229	140,002	142,105	134,336
Long term investments	22,425	24,702	30,814	7,616	8,610	9,598
Long term loans and advances	2	2	1	307	1,184	3,758
Others	-	-	-	1,672	1,216	1,133
Sub Total	24,665	26,951	33,044	149,597	153,115	148,825
Current Assets						
Stores, spares and loose tools	1,074	678	676	7,806	8,276	7,679
Stock in trade	216	151	52	20,772	11,628	14,089
Trade debts	2	3	0	3,073	4,615	6,734
Loans, advances, deposit, prepayments and other receivables including advance income tax	708	66	298	6,519	7,082	9,599
Others	-	-	-	4,569	4,693	2,368
Short term investments	2,440	2,951	3	22,700	29,163	14,050
Cash and bank balances	1,250	731	36	7,042	12,372	5,120
Sub Total	5,690	4,579	1,065	72,481	77,829	59,639
Total Assets Employed	30,355	31,530	34,109	222,078	230,944	208,464

Percentage

2010	2011	2012	2013	2014	2015
4%	15%	14%	2%	2%	2%
69%	64%	61%	9%	10%	14%
0%	0%	0%	0%	0%	0%
0%	0%	0%	0%	24%	28%
74%	80%	75%	28%	32%	45%
19%	18%	23%	41%	29%	24%
92%	98%	98%	69%	61%	68%
2%	0%	1%	8%	8%	11%
0%	0%	0%	3%	5%	3%
2%	2%	1%	19%	24%	17%
1%	0%	0%	1%	1%	1%
2%	0%	0%	0%	0%	0%
-	-	-	-	6%	-73%
8%	2%	2%	31%	39%	32%
100%	100%	100%	100%	100%	100%

Percentage

2010	2011	2012	2013	2014	2015
7%	7%	7%	63%	62%	64%
74%	78%	90%	3%	4%	5%
0%	0%	0%	0%	1%	2%
0%	0%	0%	0%	-27%	-7%
81%	85%	97%	67%	66%	71%
4%	2%	2%	4%	4%	4%
1%	0%	0%	9%	5%	7%
0%	0%	0%	1%	2%	3%
2%	0%	1%	3%	3%	5%
0%	0%	0%	0%	3%	-50%
8%	9%	0%	10%	13%	7%
4%	2%	0%	3%	5%	2%
19%	15%	3%	33%	34%	29%
100%	100%	100%	100%	100%	100%

HORIZONTAL ANALYSIS

PROFIT AND LOSS

---------------------------- Rs in million ----------------------------

Particulars	2010	2011	2012 Restated	2013 Restated	2014 Restated*	2015 Restated*
Net sales	8,716	6,310	4,602	4,840	179,628	184,592
Cost of sales	5,214	4,044	3,816	4,051	143,138	133,305
Gross profit	3,501	2,266	786	789	36,490	51,287
Selling and distribution expenses	268	67	76	96	10,932	10,766
Administrative expenses	432	418	443	641	4,577	5,210
Impairment loss	2	587	-	-	43	3,454
Other operating expenses	116	82	9	39	2,509	3,236
Other income	462	351	488	280	3,805	8,075
Operating (loss) / profit	3,145	1,462	746	294	22,234	36,696
Finance cost	910	811	915	850	13,234	8,919
Share of profit of associates & Joint venture	1,956	2,981	1,275	4,449	1,868	2,608
Profit before taxation	4,191	3,632	1,107	3,893	10,868	30,385
Taxation	943	739	123	442	3,413	9,021
Profit after taxation	3,248	2,893	984	3,452	7,455	21,364

VERTICAL ANALYSIS

PROFIT AND LOSS

---------------------------- Rs in million ----------------------------

Particulars	2010	2011	2012 Restated	2013 Restated	2014 Restated*	2015 Restated*
Net sales	8,716	6,310	4,602	4,840	179,628	184,592
Cost of sales	5,214	4,044	3,816	4,051	143,138	133,305
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Taxation	943	739	123	442	3,413	9,021
Profit after taxation	3,248	2,893	984	3,452	7,455	21,364

*Due to change in accounting policy for recognizing Engro Corp as subsidiary, only 2014 and 2015 figures have been restated.

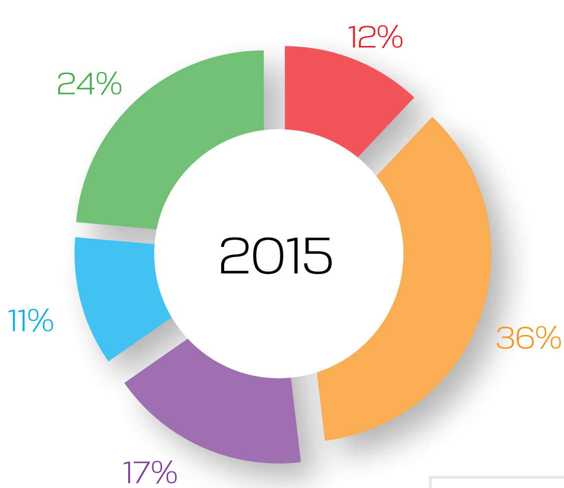
------ Percentage change ------					
10 Over 09	11 Over 10	12 Over 11	13 Over 12	14 Over 13	15 over 14
-21%	-28%	-27%	5%	3611%	3%
-26%	-22%	-6%	6%	3434%	-7%
-12%	-35%	-65%	0%	4523%	41%
-32%	-75%	13%	26%	11341%	-2%
32%	-3%	6%	45%	614%	14%
-100%	24449%	-100%	0%	0%	0%
-27%	-29%	-89%	319%	6341%	29%
206%	-24%	39%	-43%	1259%	112%
-662%	-54%	-49%	-61%	7458%	65%
-8%	-11%	13%	-7%	1457%	-33%
47%	52%	-57%	249%	-58%	40%
-2063%	-13%	-70%	252%	179%	180%
2%	-22%	-83%	260%	673%	164%
-385%	-11%	-66%	251%	116%	187%

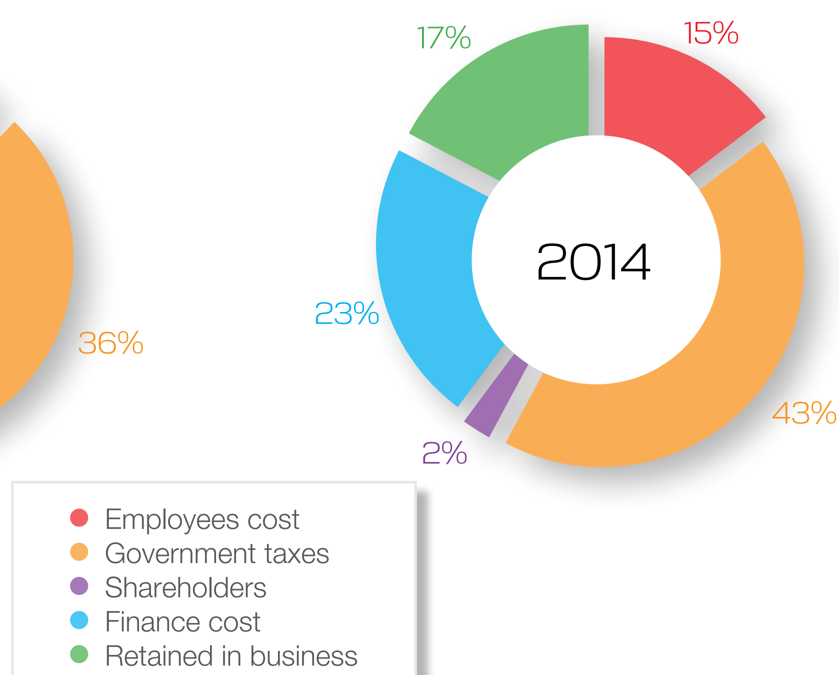
------ Percentage ------					
2010	2011	2012	2013	2014	2015
100%	100%	100%	100%	100%	100%
60%	64%	83%	84%	80%	72%
40%	36%	17%	16%	20%	28%
3%	1%	2%	2%	6%	6%
5%	7%	10%	13%	3%	3%
0%	9%	0%	0%	0%	2%
1%	1%	0%	1%	1%	2%
5%	6%	11%	6%	2%	4%
36%	24%	16%	6%	12%	20%
10%	13%	20%	18%	7%	5%
22%	47%	28%	92%	1%	1%
48%	58%	24%	80%	6%	16%
11%	12%	3%	9%	2%	5%
37%	46%	21%	71%	4%	12%

*Due to change in accounting policy for recognizing Engro Corp as subsidiary, only 2014 and 2015 figures have been restated.

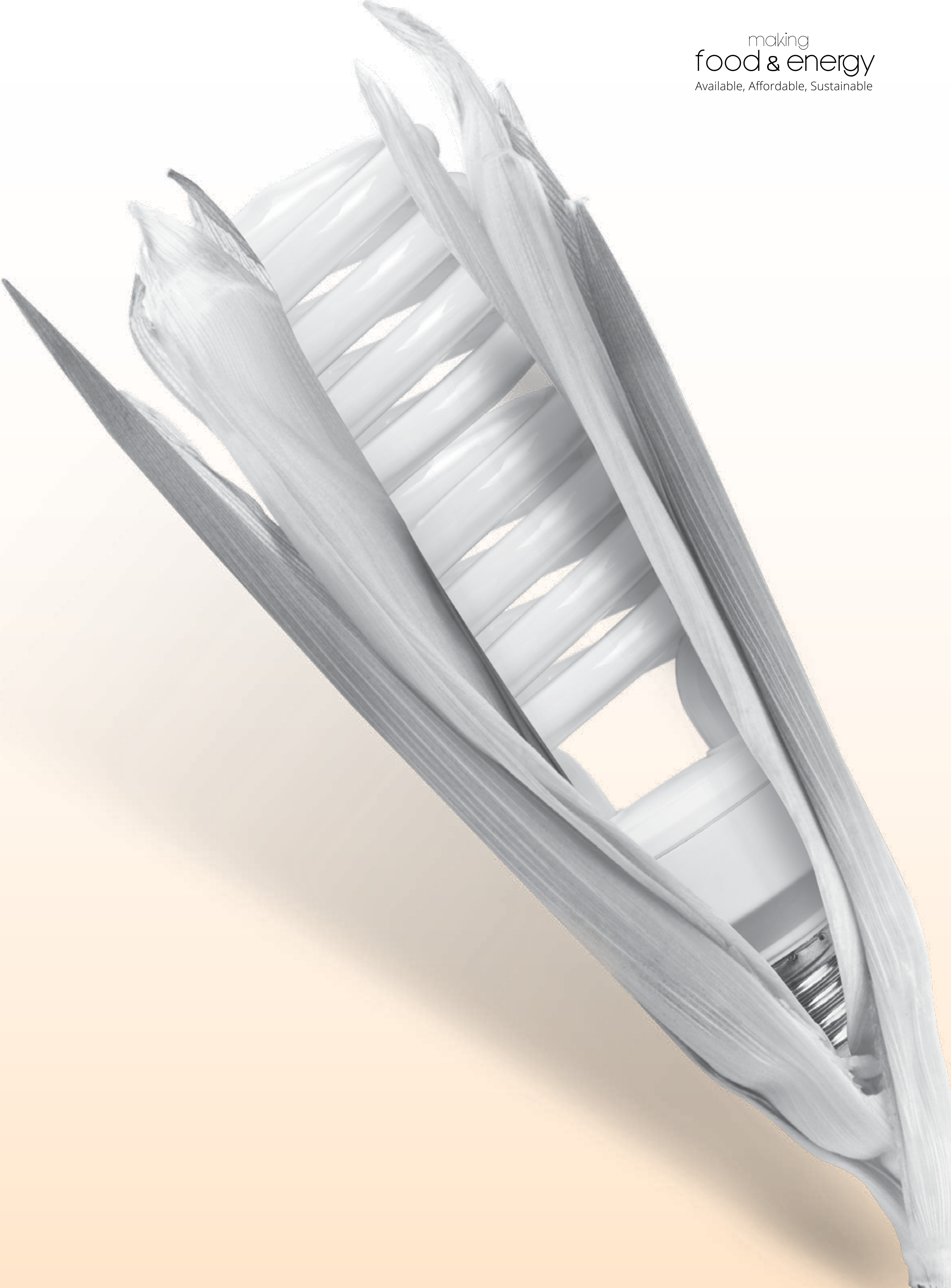
STATEMENT OF VALUE ADDITION

	2015 Rs in '000	%	2014 Rs in '000	%
Wealth generated				
Total gross revenue and other income	203,438,092		199,227,683	
Bought-in materials and services	(128,949,953)		(143,491,582)	
Total value addition	74,488,139		55,736,101	
Wealth distribution				
To employees (salaries, wages & benefits)	8,972,721	12%	8,170,483	15%
To government (income tax, sales tax & WWF)	26,880,667	36%	24,063,300	43%
To providers of capital:				
Dividend to Shareholders	12,791,318	17%	1,307,821	2%
Mark-up/interest expense on borrowed money	8,263,790	11%	12,534,001	22%
Retained for reinvestment and future growth, depreciation and retained profits	17,579,643	24%	9,660,496	17%
Total value distribution	74,488,139		55,736,101	





making
food & energy
Available, Affordable, Sustainable



problem worth solving

Pakistan is facing a shortfall of 2 billion cubic feet of natural gas per day

our current input

The recently constructed Elengy terminal has the capacity to handle 600 million cubic feet of LNG per day

NOTICE OF 48th ANNUAL GENERAL MEETING

Notice is hereby given to all the shareholders of Dawood Hercules Corporation Limited (the "Company") that the 48th Annual General Meeting of the Company will be held on 23rd April, 2016 at 1100 hours at Movenpick Hotel, Club Road, Karachi to transact the following business.

ORDINARY BUSINESS:

1. To confirm the Minutes of the Extra Ordinary General Meeting held on Monday, 8th June, 2015.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st December, 2015 together with the Auditor's and Directors' Reports thereon.

3. To approve as recommended by the Directors, payment of final cash dividend of Rs. 4 per share i.e. (40%) for the year ended 31st December 2015 in addition to Rs. 12 per share i.e. (120%) interim cash dividend already paid.

4. To appoint Auditors for the year ending 31st December, 2016 and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if deemed fit, pass the following resolution as 'Special Resolution' with or without modification for alterations in the Articles of Association of the Company:

   "RESOLVED that pursuant to Section 28 and other applicable provisions, if any, of the Companies Ordinance, 1984 and any other law, Articles 66 and Article 74 be amended and a additional new Article 74(A) be added in Articles of Association of the Company, be and are hereby read as under:

   66. The Company Secretary will be the Secretary of the General Meeting and shall cause minutes to be made of all resolutions and proceedings of the meeting. The Secretary shall cause the minutes to be entered into a minute book provided for that purpose. The minutes shall be read to the members attending the next General Meetings, whether Ordinary or Extraordinary, and shall be signed in their presence by the Chairman of the meeting or any other Director of the Board present at the meeting, after which such minutes shall be receivable as evidence of the facts and resolutions therein contained without further proof being required.

   74. A person can be appointed as proxy and shall be qualified to vote even if he / she is not a member. Moreover, a corporation or a company being a member of the Company may by a resolution of the Directors authorise any of its official or any other person to act as its representative at any meeting of the Company. Subject to the provision of these Articles an agent duly authorised under a power of attorney shall be entitled to be present and vote on behalf of its appointer notwithstanding that such agent may not be member of the Company.

   74(A). The provisions and requirements for e-voting as prescribed by the Securities and Exchange Commission of Pakistan (SECP) from time to time shall be deemed to be incorporated in these Articles, irrespective of the other provision of these Articles of Association and notwithstanding anything contradictory therein.

FURTHER RESOLVED that the Company Secretary be and is hereby authorized to do all acts, deed and things, take all steps and action necessary, ancillary and incidental for altering the Articles of Association of the Company including filling of all requisite documents/ statutory forms as may be required to filed with the Registrar of Companies and complying with all other regulatory requirements so as to effectuate the alterations in the Articles of Association and implementing the aforesaid resolution."

A Statements under section 160(1)(b) of the Companies Ordinance, 1984, setting forth all material facts pertaining to the Special Business to be transacted at the said Annual General Meeting is attached.

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

By Order of the Board

Karachi
February 23, 2016

Shafiq Ahmed
Company Secretary

Notes:

1. Closure of Share Transfer Books:

The Share Transfer Books of the Company will remain closed from 15th April 2016 to 23rd April 2016 (both days inclusive). Transfers received in order at the office of the Company's Registrars, Messrs. FAMCO Associates (Pvt) Limited, 8-F, Next to Hotel Faran Nursery, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi by close of business (5:00 p.m.) on 14th April 2016, will be in time to entitle the transferees to attend and vote at the Annual General Meeting .

2. Participation in the Annual General Meeting:

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

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

3. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her original valid Computerized National Identity Card (CNIC) or the original Passport at the time of attending the meeting.
b. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies

a. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per above requirements.
b. Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
c. The proxy shall produce original valid CNIC or original passport at the time of the meeting.
d. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
e. Proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the form.

4. New Tax Implications on dividends:

Increased Tax Rates on Filers / Non-Filers:

Through the Finance Act, 2015, enhanced rate of withholding tax on dividend amount has been prescribed in the Income Tax Ordinance, 2001 (Ordinance). New tax rates are as under;

a. For Filers of Income Tax return : 12.5%
b. For Non-Filers of Income Tax return : 17.5%

A 'filer' is a taxpayer, whose name appears in the Active Taxpayers List (ATL) issued by FBR from time to time, whereas 'non-filer' is a person other than a 'filer'. FBR has uploaded an ATL on its website, which can be accessed at http: // fbr.gov.pk

The Company / Share Registrar will check each shareholder's status on the latest ATL available at the first day of Book Closure and, if the shareholder's name does not appear on the ATL, the increased rate of withholding tax at 17.5% would be applied. In case of 'filer' withholding rate of 12.5% will be applicable.

The corporate shareholders having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate physical shareholders should send copy of their NTN certificate to our Share Registrar, mentioning their Folio no. and Company name.

Taxation for Joint Shareholders:

The FBR has clarified that where the shares are held in joint accounts / names, each account / joint holder will be treated individually as either a filer or a non-filer and tax will be deducted according to his/her shareholding. The shareholders who are having joint shareholding status are requested to kindly intimate their joint shareholding proportions to the Share Registrar of the Company i.e. M/s FAMCO Associates (Pvt.) Ltd. as per the following format:

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

If the shareholding proportion is not advised or determined, each joint shareholder will be assumed to hold equal proportion of shares and deduction of withholding tax will be made accordingly.

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

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

5. Notice to members who have not provided their CNIC:

As instructed by the Securities & Exchange Commission of Pakistan (SECP) vide their letter No. EMD/D-II/ Misc./2009-1342 dated April 4, 2013 dividend warrants cannot be issued without insertion of CNIC Numbers; therefore, all shareholders holding physical shares and have not as yet despite various letters and notices, submitted photocopy of their valid Computerized National Identity Card are once again requested to send a photocopy of their valid CNIC along with the folio numbers to the Company's Share Registrar. In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with the said SROs of SECP and therefore will be constrained under Section 251 (2) (a) of the Companies Ordinance, 1984 to withhold dividend warrants of such Shareholders.

6. Payment of dividend electronically (e-mandate):

In order to enable a more efficient method of cash dividend, SECP through its Circular No. 8(4) SM/CDC 2008 of April 5, 2013, the SECP has announced an e-dividend mechanism where shareholders can get their dividend credited directly into their respective bank accounts electronically by authorizing the Company to electronically credit their dividend to their accounts. Accordingly, all non CDC shareholders are requested to send their bank account details to the Company's Registrar. Shareholders who hold shares with CDC or Participants/ Stock Brokers, are advised to provide the mandate to CDC or their Participants/ Stock Brokers.

7. Audited Financial Statements Through e-mail:

SECP through its Notification SRO 787 (I)/2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to the members of the Company through e-mail. Shareholders of the Company are requested to give their consent on prescribed format to our Share Registrar to update their record if they wish to receive Annual Audited Financials Statement and Notice of General Meeting through email. However, if shareholders, in addition, request for hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven days of receipt of such request.

8. Consent for Video Conference Facility

Members can also avail video conference facility at Lahore and Islamabad. In this regard, please fill the following form and submit to registered address of the Company 10 days before holding of the Annual General Meeting.

If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the Annual General Meeting along with complete information necessary to enable them to access such facility.

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

____

Signature of members

9. Change of Address and Non-Deduction of Zakat Declaration Form:

Physical shareholders are requested to notify any change in their addresses immediately and if applicable provide their non-deduction of Zakat Declaration Form to the Company's Shares Registrar, Messrs Famco Associates (Private) Limited. Furthermore, if not provided earlier, members holding shares in CDC/Participants accounts are also requested to update their addresses and if applicable, to provide their non-deduction of Zakat Declaration Form to CDC or their Participants/Stock Borkers.

Statement under Section 160 (1) (b) of the Companies Ordinance, 1984

Agenda Item 5: To consider and, if deemed fit, pass the following resolution as 'Special Resolution' with or without modification for alterations in the Articles of Association of the Company:

Proposed Amendments in Articles of Association:

The Board of Directors has recommended alteration of Articles of Association of the Company pursuant to Section 28 and other applicable provisions if any of the Companies Ordinance, 1984 and any other law, the Articles 66 and Article 74 be amended and a additional new Article 74(A) be added in Articles of Association of the Company detailed as under.

Clause	Existing	Revised	Remarks
66.	The Chairman of the meeting may designate any Director to be the Secretary of the General Meeting, whether Ordinary or Extraordinary and the Secretary shall cause minutes to be made of all resolutions and proceedings of the meeting. The Secretary shall cause the minutes to be entered into a minute book provided for that purpose. The minutes shall be read to the members attending the next General Meetings, whether Ordinary or Extraordinary, and shall be signed in their presence by the Chairman of the meeting or any other Director of the Board present at the meeting and countersigned by the Secretary of the meeting, after which such minutes shall be receivable as evidence of the facts and resolutions therein contained without further proof being required.	66. The Company Secretary will be the Secretary of the General Meeting, shall cause minutes to be made of all resolutions and proceedings of the meeting. The Secretary shall cause the minutes to be entered into a minute book provided for that purpose. The minutes shall be read to the members attending the next General Meetings, whether Ordinary or Extraordinary, and shall be signed in their presence by the Chairman of the meeting or any other Director of the Board present at the meeting, after which such minutes shall be receivable as evidence of the facts and resolutions therein contained without further proof being required.	Amended
74	No person shall be appointed as a proxy or as an agent authorized under a power of attorney who is not himself a Member of the Company and qualified to vote, save that a corporation, being a Member of the Company, may appoint as a representative any person, whether a Member of the Company or not	A person can be appointed as proxy and shall be qualified to vote even if he / she is not a member. Moreover, a corporation or a company being a member of the Company may by a resolution of the Directors authorise any of its official or any other person to act as its representative at any meeting of the Company. Subject	Amended

		to the provision of these Articles an agent duly authorised under a power of attorney shall be entitled to be present and vote on behalf of its appointer notwithstanding that such agent may not be member of the Company	
	Not applicable	74(A). The provisions and requirements for e-voting as prescribed by the Securities and Exchange Commission of Pakistan (SECP) from time to time shall be deemed to be incorporated in these Articles, irrespective of the other provision of these Articles of Association and notwithstanding anything contradictory therein.	New Clause

problem worth solving

50% people do not get enough to eat due to unavailability and high price of food crops such as wheat and rice

our current input

Our fertilizers increase crop yield by almost 50%, hence increasing availability and affordability of food crops such as wheat and rice

DIRECTORS' REPORT

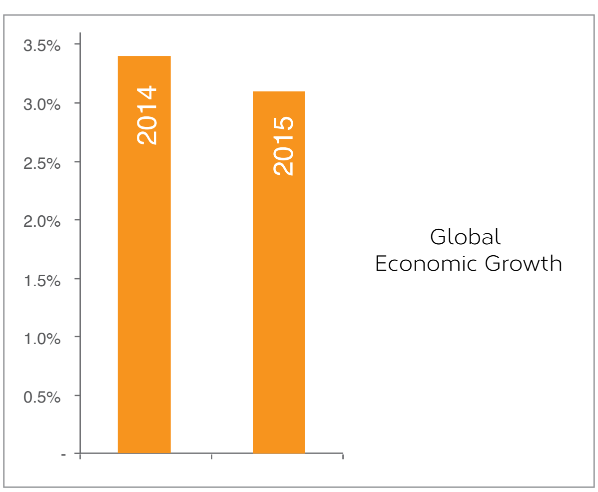
The Directors of Dawood Hercules Corporation Limited (the Company) are pleased to present the Annual Report and the Audited Financial Statements for the year ended 31 December 2015.

A. BUSINESS REPORT

I. Economic scenario

Global Economy:

The global economic growth for 2015 stood at 3.1% compared to a growth of 3.4% achieved in 2014. Growth in emerging and developing economies declined which account for over 70% of global growth. Commodity cycle downturn particularly lower prices of oil and slowdown in Chinese economy with its spillover effect on other economies played a major role in the global slowdown. Strained growth outlook of these economies resulted in comparatively lesser or negative foreign flows straining their currencies against the US Dollar where the US economy finally shifted to monetary policy tightening backed by a resilient economic recovery while some other major advanced economies continued to ease monetary policy. Concerns to global recovery stem from continued slump in oil prices weighing on fiscal strength of middle eastern economies, continued slowdown in China and slower than expected recovery in advanced economies.



Local Economy:

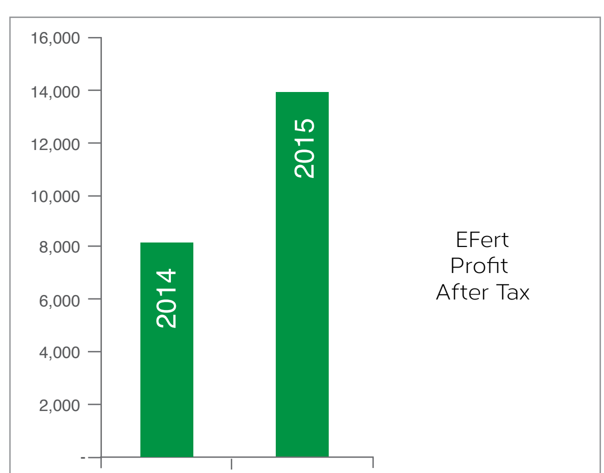
Pakistan economy managed to achieve 4.2% growth in the fiscal year 2015, highest since 2007-08. Despite ambitious targets in the current year, medium-term average growth target 5-6% seems achievable, as the country is likely to witness huge investments in projects related to energy sector and infrastructure development under the US$46 billion worth China Pakistan Economic Corridor (CPEC). The IMF program continued to proceed successfully resulting in greater confidence of the global community in the country's economy. Major success during the fiscal year include; inflation contained at lowest level since 2003 prompting the central bank to drop the interest rates to multi-

year lows, improvement in tax collection, reduction in fiscal deficit, workers' remittances touching new highs, successful issuance of Sukuk in international market and significant increase in foreign exchange reserves crossing US$20 billion mark. The future prospects remain bright, credit to private sector is likely to pick up pace which so far has increased by 9% yoy in 2015. Plunge in international oil prices has resulted in over 40% reduction in Pakistan's oil import bill which is somewhat diluted by slower export growth and higher machinery and other imports.

II. Business Overview

Fertilizers:

Engro Fertilizers Limited (EFert) continued to receive gas supply to both the plants for the second year in a row, which enabled it to deliver a strong operational and financial performance in 2015. EFert posted a profit after tax of PKR 15,027 million in 2015 representing an increase of 83% over PKR



8,208 million in 2014. Apart from the gas supply, the performance of EFert was largely due to applicability of concessionary gas pricing for Enven from March 16, 2015.

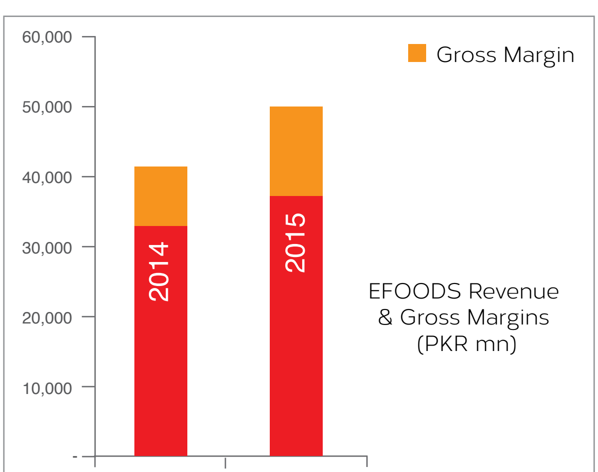
During the year, EFL completed the acquisition of 100% shareholding in Engro EXIMP (Private) Limited and accordingly it became a wholly owned subsidiary of EFert.

After the enactment of the GIDC Act 2015, EFert has obtained stay orders against the retrospective applicability of GIDC. However, on the request of the Government, and without compromising its legal stance, EFL has paid the complete accrued amount of PKR 15.2 billion against non-concessionary gas supplied. Currently, EFL is paying GIDC on all non-concessionary gas. GIDC was also imposed on the concessionary gas supplied to EFert, however the same was stayed by the Court upon application by EFert. Accordingly, EFert has not made any provision of GIDC on concessionary gas.

During the year, the Company had disposed off its wholly owned subsidiary company – DH Fertilizers Limited to Pakarab Fertilizers Limited at an Enterprise Value of PKR 6.72 billion. The decision to dispose off the fertilizer business under DHFL was taken due to the non-availability of gas to the Punjab based fertilizer companies operating on SNGPL network.

Foods

During the year, Engro Foods Limited (EFoods) had focused on strengthening its core competencies i.e



product quality, communication differentiation and distribution expansion. These efforts gave fruits and accordingly it reported topline of PKR 50.5 billion as against PKR 43 billion for the similar period last year posting a growth of 17.3%. This was achieved through brand development based on relevant consumer insight and an efficient product mix, which remained key element of the said growth. EFL posted a gross margin of 24.2% as against 18.8% for the similar period last year mainly due to declining commodity and fuel price. EFL's profit had grown to PKR 3,162 million as against PKR 889 million in 2014, a robust growth of 255%.

Energy and Energy infrastructure:

Engro Powergen (Private) Limited (EPL), apart from having investment in 217 MW combined cycle power plant under Engro Powergen Qadirpur Limited (EPQL) has also ventured into Thar Coal Mining Project with the Government of Sindh as the majority shareholder by forming the Sindh Engro Coal Mining Company (SECMC). The Thar coalfield has estimated lignite reserves of 175 billion tonnes. Also, Engro Powergen Thar (Private) Limited (EPTL) was incorporated to set up 2 x 330 MW power plant based on Thar coal. EPL is also a 45% equity partner in GEL Utility Limited (GEL) Nigeria, which is a 72MW plant.

During 2015, Engro Powergen Qadirpur Limited (EPQL) generated revenues of PKR 13,354 million compared to PKR 12,041 million last year. This increase in revenue was mainly contributed by the retrospective billing of Gas Infrastructure Development Cess for 2013 and 2014. Gross profit for the year was PKR 2,465 million against PKR 2,702 million last year. Higher planned outages and lower demand contributed to the decline in gross profit.

Engro Elengy terminal (Private) Limited (EETL) has handled 17 cargos, equivalent to 1,030,557 MT of LNG during the year. It added 51 billion BTUs of energy into the SSGC network.

Engro Vopak completed 18 years of service and continued it stable financial operations with revenues of PKR 2,599 million against PKR 2,168 million last year. This resulted in a profit after tax of PKR 1,611 million against a profit after tax of PKR 1,419 million last year.

HUBCO had filed an application with NEPRA for a generation license for a new 660x2 MW power plant. Application for the acceptance of the upfront tariff by NEPRA has also been filed. HUBCO has also committed to invest US$ 30 million in Sindh Engro Coal Mining Company Limited (SECMC) along with other strategic partners Engro, Thal and HBL. The number of shares to be acquired will be subject to the rate of conversion prevailing on the date of payment of each tranche of the subscription amounts.

On the alternate energy platform, the affiliate company's 49.5 MW wind energy project under Tenaga Generasi Limited is progressing well and it is expected that the commercial operation date will be achieved by September 2016. The Group is also venturing on providing solar solutions to the industrial and commercial consumers through its associated company Reon Energy Limited.

Polymer and Chemicals

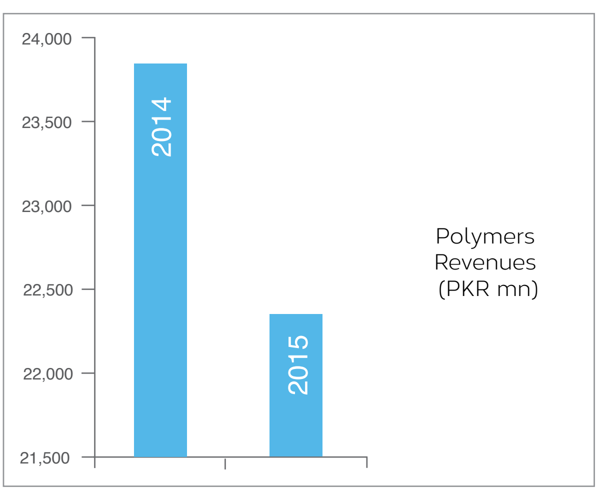
Engro Polymers and Chemicals Limited (EPCL) net revenues for the year decreased from PKR 23.8 billion in 2014 to PKR 22.3 billion in 2015 mainly due to the availability of cheap product in the market. During the year, Engro Corporation planned to dispose of 56.19% shareholding in EPCL for which Engro had received a public announcement from ATS Synthetic (Private) Limited (ATS). The acquisition by ATS will be subject to successful completion of due diligence.

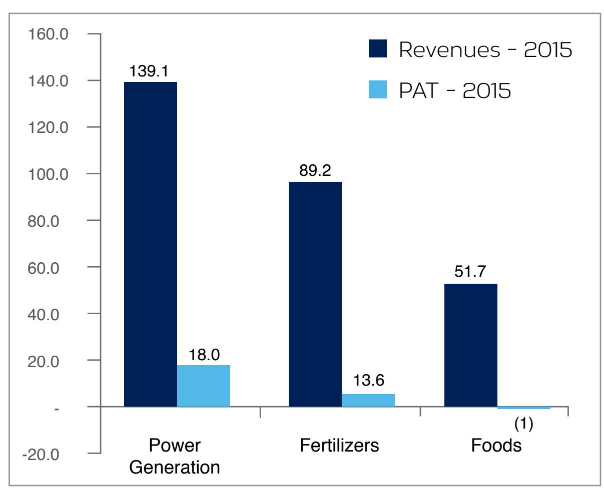
IFRS required that when there is a control in the investee company (ies) as per the 'Control' criteria specified in the IFRS, the investor is required to consolidate the financial statements of the investee company. Keeping in view the said guidelines, Engro Corporation Limited is deemed as a subsidiary company and is consolidated in the financial statements of the Company. The comparative information was also restated.

The consolidated topline of the Group was PKR 184.59 billion as compared to PKR179.63 billion from the similar period last year. The consolidated gross profit of the Group for 2015 at PKR 51.29 billion was higher than 2014 by PKR 14.80 billion mainly due to healthy results from subsidiaries EFert and EFood. The share of profit from associated companies and joint ventures at PKR 2.61

billion PKR 741 million was higher over 2014. After accounting for tax charge of PKR 9.02 billion million, the profit after tax of PKR 21.36 billion was higher by PKR 14.180 billion over 2014.

On standalone basis, revenue of the Company was PKR 21,931 million as against 1,652 million for the similar period last year mainly on account of dividend from subsidiary company. After accounting for all the expenditures the net profit after tax was PKR 20,247 million as against PKR 860.11 million for 2014.





B. FINANCIAL REPORT

I. Financial performance

During the year, the Company has adopted International Financial Reporting Standard (IFRS) -10, Consolidated Financial Statements. The

II. Change in accounting policy

During the year, the Company has changed its accounting policy with respect to the recognition and measurement of investment in associates which meet the criteria of "Control" as stated in International Financial Reporting Standard

(IFRS)-10, Consolidated Financial Statements. Accordingly, upon fulfilling the said control criteria, Engro Corporation Limited has been classified as a "subsidiary company" and full consolidated financial statements have been made from the date control is determined to have been attained by the Company. Further, the Company is required to annually assess the existence of control under the said IFRS. The change in accounting policy has been applied retrospectively in the preparation of consolidated financial statements.

III. Earnings per share

The unconsolidated earnings per share for the year 2015 was PKR 42.07 per share as compared to PKR 1.79 per share for the year 2014. Consolidated earnings per share for the year were PKR 19.17 (2014: PKR 4.70) per share.

IV. Auditors

The present auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and offer themselves for reappointment. The Audit Committee has recommended the re-appointment of A.F. Ferguson & Co., Chartered

Accountants as auditors of the Company for the year ending 31 December 2016 and the Board has endorsed this recommendation.

V. Shares traded, average prices and KSE/ Meezan Index (KMI-30)

The Company's stocks is among the actively trades shares on the stock exchange of the country. During the year 65.86 million shares of the Company were traded on the Pakistan Stock Exchange (formerly Karachi Stock Exchange). The average price of the Company's share based on the daily closing rate was PKR 114.48 while the 52 week low-high during 2015 was PKR 85.15 – PKR 133.06 per share respectively.

The Pakistan Stock Exchange (formerly Karachi Stock Exchange) has informed that KSE and Al Meezan investment Management Limited upon screening of stocks to be included in the KMI 30 index using principals prescribed by Shariah Supervisory Board of Meezan Bank Limited classified Dawood Hercules Corporation Limited as one of the top 30 most Liquid Shariah compliant stocks at KSE and has therefore been included in the re-composed KMI-30 Index effective 8th June 2015.

VI. Pattern of shareholding

The pattern of shareholding of the Company as at 31 December 2015, together with other necessary information, is available at the end of this report along with the proxy form.

VII. Market capitalization and book value

At the close of the year, the market capitalization of the Company was PKR 57,341 million (2014: PKR 40,674 million) with a market value of PKR 119.14 per share (2014: PKR 84.51) and the breakup value of PKR 70.32 per share (2014: PKR 41.25 per share).

VIII. Appropriation

The Board is pleased to propose a final cash dividend of PKR 4 per share (40%) for approval by the shareholders in the 48th Annual General Meeting. The total dividend attributable to the year is PKR 16 per share (160%) including the interim dividend of PKR 12 per share (120%) during the year.

IX. Entity rating

During the year, PACRA has upgraded the long term credit rating from A+ to AA-. The short term rating was also upgraded from A1 to A1+ with a stable outlook.

X. Contribution to the national exchequer and economy

During the year, in aggregate, a sum of PKR 416.01 million (2014: PKR 1,041 million) was paid as taxes and levies. Furthermore, the contribution to the national exchequer as a withholding tax

agent under different provisions of the Income Tax Ordinance 2001 amounted to PKR 894.79 million (2014: PKR 172 million).

XI. Provident and gratuity funds

The funded retirement benefits of the employees of the Company are audited once a year and are adequately covered by appropriate investments. The value of the investments of the provident fund as per the unaudited accounts aggregated to PKR 58.24 million (2014: PKR 39.11 million)

Fair value of the assets of the funded defined benefit gratuity plan was PKR 20.41 million as at 31 December 2015 (2014: PKR 13.95 million).

XII. Board of directors

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

Independent Directors	5
Non-Executive Directors	4
Executive Directors	1

XIII. Board meetings

Six meetings of the Board were held during the year 2015, which were all presided over by the Chairman. The Company Secretary and Chief Financial Officer also attended the meetings as required by the Code of Corporate Governance. Attendance by each Director was as follows:

Name of the Director	Meetings attended		
	Board Meetings	Board Audit Committee	Board Compensation Committee
Mr. Hussain Dawood	6/6	-	3/3
Mr. Samad Dawood	6/6	-	
Mr. Javed Akbar*	2/3	2/2	
Mr. Muhammad Abdul Aleem	6/6	4/4	3/3
Mr. Shahzada Dawood	4/6	-	-
Ms. Sabrina Dawood	3/6	-	-
Mr. Parvez Ghias	4/6	3/4	3/3
Mr. Hasan Reza ur Rahim	5/6	0/1	-
Mr. Saad Raja	4/6	-	-
Mr. Asif Saad**	3/3	-	-
Mr. Frank Murray Jones***	0/2	-	-
Mr. Shabbir Hussain Hashmi****	2/2	-	-

*Resigned on 22 June 2015
** Resigned on 22 June 2015
*** Filled casual vacancy in place of Mr. Asif Saad on 18 September 2015
**** Filled casual vacancy in place of Mr. Javed Akbar on 18 September 2015

XIV. Statement of Directors responsibility

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

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

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

c. Appropriate accounting policies have been consistently applied in preparation of the financial statements except for a change in accounting policy with respect to the recognition and measurement of subsidiary in accordance with International Financial Reporting Standard 10- Consolidated Financial Statements and changes resulting on initial application of standards, amendments or interpretations to existing standards. Accounting estimates are based on reasonable prudent judgment.

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

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

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

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

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

XV. Directors training program

During the year one more director have completed the Corporate Governance Leadership Skills Program - Director Education Program as required by Securities & Exchange Commission of Pakistan.

XVI. Related party transactions

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

XVII. Future outlook

Fertilizers

The demand for Urea is expected to grow in the global market but it will be lower then the expected supply coming on stream through North America, China, Nigeria and Azerbaijan. International Urea prices have shadowed the commodity markets with a 16% y-o-y decline and the prices are expected to remain depressed over the coming year.

Furthermore, the pressure on international DAP prices is expected to continue in 2016 due to weak import demand from major demand centers and positive supply fundamentals.

Food

The improvement in overall market forces and the momentum developed by Engro Foods is expected to continue in 2016. The company will focus on maximizing value within the existing segments and those will be complemented by an effort to explore new avenues of growth within the food industry.

Energy and energy infrastructure

The company is committed to seeking new opportunities in the energy sector to alleviate the energy shortage within the country and also developing strategic partnerships with international players for more global projects.

Our pipeline of projects over the medium term will not only be significant for the group but also for the country. We are partnering with CMEC and the government of Sindh on a US$ 950 million SECMC project for extracting coal from the Thar coal mine, along with Engro Powergen Thar Limited which is a US$ 1.1 billion mine to mouth 330 x 2 MW power plant. Hubco is also poised to develop a 660 x 2 MW coal based power plant as part of CPEC with a project cost of US$ 2.4 billion and Tenaga is developing a 49.5 MW wind project for US$ 115 million. Our combined investment plan is US$ 4.6 billion over the next few years and upon achieving of commercial operations, these projects will significantly reduce the power deficit in the country.

C. Acknowledgement

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

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

On behalf of the Board

Hussain Dawood
Chairman

Samad Dawood
Chief Executive

AWARDS

EVTL won 3 awards from Vopac:

- Best NPS 3rd parties
- Highest response rate NPS
- Highest EBITDA margin

Olpers' Ramadan campaign 2014 won the Pakistan Advertisers Society (PAS) award in the Breakfast, Food and Dairy category.

Dawood Hercules

HUBCO: KSE Top 25 Companies 2011 (received in 2015)

KSE Top 25 Companies Award, 2010 - Dawood Hercules Corporation (received in 2015)

Engro Corp won the ACCA WWF-PERA Award for becoming the first organization in Pakistan to adopt the integrated reporting framework for financial and sustainability reporting in their Annual Report 2013.

HUBCO: ICAP's best corporate report award 2012 (received in 2014)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

Category	Names
Independent Directors	M. Abdul Aleem Pervez Ghias Shabbir Hussain Hashmi Frank Murray Jones Saad Raja
Executive Directors	Abdul Samad Dawood
Non-Executive Directors	Hussain Dawood Shahzada Dawood Sabrina Dawood Hasan Reza Ur Rahim

The independent Directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. Three casual vacancies occurring on the Board during the year were filled up by the Board within 90 days.
5. The Company has prepared a “Code of Conduct”, and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
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 Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board

meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the year one Director has attended the director's training program.

10. The Board has approved the appointment of Chief Financial Officer (CFO) and Company Secretary, including their remuneration and terms and conditions of employment, while those relating to Head of Internal Audit have been approved and ratified subsequent to December 31, 2015.

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

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 those disclosed in the pattern of shareholding.

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

15. The Board has formed an Audit Committee (the Committee). It comprises of three members, of whom two are independent directors and one is a non executive director. The Chairman of the Committee is an independent director.

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

17. The Board has formed a Human Resource and Remuneration Committee called as Board Compensation Committee. It comprises of three members, of whom two are independent directors and one is a non executive director. The Chairman of the Committee is a non executive director.

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

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 Stock Exchanges.

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

Karachi
February 23, 2016

Samad Dawood
Chief Executive

THE DAWOOD FOUNDATION

The Dawood Foundation (TDF) was the "materialization of a decade old dream" of the founder, Ahmed Dawood which became a reality in 1960. TDF was conceived as an educational foundation whose main focus was to support and promote educational initiatives in the fields of Science, Technology and Research. The Foundation is the charitable entity of the Dawood Hercules Group, currently led by Hussain Dawood. Over the years it has been heavily concerned with the construction of schools and colleges, but is now moving to undertake projects that are more content and technology based in its knowledge dissemination.

The Foundation has a powerful legacy in making contributions in education since its inception. Some of the more substantial donations have been for the establishment of colleges, (such as Dawood College of Engineering, Karachi School of Business and Leadership and Mariam Dawood School of Visual Arts), schools (Dawood Public Schools in Karachi, Jessore, and Muzaffarabad, Ahmed Dawood Government High School, Darsano), and scholarships (Ahmed Dawood Scholarship at LUMS).

Recently, TDF launched the TDF Nature Series, a set of documentaries aimed to raise public awareness about Pakistan's degrading natural habitat and the urgent steps needed to sustain it for generations to come.

Summer Camp for children of DPS supporting staff

TDF donates hydration and medical supplies to Pakistan Rangers Camps

TDF Nature Series school screening

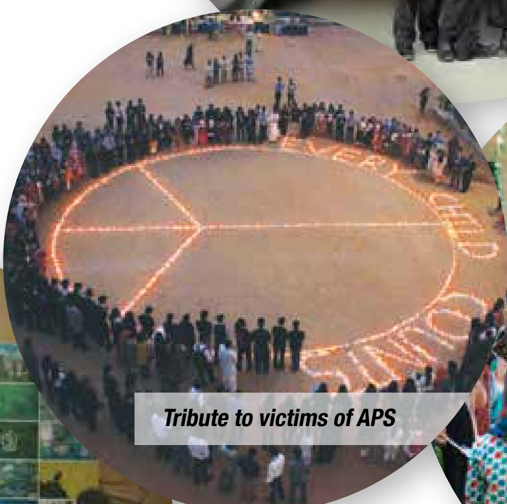
DPS Annual Sports Day

Warm clothes given in Chitral

DPS Model United Nations

TDF Nature Series float

TDF, DPS and Engro Corp welcome renowned aviator, Tracy Curtis Tylor, to Pakistan



Tribute to victims of APS

TDF, WFP & ADB Site Inspection, Thar

A massive BTL activity was also launched across Pakistan that screened TDF Nature Series in over 130 cities and towns, through floats. The interactive activity directly targeted over 2 million people, whereas estimated 22.7 million people watched these educational documentaries. A large number of public and private educational institutes have screened the TDF Nature Series at their premises. Both documentaries made visibility on social media as well with over 63,000 views and over 16,000 shares by influential bloggers.

In conjunction to education, TDF has donated to various hospitals and medical projects. Its biggest contribution in this regard has been to the Al Shifa Eye Trust Hospital.

The Foundation has always been heavily involved in relief work during national disasters. These include the cyclones in East Pakistan in the 1960s, the Kashmir and Baluchistan earthquakes in 2005 and 2008 respectively, the floods of Sindh and Punjab 2010, and the Thar drought of 2012.

To learn more about The Dawood Foundation, please visit www.dawoodfoundation.org

Launch of TDF Nature Series in Karachi

CSR

Engro celebrated "International Day with Persons with Disability" by inviting the Pakistani Special Olympics Team and raised more than PKR 250,000 to facilitate the team.

2nd batch of 63 students graduated from the Technical Training College Daharki

Engro Foundation: The System Productivity Innovative Rice Training (SPIRiT) culminated successfully in August 2015 with 12,000+ farmers trained

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 Dawood Hercules Corporation Limited (the Company) for the year ended December 31, 2015 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange, in which the Lahore and Islamabad Stock Exchanges have merged), where the Company is listed.

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

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

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

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

A.F.Ferguson & Co.

Chartered Accountants
Karachi, March 16, 2016
Engagement Partner: Khurshid Hasan

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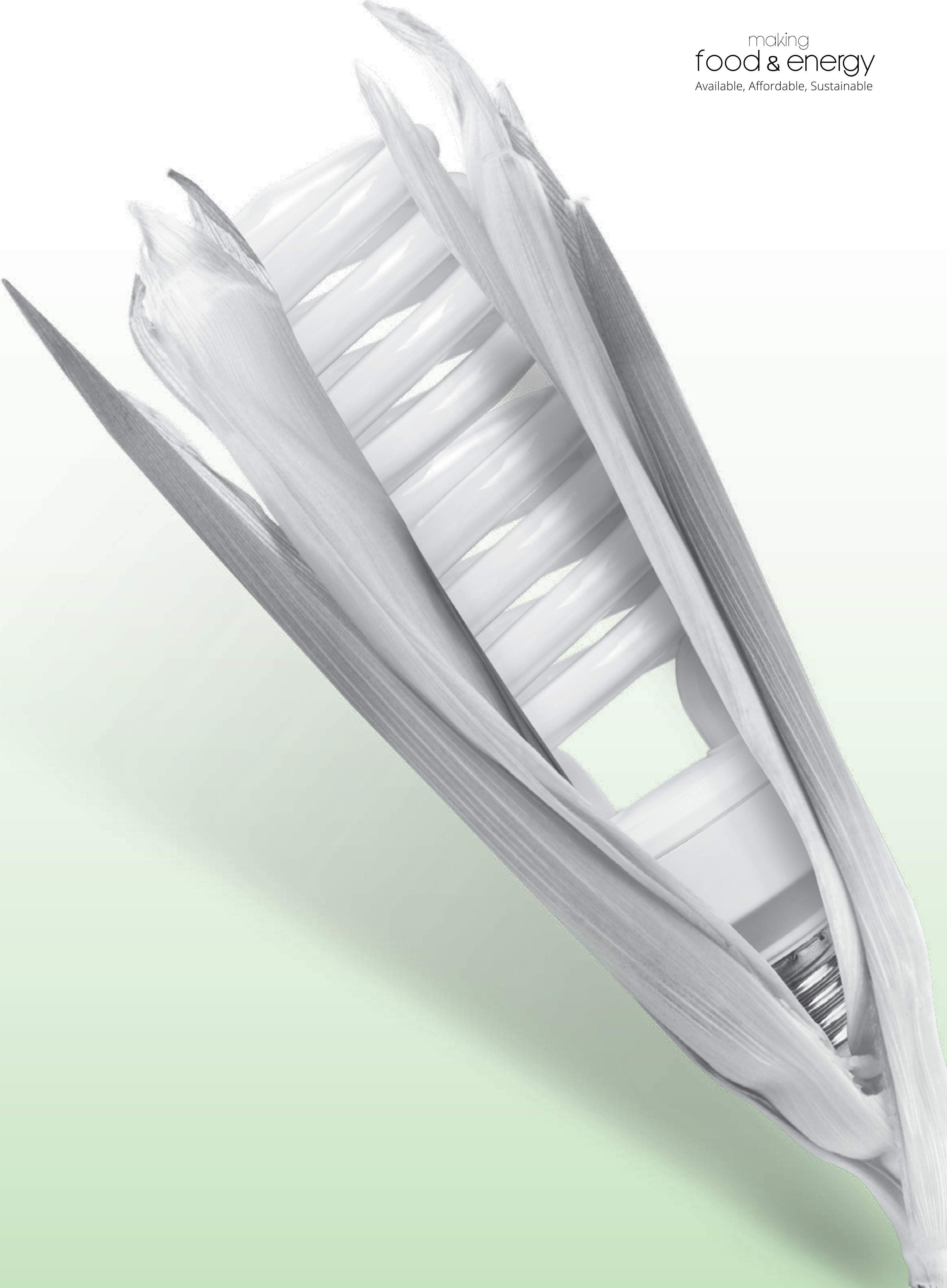
making
food & energy
Available, Affordable, Sustainable



Financial Statements

pwc

A. F. FERGUSON & CO.

AUDITORS„ REPORT TO THE MEMBERS

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

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

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

(a) in our opinion, proper books of accounts 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 accounts and are further in accordance with accounting policies consistently applied except for change as stated in note 2.20 to the annexed financial statements with which we concur;

    (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

    (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2015 and of the profit, its changes in equity and cash flows for the year then ended; and

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

AFFerguson & Co.

Chartered Accountants
Karachi, March 16, 2016
Audit Engagement Partner: Khurshid Hasan

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Balance sheet

As at December 31, 2015

	Note	2015	2014
		----------(Rupees in '000)----------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	130,733	77,926
Intangible assets	5	1	134
Long term investments	6	37,573,738	20,569,752
Defined benefit asset - funded gratuity	7	2,593	264
		37,707,065	20,648,076
CURRENT ASSETS			
Advances, deposits and prepayments	8	41,899	12,727
Other receivables	9	114,532	11,459
Short term investments	10	-	175,000
Interest accrued on bank deposits and investments		-	915
Cash and bank balances	11	1,008,059	10,253
		1,164,490	210,354
TOTAL ASSETS		38,871,555	20,858,430
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	12	10,000,000	10,000,000
Issued, subscribed and paid up share capital	12	4,812,871	4,812,871
Revenue reserves	13	28,982,384	15,044,945
		33,795,255	19,857,816
NON CURRENT LIABILITIES			
Long term financing	14	3,889,143	242,585
Defined benefit liability - unfunded gratuity		587	687
		3,889,730	243,272
CURRENT LIABILITIES			
Current portion of long term financing	14	103,442	87,880
Short term running finance	15	431,808	436,011
Trade and other payables	16	446,982	197,292
Accrued mark-up		99,642	34,148
Taxation - net		104,696	2,011
		1,186,570	757,342
TOTAL EQUITY AND LIABILITIES		38,871,555	20,858,430
CONTINGENCIES AND COMMITMENTS	17		

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

Karachi	M. A. Aleem	Samad Dawood
February 23, 2016	Director	Chief Executive

Profit and loss account

For the year ended December 31, 2015

	Note	2015	2014
		----------(Rupees in '000)----------	
Dividend income	18	21,931,652	1,652,946
Administrative expenses	19	(1,290,068)	(412,157)
		20,641,584	1,240,789
Other operating expenses	20	(7,160)	(696)
Other income / (loss)	21	291,137	(83,770)
Operating profit		20,925,561	1,156,323
Finance cost	22	(218,603)	(121,961)
Profit before taxation		20,706,958	1,034,362
Taxation	23	(512,582)	(174,256)
Profit after taxation		20,194,376	860,106
Earnings per share (Rupees) – basic and diluted	24	41.96	1.79

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

Karachi	M. A. Aleem	Samad Dawood
February 23, 2016	Director	Chief Executive

Statement of total comprehensive income

For the year ended December 31, 2015

	Note	2015	2014
		----------(Rupees in '000)----------	
Profit after taxation		20,194,376	860,106
Other comprehensive income for the year			
Item that will not be reclassified to profit and loss account			
Remeasurement of staff - retirement benefit (asset) / obligation		(206)	136
Total comprehensive income for the year		20,194,170	860,242

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

Karachi
February 23, 2016

M. A. Aleem
Director

Samad Dawood
Chief Executive

Statement of changes in equity

For the year ended December 31, 2015

	Issued, subscribed and paid up share capital	------------ Revenue reserves ------------ General reserve	Unappropriated profit	Sub-total	Total
	----------------------------(Rupees in '000)----------------------------				
Balance as at January 1, 2014	4,812,871	700,000	13,965,990	14,665,990	19,478,861
Total comprehensive income					
Profit for the year	-	-	860,106	860,106	860,106
Other comprehensive income	-	-	136	136	136
	-	-	860,242	860,242	860,242
Transactions with owners					
Final cash dividend @10% for the year ended December 31, 2013	-	-	(481,287)	(481,287)	(481,287)
Balance as at December 31, 2014	4,812,871	700,000	14,344,945	15,044,945	19,857,816
Total comprehensive income					
Profit for the year	-	-	20,194,376	20,194,376	20,194,376
Other comprehensive income	-	-	(206)	(206)	(206)
	-	-	20,194,170	20,194,170	20,194,170
Transactions with owners					
Final cash dividend @10% for the year ended December 31, 2014	-	-	(481,287)	(481,287)	(481,287)
Interim cash dividend @120% for the year ended December 31, 2015	-	-	(5,775,444)	(5,775,444)	(5,775,444)
Balance as at December 31, 2015	4,812,871	700,000	28,282,384	28,982,384	33,795,255

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

Karachi
February 23, 2016

M. A. Aleem
Director

Samad Dawood
Chief Executive

Cash flow statement

For the year ended December 31, 2015

	Note	2015	2014
		----------(Rupees in '000)----------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	27	(1,164,785)	(434,318)
Finance cost paid		(153,109)	(115,894)
Taxes paid		(409,897)	(173,852)
Staff retirement and other service benefits paid		(9,503)	(3,867)
Net cash utilised in operating activities		(1,737,294)	(727,931)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(74,650)	(40,901)
Sale proceeds from disposal of property, plant and equipment		5,626	11,509
Sale proceeds from disposal of subsidiaries		2,019,343	-
Sale proceeds from disposal of investments		2,000	952,690
Interest received on bank deposits and investments		11,137	2,350
Long term investments made in subsidiaries		(5,883,678)	-
Long term investments made in associate		(12,877,421)	(62,561)
Dividends received		21,931,652	608,121
Net cash generated from investing activities		5,134,009	1,471,208
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing obtained		3,750,000	26,000
Long term financing repaid		(87,880)	(34,333)
Dividends paid		(6,231,826)	(479,887)
Net cash utilised in financing activities		(2,569,706)	(488,220)
Net increase in cash and cash equivalents		827,009	255,057
Cash and cash equivalents at the beginning of the year		(250,758)	(505,815)
Cash and cash equivalents at the end of the year	28	576,251	(250,758)

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

Karachi February 23, 2016	M. A. Aleem Director	Samad Dawood Chief Executive

Notes to and forming part of the financial statements

For the year ended December 31, 2015

1. GENERAL INFORMATION

1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged). The principal activity of the Company is to manage investments in its subsidiary and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi.

1.2 On June 15, 2015, the Company signed a Share Purchase Agreement (SPA) with Pakarab Fertilizers Limited (PAFL) for the disposal of its wholly owned subsidiaries DH Fertilizers Limited (DHFL) and Bubber Sher (Private) Limited (BSPL). As per the SPA, the sale price has been fixed at Rs 1,992 million (net of enterprise value of Rs 6,600 million and long term loans of Rs 4,608 million) equivalent to Rs 19.92 per share as against the cost of Rs 16.15 per share. The shares of DHFL and BSPL have been transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL as per the terms of the SPA). Subsequent to the signing of SPA an application was filed with Honourable High Court of Sindh for the dismissal of law suit filed by PAFL in the year 2013. On June 18, 2015 the Honourable High Court of Sindh dismissed the said law suit.

1.3 As per terms of the SPA , the Company acquired the investments held by DHFL in Engro Corporation Limited (ECL) and the Hub Power Company Limited (HUBCO). These shares were acquired after complying with the requirements of section 208 of the Companies Ordinance, 1984 and approval of the Competition Commission of Pakistan. The shares were purchased at the price quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged) on the date of transaction. The number of shares acquired are as follows:

i) Engro Corporation Limited	19,960,000
ii) The Hub Power Company Limited	125,140,000

1.4 As a result of adoption of International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', by Securities and Exchange Commission of Pakistan (SECP), the Company reassessed the control conclusion of its investment in ECL that although, the Company has less than 50% voting rights in ECL, however, based on the absolute size of the Company's shareholding and the relative size of the other shareholdings, the Company has the ability to exercise control over ECL as per the terms of IFRS 10. Henceforth, the Company is deemed to be holding company of ECL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation and statement of compliance

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

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 approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance and the said directives have been followed.

2.2 New standards, amendments to approved accounting standards and interpretations

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

a) Standards, amendments to published standards and interpretations that are effective in 2015

Following standards, amendments to standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2015 and are considered to be relevant to the Company's operations.

IFRS 10 'Consolidated financial statements'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The Company has reassessed its investment in ECL as also set out in note 1.4 above and has concluded that the Company has the ability to exercise control over ECL.

IFRS 12 'Disclosures of interests in other entities'. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The Company's accounting policy is in line with the requirements of this standard.

IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard does not have any significant effect on the financial statements of the Company.

IAS 24 'Related party disclosures' (Amendment). The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. The standard does not have any significant effect on the financial statements of the Company.

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

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

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

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

- Servicing contracts – If an entity transfers a financial assets to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.

- Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

It is unlikely that the amendments will have any significant impact in these financial statements.

2.3 Property, plant and equipment

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

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

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

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

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

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

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

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

2.4 Intangible assets

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

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis by applying the straight line method.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Useful life of intangible assets is reviewed, at each balance sheet date and adjusted if the impact of amortisation is significant.

2.5 Impairment of non financial assets

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

2.6 Investments in subsidiaries

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

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

Investments in subsidiary companies are stated at cost less impairment, if any.

2.7 Investments in associates

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

2.8 Other investments

Other investments are carried at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts are adjusted accordingly.

2.9 Financial instruments

2.9.1 Financial assets

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition. The Company classifies its financial assets in the following categories.

a) Investments at fair value through profit or loss

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

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 those having maturities of more than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables with maturity period of less than twelve months after the balance sheet date are classified as advances, deposits and prepayments and other receivables in the balance sheet.

c) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date. Available for sale financial assets are classified as short term investments in the balance sheet.

Changes in fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised directly in equity are included in the profit and loss account in the period in which the disposal takes place. Dividends on available for sale equity investments are recognised in the profit and loss account when the Company's right to receive payments is established.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortised cost.

Recognition

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Consistent with prior year, regular purchase and sale of investments are recognised at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Measurement

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

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

Derecognition

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

Impairment

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

2.9.2 Financial liabilities

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

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

2.9.3 Off-setting of financial assets and financial liabilities

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

2.10 Cash and cash equivalents

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

2.11 Staff retirement and other benefits

2.11.1 Defined benefit plan

The Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all its permanent employees who have completed minimum service of prescribed period. Actuarial valuation is carried out using the projected unit credit method. The latest actuarial valuation of the scheme was carried out as at June 30, 2015.

All actuarial gains / losses arising during the year are recognised in other comprehensive income of the Company in the year in which they arise.

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

2.11.2 Defined contribution plan

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

2.11.3 Employee compensated absences

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

2.12 Trade and other payables

Liabilities for trade and other amounts payable are recognised at cost which is the fair value of the consideration to be paid in future for goods and services.

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

2.13 Provisions

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

2.14 Dividend

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

2.15 Taxation

Current

Provision for current tax is based on the taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any, or a fixed percentage of gross turnover (as prescribed by law), whichever is higher. It also includes any adjustment to tax payable in respect of prior years, if any.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

2.16 Contingent liabilities

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

2.17 Revenue recognition

- Dividend income is recognised when the Company's right to receive dividend is established i.e. on the date of book closure of the investee company declaring the dividend.
- Returns on bank deposits are accrued on a time proportion basis by reference to the principal outstanding amounts and the applicable rates of return.
- Gains / (losses) arising on disposal of investments are included in income in the year in which they are disposed off.
- Unrealised gains / (losses) arising on revaluation of securities classified as 'available for sale' and 'fair value through profit or loss' are included in other comprehensive income and in profit and loss account in the period in which they arise respectively. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in the equity through other comprehensive income, are included in the profit and loss account in the period in which disposal takes place.

2.18 Foreign currency transactions

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

2.19 Functional and presentation currency

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

2.20 Change in an accounting policy

As more fully explained in note 1.4, the Company has now adopted IFRS 10 which has resulted in change in its accounting policy with respect to accounting of investment in subsidiaries / associates, however, it has no impact on these financial statements as well as financial statements of prior years.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Current and deferred income taxes

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

3.2 Provisions

Provisions are based on management's best estimates. Any change in the estimates in future years might effect the carrying amounts of the provisions with a corresponding affect on the profit and loss account of the Company.

3.3 Property, plant and equipment

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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

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

3.5 Impairment of investments in subsidiaries, associates and other entitites

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		----------(Rupees in '000)----------	
Operating fixed assets	4.1	117,733	77,926
Capital work in progress - advance to supplier		13,000	-
		130,733	77,926

4.1 The following is a statement of property, plant and equipment:

	Land	Building	Leasehold improve- ments	Furniture, fittings and equipment	Data processing equipment	Vehicles	Total
	----------(Rupees in '000)						----------
At January 1, 2014							
Cost	22,716	7,500	-	11,060	12,587	52,093	105,956
Accumulated depreciation	-	(6,188)	-	(7,603)	(9,295)	(25,263)	(48,349)
Net book value	22,716	1,312	-	3,457	3,292	26,830	57,607
Year ended December 31, 2014							
Additions	-	-	10,406	6,743	4,406	19,346	40,901
Disposals							
Cost	-	-	-	-	(1,243)	(18,227)	(19,470)
Accumulated depreciation	-	-	-	-	859	9,391	10,250
Net book value	-	-	-	-	(384)	(8,836)	(9,220)
Depreciation charge for the year	-	(375)	(88)	(784)	(1,933)	(8,182)	(11,362)
Net book value as at December 31, 2014	22,716	937	10,318	9,416	5,381	29,158	77,926
Year ended December 31, 2015							
Additions	-	-	11,298	4,098	10,307	35,947	61,650
Disposals							
Cost	-	-	-	-	(113)	(10,986)	(11,099)
Accumulated depreciation	-	-	-	-	38	8,480	8,518
Net book value	-	-	-	-	(75)	(2,506)	(2,581)
Depreciation charge for the year	-	(375)	(1,135)	(1,465)	(4,395)	(11,892)	(19,262)
Net book value as at December 31, 2015	22,716	562	20,481	12,049	11,218	50,707	117,733
At December 31, 2014							
Cost	22,716	7,500	10,406	17,803	15,750	53,212	127,387
Accumulated depreciation	-	(6,563)	(88)	(8,387)	(10,369)	(24,054)	(49,461)
Net book value	22,716	937	10,318	9,416	5,381	29,158	77,926
At December 31, 2015							
Cost	22,716	7,500	21,704	21,901	25,944	78,173	177,938
Accumulated depreciation	-	(6,938)	(1,223)	(9,852)	(14,726)	(27,466)	(60,205)
Net book value	22,716	562	20,481	12,049	11,218	50,707	117,733
Annual rate of depreciation (%)	-	5	10	10 to 12.5	33.33 to 50	20	

4.1.1 Cost of property, plant and equipment that are fully depreciated amounts to Rs 24.21 million (2014: Rs 18.190 million).

4.1.2 Details of property, plant and equipment disposed off:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Particulars of purchasers
		(Rupees in '000)					
Items having net book value of greater than Rs 50,000 each							
Vehicles	Company policy	7,049	4,582	2,467	3,610	1,143	Akram Umar Khan
Data processing equipment	--do--	113	38	75	75	-	Hasan Reza Ur Rahim
		7,162	4,620	2,542	3,685	1,143	
Others Items having net book value of less than Rs 50,000 each	Various	3,937	3,898	39	1,941	1,902	
2015		11,099	8,518	2,581	5,626	3,045	
2014		19,470	10,250	9,220	11,509	2,289	

	Note	2015	2014
		(Rupees in '000)	

5. INTANGIBLE ASSETS

Computer Software

	Note	2015	2014
Net book value as at January 1		134	267
Additions during the year		-	-
Amortisation for the year		(133)	(133)
Net book value as at December 31		1	134
At December 31			
Cost		400	400
Accumulated amortisation		(399)	(266)
Net book value		1	134

The intangible asset is amortised at the rate of 33.33%.

6. LONG TERM INVESTMENTS

	Note	2015	2014
Investment in subsidiary	6.1	23,308,927	19,040,368
Investment in associate	6.2	14,169,098	1,291,677
Others, at cost - e2e Business Enterprises (Private) Limited - unquoted	6.3	95,713	237,707
		37,573,738	20,569,752

	Note	2015	2014
		----------(Rupees in '000)----------	
6.1 Investment in subsidiaries			
Engro Corporation Limited (ECL) - quoted	6.1.1	23,308,927	17,425,249
DH Fertilizers Limited (DHFL) - unquoted	6.1.2	-	1,615,119
Bubber Sher (Private) Limited - unquoted	6.1.3	-	-
		23,308,927	19,040,368
6.1.1 Engro Corporation Limited - quoted			
175,012,555 (2014: 175,012,555) ordinary shares of Rs 10 each		17,425,249	17,425,249
Add: 19,960,000 (2014: Nil) ordinary shares purchased from DHFL	6.1.1.2	5,883,678	-
194,972,555 (2014: 175,012,555) ordinary shares of Rs 10 each		23,308,927	17,425,249

Percentage of holding 37.22% (2014: 33.41%)

6.1.1.1 As more fully explained in note 1.4, ECL is reclassified as subsidiary of the Company. The investment was previously classified as 'Investment in Associate' as required under IAS 28. No reclassification in amounts is required as the investment was previously carried at cost in these financial statements.

6.1.1.2 These shares were purchased from DHFL at market value of Rs 294.60 per share prevailing on the date of transaction i.e. June 8, 2015 as more fully explained in note 1.3.

6.1.1.3 The market value of investment in ECL as at December 31, 2015 was Rs 54,473 million (2014: Rs 38,767 million).

6.1.1.4 The details of shares pledged as security against finance facilities are as follows:

Bank	As at December 31, 2015			As at December 31, 2014		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	-----(Rupees in '000)-----		(in '000)	-----(Rupees in '000)-----	
Pledged against financing facilities availed by the Company						
Bank Al Habib Limited	-	-	-	5,540	55,400	1,227,165
United Bank Limied	-	-	-	1,900	19,000	420,869
Pledged against financing facilities availed by DHFL						
Meezan Bank Limited	-	-	-	29,000	290,000	6,423,790
Pledged in favor of Fatima Fertilizer Company Limited against potential liabilities of DHFL						
Meezan Bank Limited - as agent -(note 17.1)	15,131	151,308	4,227,394	-	-	-

		Note	2015	2014
			----------(Rupees in '000)----------	
6.1.2	DH Fertilizers Limited - unquoted			
	100,000,000 (2014: 100,000,000) ordinary shares of Rs 10 each		1,615,119	1,615,119
	Less: Disposal of 100,000,000 (2014: Nil) ordinary shares of Rs 10 each	6.1.2.1	(1,615,119)	-
	Nil (2014: 100,000,000) ordinary shares of Rs 10 each		-	1,615,119
	Percentage of holding Nil (2014:100%)			

6.1.2.1 As explained in detail in note 1.2, during the year investment in DHFL has been disposed off following the signing of the SPA with Pakarab Fertilizers Limited (PAFL) and the shares have been transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL).

6.1.3 Bubber Sher (Private) Limited - unquoted

During the year, the Company invested in Bubber Sher (Private) Limited (BSPL) at a cost of Rs 10,000 divided into 1,000 ordinary shares of Rs 10/- each. BSPL is a private limited company and its principal activity is sale, marketing and distribution of fertilizers and its derivatives, insecticides, pesticides, and all kinds of agricultural, 'fruit growing and other' chemicals. Investment in BSPL has also been disposed off following the signing of a separate SPA with Pakarab Fertilizers Limited (PAFL). The shares have been transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL).

		Note	2015	2014
			----------(Rupees in '000)----------	
6.2	Investment in associate		14,169,098	1,291,677
	The Hub Power Company Limited - quoted			
	39,707,000 (2014: 39,707,000) ordinary shares of Rs 10 each		1,291,677	1,291,677
	Add: 7,735,000 (2014: Nil) ordinary shares purchased from Patek (Private) Limited	6.2.1	731,698	-
	Add: 125,140,000 (2014: Nil) ordinary shares purchased from DHFL	6.2.2	12,145,723	-
	172,582,000 (2014: 39,707,000) ordinary shares of Rs 10 each		14,169,098	1,291,677
	Percentage of holding 14.91% (2014: 3.43%)			

6.2.1 Shareholders of the Company in the Annual General Meeting held on April 24, 2015 authorised the purchase of these shares from Patek (Private) Limited. The purchase transaction was executed on May 21, 2015 at the market value of Rs 94.50 per share prevailing on that date through the Negotiated Deal Market mechanism of the Pakistan Stock Exchange (formerly Karachi Stock Exchange Limited).

6.2.2 As more fully explained in note 1.3, these shares were purchased from DHFL at market value of Rs 97.00 per share prevailing on the date of transaction i.e. June 8, 2015.

6.2.3 The Company has 14.91% (2014: 14.25%) of the voting power in the Hub Power Company Limited (HUBCO) by virtue of its shareholding (2014: 3.43% direct and 10.82% indirect shareholding via DHFL (former subsidiary)). Due to the representation of the Company's nominees on the Board of Directors of HUBCO, the Company has significant influence over HUBCO.

6.2.4 The market value of investment in HUBCO as at December 31, 2015 was Rs 17,707 million (2014: Rs 3,111 million).

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

	As at December 31, 2015			As at December 31, 2014		
Bank	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	-----(Rupees in '000)-----		(in '000)	-----(Rupees in '000)-----	
Pledged against financing facilities availed by the Company						
Long term:						
Allied Bank Limited	82,570	825,700	8,471,682	12,581	125,810	985,847
Short term:						
Bank AL Habib Limited	31,256	312,560	3,206,866	13,500	135,000	1,057,860
United Bank Limied	15,656	156,560	1,606,306	10,000	100,000	783,600

	Note	2015	2014
		----------(Rupees in '000)----------	
6.3 Other investment			
e2e Business Enterprises (Private) Limited - unquoted			
23,770,701 (2014: 17,514,633) ordinary shares of Rs 10 each		237,707	175,146
Add: Nil (2014: 6,256,068) ordinary shares subscribed during the year		-	62,561
Less: 12,106,068 (2014: Nil) ordinary shares disposed of during the year	6.3.1	(121,061)	-
Less: Provision for impairment	6.3.2	(20,933)	-
11,664,633 (2014: 23,770,701) ordinary shares of Rs 10 each		95,713	237,707
Percentage of holding 19.14% (2014: 39.00%)			

6.3.1 During the year, the Company disposed of these shares representing 19.86% of the total share capital of e2e Business Enterprises (Private) Limited (e2eBE). Shareholding of the Company now stands at 19.14% (2014: 39%) of the total e2eBE share capital.

6.3.2 Further, the Company has assessed the carrying amount of remaining investment in accordance with the requirements of IAS 36 'Impairment of Assets' and recorded an impairment loss of Rs 20.933 million representing difference between the carrying amount of investment and break up value of Company's share of net assets based on unaudited financial position of e2eBE as at September 30, 2015.

7. DEFINED BENEFIT ASSET - FUNDED GRATUITY

	Note	2015	2014
		(Rupees in '000)	
These comprise of:			
Defined benefit plan funded - gratuity scheme	7.4	2,593	264
		2,593	264

7.1 As stated in note 2.11.1, the Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all of its permanent employees subject to attainment of minimum service of prescribed period. Actuarial valuation of the scheme is carried out every year. However, the latest actuarial valuation was carried out as at June 30, 2015. Nevertheless, the results have been updated for material transactions and material changes in circumstances upto the end of the reporting period.

7.2 The actuarial valuation of gratuity plan was carried out as at June 30, 2015. The projected unit credit method using the following significant assumptions was used for this valuation:

	June 30, 2015	December 31, 2014
	% per annum	
- Discount rate used for profit and loss account charge	10.5%	12.5%
- Discount rate used for year end obligation	9.75%	10.5%
- Expected rate of increase in salary levels - per annum	8.75%	9.5%

7.3 Mortality rate

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

7.4 Balance sheet reconciliation

	Note	2015	2014
		(Rupees in '000)	
Present value of defined benefit obligation	7.5	17,818	13,689
Fair value of plan assets	7.6	(20,411)	(13,953)
Liability as at December 31		(2,593)	(264)

Notes to and forming part of the financial statements

For the year ended December 31, 2015

		Note	2015	2014
			----------(Rupees in ‘000)----------	
7.5	Movement in present value of defined benefit obligation			
	Obligation as at January 1		13,689	19,883
	Current service cost		3,426	3,529
	Interest cost		1,556	1,741
	Benefits paid		(371)	(11,902)
	Remeasurment on obligation		(482)	438
	Obligation as at December 31		17,818	13,689
7.6	Movement in fair value of plan assets			
	Fair value as at January 1		13,953	19,481
	Interest income		1,839	1,933
	Contributions made		5,678	3,867
	Benefits paid		(371)	(11,902)
	Remeasurement on plan assets		(688)	574
	Fair value as at December 31		20,411	13,953
7.7	Movement in net (asset) / liability in the balance sheet			
	Opening balance of net (asset) / liability		(264)	402
	Charge for the year	7.8	3,143	3,337
	Contributions made by the company		(5,678)	(3,867)
	Net remeasurement for the year	7.9	206	(136)
	Closing balance of net (asset) / liability		(2,593)	(264)
7.8	Amounts recognised in the profit and loss account			
	Current service cost		3,426	3,529
	Net interest income		(283)	(192)
			3,143	3,337
7.9	Remeasurement recognised in other comprehensive income			
	Remeasurement (gain) / loss on defined benefit liability			
	- Experience adjustments		(482)	438
	Remeasurement loss / (gain) on plan assets		688	(574)
	Net remeasurement loss / (gain)		206	(136)
7.10	Actual return on plan assets			
	Expected return on plan assets		1,839	1,933
	Remeasurement (loss) / gain on plan assets		(688)	574
	Actual return on plan assets		1,151	2,507

7.11 Major categories / composition of plan assets

	2015		2014	
	(Rs in '000)	Percentage	(Rs in '000)	Percentage
Cash and cash equivalents (net)	4,744	23%	936	7%
Mutual funds	15,667	77%	12,746	91%
Receivable from DHFL Management Staff Gratuity Fund	-	-	271	2%
	20,411	100%	13,953	100%

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

	2015	2014	2013	2012	2011
	(Rupees in '000)				
As at December 31					
Fair value of plan assets	20,411	13,953	19,481	6,070	2,711
Present value of defined benefit obligation	(17,818)	(13,689)	(19,883)	(15,096)	(7,593)
Surplus / (Deficit)	2,593	264	(402)	(9,026)	(4,882)
Experience adjustments:					
(Loss) / gain on plan assets	(688)	574	186	(18)	(307)
Gain / (loss) on obligations	482	(438)	90	(580)	3,967

7.13 Expected contribution to post employment benefit plan for the year ending December 31, 2016 is Rs 4.003 million (2015: Rs 3.195 million).

7.14 The weighted average duration of the defined benefit obligation is 7 years.

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

	Change in assumptions	Impact on defined benefit obligation	
		Increase	Decrease
		(Rupees in '000)	
Discount rate	1%	(1,088)	1,261
Salary growth rate	1%	1,242	(1,089)

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

8. ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2015	2014
		(Rupees in '000)	
Considered good - unsecured			
Advances to:			
- Employees and executives	8.1	3,798	324
- Suppliers		3,275	1,099
		7,073	1,423
Deposits and prepayments:			
- to associates		1,012	881
- to others		33,814	10,423
		34,826	11,304
Considered doubtful - others		892	892
Less: Provision for doubtful deposits		(892)	(892)
		-	-
		41,899	12,727

8.1 Advances include Rs 3.553 million (2014: Rs 0.130 million) due from key management personnel of the Company. The maximum amounts due at the end of any month during the year from the directors and executives were Rs 0.110 million (2014: Rs 0.850 million) and Rs 3.583 million (2014: Rs 0.070 million) respectively.

	2015	2014
	(Rupees in '000)	
9. OTHER RECEIVABLES	114,532	11,466

These are receivable from the associates of the Company aggregating to Rs 114.258 million (2014: 11.459 million).

	2015	2014
	(Rupees in '000)	
10. SHORT TERM INVESTMENTS		
Held till maturity - note 10.1	-	175,000

10.1 These were term deposit certificates with return of 7.5% to 8.6% per annum with maturity of 7 to 30 days.

11. CASH AND BANK BALANCES

	Note	2015	2014
		(Rupees in '000)	
Cash in hand		512	148
Cheques in hand		853,005	6,955
With banks in:			
- Current accounts		151,134	112
- Savings accounts	11.1	3,408	3,038
		154,542	3,150
		1,008,059	10,253

11.1 These carry markup at the rates ranging from 4% to 5% (2014: 5% to 7%) per annum.

12. SHARE CAPITAL

12.1 Authorised share capital

2015	2014		2015	2014
(Number of shares)			-------(Rupees in ‘000)-------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	10,000,000	10,000,000

12.2 Issued, subscribed and paid up share capital

2015	2014		2015	2014
(Number of shares)				
13,900,000	13,900,000	Ordinary shares of Rs 10 each fully paid in cash	139,000	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,673,871	4,673,871
481,287,116	481,287,116		4,812,871	4,812,871

12.3 Shares held by related parties

	2015	2014
	(Number of shares)	
Dawood Lawrencepur Limited Percentage of holding 16.19% (2014: 16.19%)	77,931,896	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2014: 3.95%)	18,991,988	18,991,988
Cyan Limited Percentage of holding 0.165% (2014: 0.165%)	794,380	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2014: 0.001%)	6,996	6,996

13. REVENUE RESERVES

	2015	2014
	-------(Rupees in ‘000)-------	
General reserve	700,000	700,000
Unappropriated profit	28,282,384	14,344,945
	28,982,384	15,044,945

		Note	2015	2014
			-------(Rupees in '000)-------	
14.	**LONG TERM FINANCING**			
	Long term finance under mark up arrangement	14.2	242,585	330,465
	Syndicate term finance arrangement	14.3	3,750,000	-
			3,992,585	330,465
	Current portion		(103,442)	(87,880)
			3,889,143	242,585
14.1	Balance as at January 1		330,465	338,798
	Availed during the year		3,750,000	26,000
	Repayments during the year		(87,880)	(34,333)
	Balance as at December 31		3,992,585	330,465

14.2 This represents utilised portion of long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating Rs 380 million (2014: Rs 380 million). The finance facility is secured by way of hypothecation charge over all assets of the Company with 25% margin and pledge of HUBCO shares as more fully explained in note 6.2.5. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for the period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.

14.3 This represents utilised portion of syndicated term finance facility sanctioned by a syndicate of banks led by Allied Bank Limited aggregating to Rs. 4,000 million (2014: Nil). The facility is secured against HUBCO shares as more fully explained note 6.2.5. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for a period of 5 years and is payable semi annually with the first principal repayment to be made after the expiry of 2 years grace period commencing from May 2017.

		Note	2015	2014
			-------(Rupees in '000)-------	
15.	**SHORT TERM RUNNING FINANCE**			
	Running finance under mark-up arrangement	15.1 & 15.2	431,808	436,011

15.1 This includes utilised portion of short-term running finance facility aggregating to Rs 2,000 million (2014: Rs 1,000 million) obtained under mark-up arrangements from Bank Al-Habib Limited. The amount which remained unutilised as at December 31, 2015 was Rs 2,000 million (2014: Rs 998.900 million). The facility is secured by way of pledge of HUBCO shares (2014: ECL and HUBCO shares) as more fully explained in note 6.2.5. Rate of mark-up applicable to the facility is three months KIBOR plus 95 basis points (2014: three months KIBOR plus 100 basis points) per annum. The facility will expire on April 30, 2016.

15.2 This also includes utilised portion of short-term running finance facility aggregating to Rs 1,000 million (2014: Rs 1,000 million) obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at December 31, 2015 was Rs 568.192 million (2014: Rs 565.090 million). The facility is secured by way of pledge of HUBCO shares (2014: ECL and HUBCO shares) as more fully explained in note 6.2.5. Rate of mark-up applicable to the facility is one month KIBOR plus 90 basis points (2014: one month KIBOR plus 125 basis points) per annum. The facility will expire on May 2, 2016.

16. TRADE AND OTHER PAYABLES

	2015	2014
	-------(Rupees in '000)-------	
Creditors	354,052	2,958
Accrued expenses	44,371	169,963
Unclaimed dividend	48,371	23,466
Others	188	905
	446,982	197,292

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingent liabilities

During the year, the Company has provided an irrevocable corporate guarantee in favour of DHFL and Fatima Fertilizer Company Limited (FFCL) against potential tax liabilities of DHFL in respect of periods ending on or prior to June 30, 2015. The corporate guarantee shall remain valid upto September 30, 2021 or the date on which subject tax liabilities are finally settled / disposed of or withdrawn.

Further, the Company has also pledged 15.131 million shares of ECL with Meezan Bank Limited (as agent) in favour of FFCL. The pledged shares shall be released upon completion of two years from the filling date of Income Tax Return for the year ended December 31, 2015 i.e. from September 30, 2016.

17.2 Commitment in respect of operating lease arrangements

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

	2015	2014
	-------(Rupees in '000)-------	
Not later than one year	7,885	2,315

The Company has signed lease agreements for premises on rent from Dawood Foundation, a related party, for Karachi office which is due to expire in September 2017. The same is revocable by either party through prior notice of at least 3 months.

	Note	2015	2014
		-------(Rupees in '000)-------	
18. DIVIDEND INCOME			
Subsidiary - Engro Corporation Limited	18.1	2,804,828	1,394,850
DH Fertilizers Limited		18,018,795	-
Associate - The Hub Power Company Limited		1,108,029	258,096
		21,931,652	1,652,946

18.1 This includes receipt of nil specie dividend (2014: one share of Engro Fertilizers Limited (E Fert) for every ten shares of ECL i.e. 17,501,255 shares as 'specie dividend' amounting to Rs 1,044.825 million).

	Note	2015	2014
		-------(Rupees in '000)-------	
19. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	19.1	297,256	184,488
Rent, rates and taxes		24,222	15,051
Insurance		3,251	3,416
Repairs and maintenance		5,755	3,585
Communication, stationery and office supplies		17,295	13,585
Subscription and periodicals		26,637	14,276
Travelling and conveyance		231,719	18,344
Depreciation	4.1	19,262	11,362
Amortisation	5	133	133
Impairment charge		20,933	-
Legal and professional charges		612,484	130,096
Donations	19.2	-	487
Other expenses		31,121	17,334
		1,290,068	412,157

19.1 Salaries, wages and other benefits include Rs 4.333 million (2014: Rs 4.024 million) charge for the year in respect of staff gratuity fund and Rs 10.322 million (2014: Rs 6.207 million) in respect of staff provident fund.

19.2 Donations include the following in which certain directors are interested:

Name and address of Donee	Name of Director	Interest in Donee	Purpose of Donation	2015	2014
				----------(Rupees in '000)----------	
Karachi Education Initiative National Stadium Road opp. Liaquat National Hospital, Karachi-74800	Mr. Hussain Dawood	Chairman of the Board	Promotion of Education		
	Mr. Hasan Reza Ur Rahim	Chief Executive Officer		-	487

Notes to and forming part of the financial statements

For the year ended December 31, 2015

		Note	2015	2014
			-------(Rupees in '000)-------	
20.	OTHER OPERATING EXPENSES			
	Auditor's remuneration:			
	Audit fee		288	240
	Half year and other certification fees		147	297
	Out of pocket expenses		96	159
	Other services		6,629	-
			7,160	696
21.	OTHER INCOME / (LOSS)			
	Income / (loss) from financial instruments	21.1	286,827	(88,870)
	Income from non-financial instruments	21.2	4,310	5,100
			291,137	(83,770)
21.1	Income/ (loss) from financial instruments			
	Profit on savings accounts and term deposit receipts		10,222	3,265
	Net gain on sale of investments		285,163	-
	Loss on disposal of assets classified as held for sale		-	(92,135)
	Exchange loss		(8,558)	-
			286,827	(88,870)
21.2	Income from non-financial instruments			
	Profit on disposal of property, plant and equipment		3,045	2,289
	Other income		1,265	2,811
			4,310	5,100
22.	FINANCE COST			
	Mark-up on:			
	- Long term financing		138,272	39,901
	- Short term running finance		38,147	81,810
	Bank charges		42,184	250
			218,603	121,961
23.	TAXATION			
	Current			
	- for the year		474,271	174,256
	- for prior years		38,311	-
		23.1	512,582	174,256

		2015 %	2014 %
23.1	Relationship between tax expense and accounting profit		
	Applicable tax rate	32.0	33.0
	Tax effect of amounts that are not taxable / deductible for tax purposes	(0.0)	13.1
	Tax effect of amounts exempt from tax	(25.9)	(26.5)
	Tax effect of amounts taxed at lower rate	(3.8)	(2.8)
	Tax effect of prior year charges	0.2	-
		2.5	16.8

24. EARNINGS PER SHARE

	2015	2014
	-----(Rupees in '000)---------	
Profit after taxation	20,194,376	860,106
	(Number of shares)	
Weighted average number of ordinary shares	481,287,116	481,287,116
	----------- Rupees-----------	
Earnings per share (Rupees) – basic and diluted	41.96	1.79

24.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2015 and 2014.

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	------------------- 2015 -------------------			------------------- 2014 -------------------		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	------------------------------------ (Rupees in '000) ------------------------------------					
Managerial remuneration	19,355	62,696	91,949	9,612	49,951	35,219
Retirement benefits including ex-gratia	4,515	1,588	9,333	1,794	662	5,906
Rent and utilities	10,885	28,719	39,489	4,337	22,498	21,886
Compensated absences	-	1,313	2,285	697	-	2,998
Medical	1,613	2,439	2,878	651	6,965	2,465
	36,368	96,755	145,934	17,091	80,076	68,474
Number of persons	1	3	29	1	2	17

25.1 Mr. Abdul Samad Dawood was appointed as Chief Executive (CEO) of the Company on October 6, 2014. In 2014, the Securities and Exchange Commission of Pakistan, upon request of the Company granted waiver from the disclosure of his remuneration. Accordingly, the corresponding amounts of CEO remuneration represent the payments made to the previous CEO.

25.2 In addition, the CEO, certain directors and executives are provided with Company owned and maintained cars.

25.3 Meeting fees aggregating Rs 4.550 million (2014: Rs 4.800 million) were paid to 9 directors (2014: 8 directors).

26. RELATED PARTY TRANSACTIONS

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

	Note	2015	2014
		-------(Rupees in '000)-------	
Subsidiary companies			
Reimbursement of expenses made to the Company		105,326	-
Reimbursement of expenses made by the Company		1,287	21,835
Dividend income		20,823,623	1,394,850
Purchase of goods and services		12	444
Sale of goods and services		159	2,092
Corporate guarantee provided on behalf of subsidiary		-	6,400,000
Associates			
Sale of goods and services		5,308	8,591
Purchase of services		29,253	16,703
Reimbursement of expenses from associates		4,820	12,011
Reimbursement of expenses to associates		2,530	2,304
Investment in e2e Business Enterprises (Private) Limited		-	62,561
Dividend income		1,108,029	258,096
Commitment in respect of operating lease arrangements	17.2	7,885	2,315
Membership fee and other subscriptions		121	1,928
Donations		-	487
Other related parties			
Contribution to staff gratuity fund		3,143	3,867
Contribution to staff provident fund		10,322	6,207
Key management personnel			
Sale of property, plant and equipment		567	11,335
Salaries and other short term employee benefits		198,678	157,279
Post retirement benefit plans	25	15,436	8,362

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

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

		Note	2015	2014
			-------(Rupees in '000)-------	
27.	CASH UTILISED IN OPERATIONS			
	Profit before taxation		20,706,958	1,034,362
	Adjustment for non cash expenses and other items:			
	Depreciation		19,262	11,362
	Amortisation		133	133
	Impairment charge		20,933	-
	Finance cost		218,603	121,961
	Profit on disposal of property, plant and equipment		(3,045)	(2,289)
	Profit on sale of investments		(285,163)	-
	Loss on sale of assets classified as held for sale		-	92,135
	Dividend income		(21,931,652)	(1,652,946)
	Provision for staff retirement and other service benefits		6,868	4,024
	Profit on bank deposits		(10,222)	(3,265)
	Exchange loss		8,558	-
	Working capital changes	27.1	83,982	(39,795)
			(21,871,743)	(1,468,680)
	Cash utilised in operations		(1,164,785)	(434,318)
27.1	Working capital changes			
	(Increase) / decrease in current assets:			
	Advances, deposits and prepayments		(29,172)	4,882
	Other receivables		(103,073)	(4,955)
			(132,245)	(73)
	Increase / (decrease) in trade and other payables		216,227	(39,722)
			83,982	(39,795)
28.	CASH AND CASH EQUIVALENTS			
	Cash and bank balances	11	1,008,059	10,253
	Short term investments	10	-	175,000
	Short term running finance	15	(431,808)	(436,011)
			576,251	(250,758)

	2015	2014
	-------(Rupees in '000)-------	
29. FINANCIAL INSTRUMENTS BY CATEGORY		
FINANCIAL ASSETS		
Loans and receivables at amortised cost		
Advances, deposits and prepayments	41,899	1,423
Other receivables	114,532	11,459
Interest accrued on bank deposits and investments	-	915
Cash and bank balances	1,008,059	10,253
	1,164,490	24,050
Available for sale investments		
Others, at cost - e2e Business Enterprises (Private) Limited - unquoted	95,713	-
Held to maturity		
Short term investments	-	175,000
	1,260,203	199,050
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Long term financing	3,992,585	330,465
Trade and other payables	446,982	197,292
Accrued mark-up	99,642	34,148
Short term running finance	431,808	436,011
	4,971,017	997,916

30. FINANCIAL RISK MANAGEMENT

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

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

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

Risks managed and measured by the Company are explained below:

30.2 Market risk

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

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

30.2.1 Interest rate risk

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

- Fair value risk - Presently, fair value risk to the Company arises from 'balances with banks' which are based on fixed interest rates. As at December 31, 2015, the impact of increase / decrease in fixed interest rates by 100 basis points will not have a material impact on the profit after tax of the Company.
- Future cash flow risk - Presently, future cash flow risk to the Company arises from short term running finance and long term financing which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2015, had there been increase / decrease of 100 basis points in KIBOR, with all other variables held constant, profit before taxation for the year then ended would have been lower / higher by Rs 26.035 million (2014: Rs 10.982 million) mainly as a result of finance cost.

30.2.2 Currency risk

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

30.2.3 Price risk

Price risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. During the year, the Company has disposed off all its financial instruments that were valued at market prices, as a result there was no exposure to price risk as at end of the year.

30.3 Credit risk and its concentration

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

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

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

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

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

Total amount of short term investments of nil (2014: 175 million) were placed with investees which have a short term credit rating of at least A1+.

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

	2015	2014
	-------(Rupees in '000)-------	
Advances, deposits and prepayments	41,899	1,423
Other receivables	114,532	11,459
Interest accrued on bank deposits and investments	-	915
Bank balances	1,007,547	10,105
Short term investments	-	175,000
	1,163,978	198,902

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

30.4 Liquidity risk

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

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

	Carrying Amount	Six months or less	Six to twelve months	One to two years	Two to five years
2015	------------------------ (Rupees in '000) ------------------------				
Financial liabilities					
Short term financing	431,808	431,808	-	-	-
Long term financing	3,992,585	51,263	52,179	139,143	3,750,000
Trade and other payables	446,982	446,982	-	-	-
Accrued mark-up	99,642	99,642	-	-	-
	4,971,017	1,029,695	52,179	139,143	3,750,000

2014	Carrying Amount	Six months or less	Six to twelve months	One to two years	Two to five years
	------------------------	(Rupees in '000)	------------------------		
Financial liabilities					
Short term financing	519,542	519,542	-	-	-
Long term financing	338,798	16,940	16,940	85,591	219,327
Trade and other payables	235,614	235,614	-	-	-
Accrued mark-up	28,081	28,081	-	-	-
	1,122,035	800,177	16,940	85,591	219,327

30.5 Capital risk management

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

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

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

The gearing ratio as at December 31, 2015 and 2014 were as follows:

	Note	2015	2014
		-------(Rupees in '000)-------	
Total debt	14	3,992,585	330,465
Less: Cash and cash equivalent	28	576,251	(250,758)
Net debt		3,416,334	581,223
Total capital		37,211,589	20,439,039
Gearing Ratio		9.18%	2.84%

30.6 Fair value of financial instruments

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

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observation inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Valuation techniques using significant un-observable inputs.

The estimated fair value of all financial instruments is considered not significantly different from book value.

31. PROVIDENT FUND RELATED DISCLOSURES

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

	Note	2015	2014
		-------(Rupees in '000)-------	
Size of the fund - total assets		59,919	40,168
Cost of investments made		56,656	38,266
Percentage of investments made		95%	95%
Fair value of investments	31.1	58,240	39,113

31.1 The break up of fair value of investments is:

	2015		2014	
	(Rs in '000)	%age	(Rs in '000)	%age
Bank balances	43,386	74.5%	2,623	6.7%
Government securities	-	-	22,632	57.9%
Mutual funds	14,854	25.5%	13,858	35.4%
	58,240	100%	39,113	100%

31.2 The investments of the Funds have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

32. NUMBER OF EMPLOYEES

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

	2015	2014
Average number of employees during the year	33	25
Number of employees as at the end of the financial year	41	28

Notes to and forming part of the financial statements

For the year ended December 31, 2015

33. GENERAL

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

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

34. DATE OF AUTHORISATION

34.1 The Board of Directors in its meeting held on February 23, 2016 has proposed a cash dividend of Rs 4/- per share (2014: Rs 1 per share) for the year ended December 31, 2015 subject to approval of members at the annual general meeting to be held on April 23, 2016. These financial statements do not recognise the proposed dividend as deduction from unappropriated profit as it has been proposed subsequent to balance sheet date.

34.2 These financial statements have been authorised for issue on February 23, 2016 by the Board of Directors of the Company.

Karachi	M. A. Aleem	Samad Dawood
February 23, 2016	Director	Chief Executive

Consolidated Financial Statements

A. F. FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Dawood Hercules Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and the subsidiary companies, whereas, financial statements of Engro Eximp FZE, a subsidiary of Engro Corporation Limited (Principal Subsidiary) have been audited by Price-waterhouseCoopers – U.A.E. and financial statements of Engro Power Services Limited, a subsidiary of Engro Corporation Limited (Principal Subsidiary), by another firm of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in the annexed consolidated financial statements for Engro Eximp FZE and Engro Power Services Limited, is based solely on the reports of such other auditors.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Dawood Hercules Corporation Limited (the Holding Company) and its subsidiary companies as at December 31, 2015 and the results of their operations for the year then ended.

A.F.Ferguson & Co.

Chartered Accountants
Karachi, March 16, 2016
Engagement Partner: Khurshid Hasan

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Consolidated balance sheet

As at December 31, 2015

	Note	2015	(Restated - note 4) 2014	2013
		----------------	(Rupees in '000)	----------------
ASSETS				
Non - Current Assets				
Property, plant and equipment	5	128,534,524	136,447,079	133,977,415
Biological assets	6	1,024,251	858,680	716,465
Intangible assets	7	4,777,248	4,799,627	5,308,634
Long term investments	8	9,598,639	8,610,478	7,615,561
Deferred taxation	9	982,699	1,103,153	1,502,981
Defined benefit asset - funded gratuity		2,593	-	-
Long term loans, advances and other receivables	10	3,758,094	1,183,224	307,435
Deferred employee compensation expense	11.1	147,456	112,581	168,865
		148,825,504	153,114,822	149,597,356
Current Assets				
Stores, spares and loose tools	12	7,679,172	8,275,872	7,806,405
Deferred taxation	9	-	960,537	-
Stock-in-trade	13	14,088,701	11,627,853	20,772,128
Trade debts	14	6,733,613	4,615,359	3,073,306
Deferred employee compensation expense	11	92,986	90,430	136,153
Derivative financial instruments	15	29,207	-	130,207
Loans, advances, deposits and prepayments	16	1,549,898	1,740,611	1,485,865
Other receivables	17	8,049,202	5,341,805	5,032,401
Taxes recoverable		2,245,086	3,642,006	3,321,885
Interest accrued on bank deposits and investments		-	915	-
Short term investments	18	14,050,112	29,162,084	22,700,606
Cash and bank balances	19	5,120,357	12,372,402	7,041,894
		59,638,334	77,829,874	71,500,850
Assets attributable to discontinued operations		-	-	980,140
TOTAL ASSETS		208,463,838	230,944,696	222,078,346

	Note	2015	(Restated - note 4) 2014	2013
		----------------	(Rupees in '000)	----------------
EQUITY & LIABILITIES				
Equity				
Share capital	21	4,812,871	4,812,871	4,812,871
Employee share option compensation reserve	11.2	225,217	152,488	155,240
Revaluation reserve on business combination		20,655	24,453	28,251
Maintenance reserve	22	60,117	68,475	81,345
Exchange revaluation reserve		11,412	1,919	13,505
Hedging reserve	23	(34,459)	(55,041)	(70,803)
General reserves		700,000	700,000	700,000
Unappropriated profit		27,221,478	22,034,014	18,088,587
Share of income of associates		(3,269)	(1,942)	-
Remeasurement of post-employment benefits		(48,665)	(21,075)	(23,168)
		28,152,486	22,903,291	18,972,957
		32,965,357	27,716,162	23,785,828
Non-Controlling Interest		59,901,520	46,743,143	34,651,034
Advance against issuance of shares to Non-Controlling Interest by subsidiary company		-	-	2,954,829
Total Equity		92,866,877	74,459,305	61,391,691
Liabilities				
Non-Current Liabilities				
Borrowings	24	40,882,279	59,575,026	83,326,782
Derivative financial instruments	15	17,382	51,103	1,611,258
Deferred taxation	9	8,696,201	6,803,153	6,564,172
Employee housing subsidy		-	-	-
Deferred liabilities	25	161,829	280,959	312,927
		49,757,691	66,710,241	91,815,139
Current Liabilities				
Trade and other payables	26	34,618,973	54,669,466	41,097,017
Accrued interest / mark-up	27	1,427,789	2,123,525	2,305,791
Current portion of				
- borrowings	24	22,692,902	19,273,024	16,750,638
- deferred liabilities	25	98,083	43,338	45,883
Short term borrowings	28	6,608,453	12,200,689	7,285,310
Derivative financial instruments	15	393,070	1,465,108	1,247,823
		65,839,270	89,775,150	68,732,462
Total Liabilities		115,596,961	156,485,391	160,547,601
Liabilities associated with discontinued operations		-	-	139,054
Contingencies and Commitments	29			
TOTAL EQUITY & LIABILITIES		208,463,838	230,944,696	222,078,346

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Karachi	M. A. Aleem	Samad Dawood
February 23, 2016	Director	Chief Executive

Consolidated profit and loss account

For the year ended December 31, 2015

	Note	2015	Restated 2014
		--------- (Rupees in '000) ---------	
Revenue	30	184,591,565	179,628,641
Cost of revenue	31	(133,304,662)	(143,138,225)
Gross profit		51,286,903	36,490,416
Selling and distribution expenses	32	(10,765,816)	(10,932,105)
Administrative expenses	33	(5,209,571)	(4,577,710)
		35,311,516	20,980,601
Other income	34	8,074,613	3,805,190
Other operating expenses	35	(3,236,090)	(2,508,569)
Operating profit before impairment		40,150,039	22,277,222
Impairment loss		(3,454,184)	(43,295)
Finance cost	36	(8,918,663)	(13,234,322)
Share of income from joint venture and associates	37	2,608,219	1,867,836
Profit before taxation		30,385,411	10,867,441
Taxation	38	(9,020,674)	(3,412,728)
Profit after taxation		21,364,737	7,454,713
Profit / (Loss) attributable to:			
- Discontinued operations		4,619,550	(1,325,523)
- Continuing operations		16,745,187	8,780,236
		21,364,737	7,454,713
Profit attributable to:			
- Owners of the Holding Company		9,226,901	2,261,810
- Non Controlling Interest		12,137,836	5,192,903
		21,364,737	7,454,713
		-------------Rupees-------------	
Basic and diluted earnings / (loss) per share from:			
- Discontinued operations		9.60	(1.85)
- Continuing operations	39	9.57	6.55
		19.17	4.70

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Karachi	M. A. Aleem	Samad Dawood
February 23, 2016	Director	Chief Executive

Consolidated statement of comprehensive income

For the year ended December 31, 2015

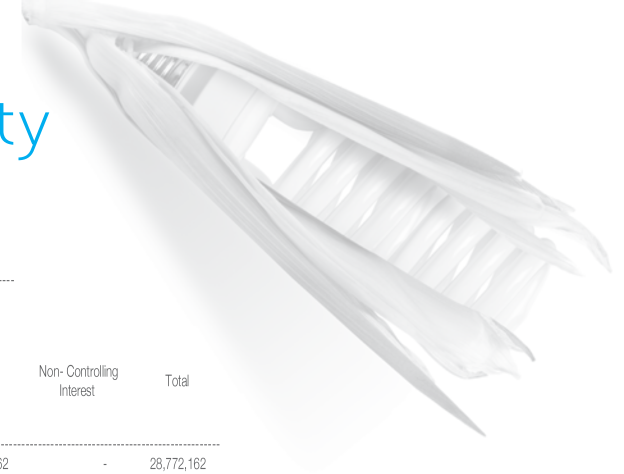
	2015	Restated 2014
	--------- (Rupees in '000)	---------
Profit after taxation	21,364,737	7,454,713
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
Loss arising during the year	(136,023)	(1,714,461)
Less:		
- Reclassification adjustments for loss included in profit and loss account	207,729	1,802,791
- Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress / stock-in-trade)	37,383	34,527
	109,089	122,857
- Share of other comprehensive income of associate	(1,435)	(2,100)
- Impact on taxation	108	158
	(1,327)	(1,942)
Revaluation reserve on business combination	(21,318)	(21,318)
Exchange differences on translation of foreign operations	30,564	(33,339)
	117,008	66,258
Income tax relating to:		
Hedging reserve - cash flow hedges	(38,705)	(60,261)
Revaluation reserve on business combination	7,035	7,035
	(31,670)	(53,226)
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	(125,632)	5,855
Income tax relating to remeasurement of post employment benefits obligation	40,647	(2,745)
	(84,985)	3,110
Deferred tax charge relating to revaluation of equity related items	(4,946)	(1,648)
Other comprehensive income for the year, net of tax	(4,593)	14,494
Total comprehensive income for the year	21,360,144	7,469,207
Total comprehensive income attributable to equity shareholders from:		
- Discontinued operations	4,619,550	(1,325,523)
- Continuing operations	16,740,594	8,794,730
	21,360,144	7,469,207
Total comprehensive income attributable to:		
- Owners of the Holding Company	9,224,261	2,262,239
- Non Controlling Interest	12,135,883	5,206,968
	21,360,144	7,469,207

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

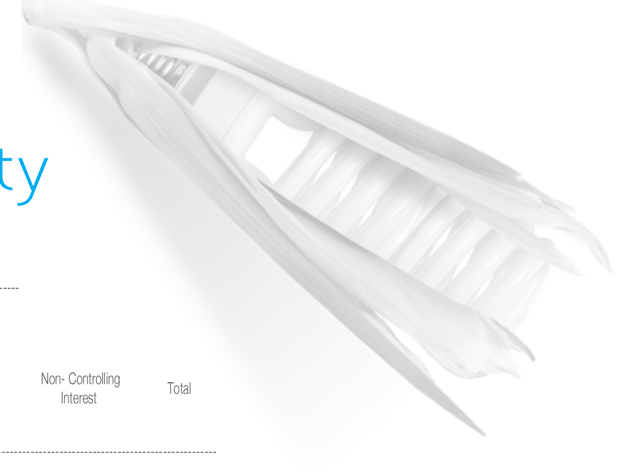
Karachi	M. A. Aleem	Samad Dawood
February 23, 2016	Director	Chief Executive

Consolidated statement of changes in equity

For the year ended December 31, 2015



	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY													
		RESERVES												
		CAPITAL RESERVES					REVENUE RESERVES							
	Share capital	Share premium	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Unappropriated Profit	Share of other comprehensive income of associates	Remeasurement of post employment benefits - Actuarial (loss) / income	Sub total	Non- Controlling Interest	Total
	(Rupees in '000)													
Balance as at January 1, 2014	4,812,871	-	-	-	-	-	-	700,000	23,247,833	11,458	-	28,772,162	-	28,772,162
- Effects of restatement	-	-	155,240	28,251	81,345	13,505	(70,803)	-	(5,159,246)	(11,458)	(23,168)	(4,986,334)	34,651,034	29,664,700
Balance as at January 1, 2014 - restated	4,812,871	-	155,240	28,251	81,345	13,505	(70,803)	700,000	18,088,587	-	(23,168)	23,785,828	34,651,034	58,436,862
Total comprehensive income for the year ended December 31, 2014														
Profit for the year	-	-	-	-	-	-	-	-	2,261,810	-	-	2,261,810	5,192,903	7,454,713
Other comprehensive income	-	-	-	(3,798)	-	(11,586)	15,762	-	-	(1,942)	1,993	429	14,065	14,494
	-	-	-	(3,798)	-	(11,586)	15,762	-	2,261,810	(1,942)	1,993	2,262,239	5,206,968	7,469,207
Transactions with owners														
Shares issued to IFC upon exercise of conversion option	-	-	-	-	-	-	-	-	937,263	-	-	937,263	1,706,062	2,643,325
Dilution of interest in a subsidiary	-	-	-	-	-	-	-	-	(369,772)	-	-	(369,772)	369,772	-
Derecognition of Non-controlling interest relating to investment in subsidiary company	-	-	-	-	-	-	-	-	-	-	100	100	(337,686)	(337,586)
Effect of excess profit in respect of specie dividend	-	-	-	-	-	-	-	-	749,093	-	-	749,093	-	749,093
Effect of Dividend in specie - Shares of Subsidiary company transferred to owners of Holding Company	-	-	-	-	-	-	-	-	-	-	-	-	1,087,971	1,087,971
Specie Dividend impact in NCI	-	-	-	-	-	-	-	-	-	-	-	-	(673,079)	(673,079)
Employees Share Option Scheme of subsidiary company	-	-	(2,752)	-	-	-	-	-	-	-	-	(2,752)	(4,641)	(7,393)
Shares issued during the year by subsidiary company	-	-	-	-	-	-	-	-	224,608	-	-	224,608	1,796,221	2,020,829
Gain on disposal of shares of subsidiary company	-	-	-	-	-	-	-	-	80,746	-	-	80,746	755,331	836,077
Dividend by subsidiary allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	-	-	(182,056)	(182,056)
Effect of conversion of IFC loan into ordinary shares by subsidiary company	-	-	-	-	-	-	-	-	288,700	-	-	288,700	895,527	1,184,227
Transfer of maintenance reserve to Non-Controlling Interest	-	-	-	-	(12,870)	-	-	-	-	-	-	(12,870)	12,870	-
Gain on disposal of equity reserves in subsidiary company	-	-	-	-	-	-	-	-	254,266	-	-	254,266	428,878	683,144
Increase in Non-Controlling Interest due to disposal of shareholding in subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	1,673,966	1,673,966
Final cash dividend @ 10% for the year ended December 31, 2013	-	-	-	-	-	-	-	-	(481,287)	-	-	(481,287)	-	(481,287)
Interim cash dividend for the year ended December 31, 2014 @ Rs 2.00 per share	-	-	-	-	-	-	-	-	-	-	-	-	(643,995)	(643,995)
	-	-	(2,752)	-	(12,870)	-	-	-	1,683,617	-	100	1,668,095	6,885,141	8,553,236
Balance as at December 31, 2014 - restated	4,812,871	-	152,488	24,453	68,475	1,919	(55,041)	700,000	22,034,014	(1,942)	(21,075)	27,716,162	46,743,143	74,459,305



Consolidated statement of changes in equity

For the year ended December 31, 2015

	Share capital	Share premium	Employee share option compensation reserve	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Share of other comprehensive income of associates	Remeasure-ment of post employment benefits - Actuarial (loss) / income	Sub total	Non- Controlling Interest	Total
	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY													
		RESERVES												
		CAPITAL RESERVES					REVENUE RESERVES							
	(Rupees in '000)													
Total comprehensive income for the year ended December 31, 2015														
Profit for the year	-	-	-	-	-	-	-	-	9,226,901	-	-	9,226,901	12,137,836	21,364,737
Other comprehensive income	-	-	-	(3,798)	-	9,493	20,582	-	-	(1,327)	(27,590)	(2,640)	(1,953)	(4,593)
	-	-	-	(3,798)	-	9,493	20,582	-	9,226,901	(1,327)	(27,590)	9,224,261	12,135,883	21,360,144
Transactions with owners														
Transfer of maintenance reserve to Non-Controlling Interest	-	-	-	-	(8,358)	-	-	-	-	-	-	(8,358)	8,358	-
Employees Share Option Scheme of subsidiary company	-	-	72,729	-	-	-	-	-	-	-	-	72,729	122,674	195,403
Gain on disposal of shares of subsidiary company	-	-	-	-	-	-	-	-	1,957,280	-	-	1,957,280	5,916,037	7,873,317
Effect of conversion of IFC loan into ordinary shares by subsidiary company	-	-	-	-	-	-	-	-	264,036	-	-	264,036	733,267	997,303
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,666,925)	(1,666,925)
Share capital issued to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	168,000	168,000
Advance against issue of shares	-	-	-	-	-	-	-	-	-	-	-	-	675,048	675,048
Share issuance cost	-	-	-	-	-	-	-	-	(558)	-	-	(558)	(1,782)	(2,340)
Final cash dividend for the year ended December 31, 2014 @ Rs 4.00 per share	-	-	-	-	-	-	-	-	-	-	-	-	(1,315,031)	(1,315,031)
1st Interim cash dividend for the year ending December 31, 2015 @ Rs 2.00 per share	-	-	-	-	-	-	-	-	-	-	-	-	(657,663)	(657,663)
2nd Interim cash dividend for the year ending December 31, 2015 @ Rs 4.00 per share	-	-	-	-	-	-	-	-	-	-	-	-	(1,315,328)	(1,315,328)
3rd Interim cash dividend for the year ending December 31, 2015 @ Rs 5.00 per share	-	-	-	-	-	-	-	-	-	-	-	-	(1,644,161)	(1,644,161)
Final cash dividend @ 10% for the year ended December 31, 2014	-	-	-	-	-	-	-	-	(481,287)	-	-	(481,287)	-	(481,287)
Interim cash dividend @120% for the half year ended June 30, 2015	-	-	-	-	-	-	-	-	(5,775,444)	-	-	(5,775,444)	-	(5,775,444)
Transaction cost reversal	-	-	-	-	-	-	-	-	(3,464)	-	-	(3,464)	-	(3,464)
	-	-	72,729	-	(8,358)	-	-	-	(4,039,437)	-	-	(3,975,066)	1,022,494	(2,952,572)
Balance as at December 31, 2015	4,812,871	-	225,217	20,655	60,117	11,412	(34,459)	700,000	27,221,478	(3,269)	(48,665)	32,965,357	59,901,520	92,866,877

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Karachi
February 23, 2016

M. A. Aleem
Director

Samad Dawood
Chief Executive

Consolidated statement of cash flows

For the year ended December 31, 2015

	Note	2015	2014
		--------- (Rupees in '000) ---------	
Cash flows from operating activities			
Cash generated from operations	42	18,676,210	45,688,546
Retirement and other service benefits paid		(310,324)	(151,559)
Finance cost paid		(8,263,790)	(12,534,001)
Taxes paid		(4,860,440)	(4,112,035)
Payments against provision for contractual commitments		(72,541)	-
Long term loans and advances - net		(1,627,640)	(875,789)
Net cash generated from operating activities		3,541,475	28,015,162
Cash flows from investing activities			
Purchases of property, plant & equipment, intangible assets and biological assets		(9,891,561)	(9,579,808)
Sale proceeds on disposal of property, plant & equipment and biological assets		329,960	399,187
Sale proceeds from disposal of assets classified as held for sale		-	1,060,316
Purchase of Treasury bills and Fixed income placements - net		(793,379)	-
Short term investments made		(175,000)	-
Short term investments redeemed		175,890	-
Investment in associated company		(886,019)	(227,692)
Sale proceeds from disposal of subsidiary		-	87,048
Investment made during the year - net		25,293,296	(25,986,527)
Income on deposits / other financial assets		1,591,699	4,215,081
Proceeds against disposal of investment in subsidiary companies		10,424,984	2,356,962
Dividends received		2,396,089	1,701,506
Net cash generated from / (utilised in) investing activities		28,465,959	(25,973,927)
Cash flows from financing activities			
Repayments of borrowings - net		(17,738,420)	(19,801,003)
Long term financing obtained		6,180,491	26,000
Proceeds from issuance of shares		168,000	1,495,080
Share issuance cost		(2,340)	-
Advance received against issuance of right shares to Non-controlling interest		675,048	-
Advance for insurance policy against foreign finances		(1,021,652)	-
Proceeds from short term finance		1,150,000	4,750,000
Repayments of short term finance		(5,150,000)	-
Dividends paid		(12,791,318)	(1,307,821)
Net cash utilised in financing activities		(28,530,191)	(14,837,744)
Net increase / (decrease) in cash and cash equivalents		3,477,243	(12,796,509)
Cash and cash equivalents at the beginning of the year		8,355,496	21,152,005
Cash and cash equivalents at the end of the year	43	11,832,739	8,355,496

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Karachi
February 23, 2016

M. A. Aleem
Director

Samad Dawood
Chief Executive

Notes to the consolidated financial statements

For the year ended December 31, 2015

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Dawood Hercules Corporation Limited (the Holding Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now Companies Ordinance, 1984) (the Ordinance) and its shares are quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged). The principal activity of the Holding Company is to manage investments in its subsidiary and associated companies. The registered office of the Holding Company is situated at Dawood Center, M.T. Khan Road, Karachi.

1.2 On June 15, 2015, the Holding Company signed a Share Purchase Agreement (SPA) with Pakarab Fertilizers Limited (PAFL) for the disposal of its wholly owned subsidiaries DH Fertilizers Limited (DHFL) and Bubber Sher (Private) Limited (BSPL). As per the SPA, the sale price has been fixed at Rs 1,992,000 (net of enterprise value of Rs 6,600,000 and long term loans of Rs 4,608,000) equivalent to Rs 19.92 per share as against the cost of Rs 16.15 per share. The shares of DHFL and BSPL have been transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL as per the terms of the SPA). Subsequent to the signing of SPA an application was filed with Honourable High Court of Sindh for the dismissal of law suit filed by PAFL in the year 2013. On June 18, 2015 the Honourable High Court of Sindh dismissed the said law suit.

1.3 As per terms of the SPA, the Holding Company acquired the investments held by DHFL in Engro Corporation Limited (ECL) and the Hub Power Company Limited (HUBCO). These shares were acquired after complying with the requirements of section 208 of the Companies Ordinance, 1984 and approval of the Competition Commission of Pakistan. The shares were purchased at the price quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged) on the date of transaction. The number of shares acquired are as follows:

i)	Engro Corporation Limited	19,960,000
ii)	The Hub Power Company Limited	125,140,000

1.4 Subsequent to the balance sheet date, the Holding Company, through a notice to Pakistan Stock Exchange Limited dated January 21, 2016, declared that in accordance with the requirements of International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', as adopted by Securities and Exchange Commission of Pakistan (SECP), ECL to be its subsidiary based on the "Control" criteria given in IFRS 10. Henceforth, the Company will be deemed as the Holding Company of ECL.

Accordingly, these financial statements have been prepared to reflect consolidated financial information of the Holding Company and ECL (the Group) including summary of significant accounting policies.

1.5 The "Group" consists of:

Ultimate Parent Company: Dawood Hercules Corporation Limited;

Holding Company: Dawood Hercules Corporation Limited;

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

(Amounts in thousand)

	%age of direct holding	
	2015	2014
- Engro Corporation Limited	37.22	37.22
- DH Fertilizers Limited (note 1.2)	-	100

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

	%age of direct holding	
	2015	2014
- Engro Powergen Limited (note 1.6.1)	100	100
- Elengy Terminal Pakistan Limited (note 1.6.2)	100	100
- Engro Eximp (Private) Limited (note 1.6.3)	-	100
- Engro Eximp Agriproducts (Private) Limited (note 1.6.4)	100	-
- Engro Foods Limited (note 1.6.5)	87.06	87.06
- Engro Fertilizers Limited (note 1.6.6)	78.78	100
- Engro Polymer and Chemicals Limited (note 1.6.7)	56.19	56.19
Joint Venture Company:		
- Engro Vopak Terminal Limited (note 1.6.8)	50	50

1.6 Other Subsidiary companies

1.6.1 Engro Powergen Limited

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

Following are the subsidiaries of EPL:

	%age of direct holding	
	2015	2014
- Engro Power Services Limited (note 1.6.1.1)	100	100
- Engro Power International Holding B.V. (note 1.6.1.2)	100	100
- Kolachi Portgen (Private) Limited (note 1.6.1.3)	100	-
- Engro Powergen Qadirpur Limited (note 1.6.1.4)	68.8	68.8
- Engro Powergen Thar (Private) Limited (note 1.6.1.5)	64.1	100
Following are associated companies of EPL:		
- GEL Utility Limited (note 1.6.1.6)	45	45
- Sindh Engro Coal Mining Company Limited (note 1.6.1.7)	19.8	22.15

(Amounts in thousand)

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

On March 18, 2015, EngroGen Energy Service Limited (EESL) was incorporated which is a joint venture of EPSL and Genesis Energy Holdings Limited. EESL has been established with the objective to incorporate, participate, manage and supervise business and companies in the power sector.

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

During the year, EPII entered into a share sale and purchase agreement with Bresson AS Nigeria Limited in relation to the acquisition of 1,666,667 shares representing 16.7% of the issued share capital of Magboro Power Company Limited (MPCL). EPII advanced an amount of USD 1,400 being the first installment, out of a total agreed purchase price of USD 7,000. The shares against this investment have not been issued as at December 31, 2015.

1.6.1.3 Kolachi Portgen (Private) Limited has been established and incorporated in Pakistan during the year with the objective to operate and own a Regasified Liquefied Natural Gas (RLNG) based power generation plant. The shares in the name of EPL will be issued after completion of legal formalities.

1.6.1.4 Engro Powergen Qadirpur Limited (EPQL) was established as an unlisted public company incorporated in Pakistan with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years. Last year, EPQL was formally listed on the Karachi and Islamabad Stock Exchanges (now named as Pakistan Stock Exchange Limited) and shares were dully allotted to the shareholders.

1.6.1.5 Engro Powergen Thar (Private) Limited (EPTPL), a private limited company, has been established and incorporated in Pakistan. The principal operations of EPTPL is to carry out the business of power generation, distribution, transmission and sale of electricity. EPTL has been formed for the purpose of the development of 2 x 330 MW mine mouth power plants at Thar Block II, Sindh.

During the year, EPTL has awarded the EPC contract to China Machinery Engineering Corporation (CMEC). Further, during the year, EPTL has received a Letter of Support from Private Power and Infrastructure Board (PPIB) for setting up the Power Plant and has also received Generation License from NEPRA effective from March 18, 2015. EPTL has also entered in to Power Purchase Agreement (PPA) with National Transmission and Dispatch Company (NTDC) during the year and has entered into Coal Supply Agreement with SECMC whereby SECMC, on commencement of commercial production of its Thar mining project, will supply 3.8 million tons per annum of coal to EPTL. In addition, EPTL has also entered into Water Use Agreement with the Government of Sindh and Thar Power Company Limited (TPCL).

(Amounts in thousand)

Total cost of the mine mouth power plants project is estimated at USD 1,108,000 which would be financed through equity injection of USD 277,000 and Debt portion of USD 831,000. Debt portion would be a mix of local and foreign financing.

EPTL has signed all major Financing Agreements on December 21, 2015 amounting to USD 621,000 for foreign financing and Rs 24,150,000 for local financing. Subsequent to the signing of financing agreements, financial close and loan disbursement is conditional to execution of security documents in the favour of lenders, subscription by sponsors of initial equity contribution, completion of other formalities and issuance of guarantee by Government of Pakistan according to the Implementation Agreement.

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

1.6.1.7 Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS 40%) and EPL (60%). The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project), with an annual mining capacity of 6.5 million tons of coal.

The GoS has granted a 30 year mining lease to SECMC for exploration and mining activities in Thar Block-II. Based on the detailed feasibility study conducted by SECMC, Thar Block-II has estimated coal reserves of approximately 2 billion tons, independently verified by a Competent Person Statement (CPS) in 2012, of which 195 million tons will be mined at the rate of 6.5 million tons per year over the period of the mining lease. SECMC, during 2011, had also received a firm proposal for Engineering, Procurement & Construction (EPC) for 6.5 million tons per annum mining capacity and 1,200 MW power plant from an international contractor. However, in May 2013, SECMC in order to reduce its capital investment and optimize the project size and cost decided to decouple the mining and power projects. Further, pursuant to the decision of the Cabinet of Economic Coordination Committee (ECC) dated May 31, 2013, Sovereign Guarantee amounting to USD 700,000 has been approved for the debt portion of the mining project conditional upon the revision of the Joint Venture Agreement.

During the year after investment by new shareholders in SECMC i.e. The Hub Power Company Limited, Thal Limited, Habib Bank Limited and China Machinery Engineering Corporation, EPL's shareholding in SECMC has reduced to 19.80% (2014: 22.15%).

During the year, SECMC entered into Coal Supply Agreement with Engro Powergen Thar (Private) Limited (EPTL), whereby SECMC on commencement of commercial production of its Thar mining project, will supply 3.8 million tons per annum of coal to EPTL.

Total cost of the Project is estimated at USD 845,000 which would be financed through equity injection of USD 211,250 and Debt portion of USD 633,750. Debt portion would be a mix of local and foreign financing. During the year, SECMC has signed all major Financing Agreements with lenders on December 21, 2015. Subsequent to the signing of financing agreements, financial close and loan disbursement is conditional to execution of security documents in favour of lenders, subscription by sponsors of initial equity contribution and completion of other formalities.

(Amounts in thousand)

1.6.2 Elengy Terminal Pakistan Limited

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

A tender for Fast Track LNG Project (the Project) was issued by Inter State Gas Systems (Private) Limited (ISGS) on behalf of the Government of Pakistan on August 15, 2013 for receipt, storage and re-gasification of 1.5 million tons of LNG in the first year and 3.0 million tons for next 14 years. ETPL's bid for this project was successful and EETPL was incorporated to own and operate the LNG facilities and enter into all project related agreements including the LNG Operations and Services Agreement (LSA) of EETPL.

During the year, EETPL received Certificate of Acceptance from Sui Southern Gas Company Limited (SSGCL) with respect to the Branch Pipeline on March 29, 2015. Further, EETPL commenced commercial operations i.e. delivery of regasified LNG to SSGCL from March 29, 2015. The project is being financed through 75% debt and 25% equity. In this regard, EETPL has entered into agreements for project finance on January 10, 2015 with International Finance Corporation (IFC) and Asian Devolopment Bank (ADB), NIB Bank Limited, Askari Bank Limited and Pak Brunei Investment Company Limited.

1.6.3 Engro Eximp (Private) Limited

Engro Eximp (Private) Limited (EEL) is a private limited company, incorporated in Pakistan. EEL is principally engaged in the fertilizer trading business whereby it imports and sells different types of fertilizers and other related products which are being sold to the dealers through Engro Fertilizers Limited (EFert), which has been appointed as a selling agent.

As per the Corporate restructuring scheme approved by the Board of Directors of EEL has discontinued its Coal and Agri commodities businesses. Further, the imported fertilizer business of EEL has been phased out to the EFert as part of the Corporate Restructuring scheme of ECL to further strengthen synergies between the EEL business lines and allow the Group to create value and increase its footprint in agricultural inputs.

During the year, the ECL transferred / sold 100% of its equity in EEL (along with its wholly owned subsidiary - Engro Eximp FZE UAE) to EFert, together with rights to use 'Engro' trademarks (under license from the Holding Company to EEL) for imported fertilizers / associated products, against a consideration of Rs 4,383,000, which was determined on the basis of an independent valuation.

	%age of direct holding	
	2015	2014
Following are the subsidiaries of EEL:		
- Engro Eximp FZE (note 1.6.3.1)	100	100
- Engro Eximp Agriproducts (Private) Limited (note 1.6.4)	-	100

(Amounts in thousand)

1.6.3.1 Engro Eximp FZE is incorporated in the Jebel Ali Free Zone, Emirate of Dubai and is engaged in the business of trading seeds, agricultural tools, chemical fertilizers, organic fertilizers, plant seeds, ghee, vegetable oil, grains, cereals legumes, sugar, flour, agricultural equipment and accessories.

1.6.4 Engro Eximp Agriproducts (Private) Limited (EEAPL)

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

On April 1, 2015, the ECL acquired the entire shareholding of EEAPL from EEL comprising of 190,798,200 ordinary shares and 10,000,000 preference shares for Rs 4,400,000 in order to delink the rice business from the trading entity and bring in the required focus as part of its restructuring plans. EEAPL is now a wholly owned subsidiary of ECL.

The principal activity of EEAPL is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. It has set-up a Rice Processing Plant (RPP) in District Shaikhupura, which commenced commercial production in 2011.

During the year, EEAPL incurred a loss of Rs 4,516,676. The consistent weak financial performance is primarily due to the downturn in the rice industry which resulted in significant reduction of margins, coupled with unexpected appreciation of Pak Rupee. The management is confident that EEAPL will be able to revert to sustained performance in the coming years, as the supply / demand situation normalizes in the market. Further, the management has intention to restructure the business by focusing on creating brand equity to attain market share and to reduce the exposure to commodity price volatility. In order to reduce short term liabilities and losses, the management has decided to scale down its rice business, redefine the business model and reduce fixed costs by adhering to lean management structure.

1.6.5 Engro Foods Limited

Engro Foods Limited (EFoods), is a public listed company, incorporated in Pakistan. The principal activity of EFoods is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. It also owns and operates a dairy farm.

1.6.6 Engro Fertilizers Limited

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

During the year, on January 9, 2015, EFert received a second notice from International Finance Corporation (IFC) for exercise of options on further USD 3,000 of the loan amount. Accordingly, 12,590,625 ordinary shares of EFert were allocated to IFC on January 14, 2015. Further, during the year, the ECL sold 93,165,000 ordinary shares of Rs 10 each held in EFert, representing 8.16% of its investment through a private placement, at a price of Rs 85 per share, determined through the book building mechanism. These shares were placed to local / foreign institutional investors and high net-worth individuals.

As a result of the aforementioned events, the ECL, as at the balance sheet date, now holds 78.78% of the issued share capital of EFert. Following are the subsidiaries of EFert:

(Amounts in thousand)

	%age of direct holding	
	2015	2014
- Engro Eximp (Private) Limited (note 1.6.3)	100	-

1.6.7 Engro Polymer and Chemicals Limited

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

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

As notified on the stock exchanges of Pakistan on November 24, 2015, EPCL has received an announcement of intention by a potential acquirer to acquire entire shareholding of ECL in EPCL. Accordingly, EPCL has been asked to provide certain information to enable potential acquirer to commence due diligence, which is in progress as at the balance sheet date.

1.6.8 Joint Venture Company - Engro Vopak Terminal Limited

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation and statement of compliance

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

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

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

a) Standards, amendments to published standards and interpretations that are effective in 2015

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

- IFRS 10 'Consolidated financial statements'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The Holding Company has reassessed its investment in ECL as also set out in note 1.4 above and has concluded that the Holding Company has the ability to excercise control over ECL. The revised standard has been applied retrospectively in accordance with the transition provisions of the standard. The impacts and effects of the adoption of the aforementioned new standard are stated in note 4 below.

- IFRS 12 'Disclosures of interests in other entities'. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. The Group's accounting policy is in line with the requirements of this standard.

- IFRS 13 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Group's financial statements.

- IAS 19 'Employee benefits' (Amendment). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognize the benefit of those contributions over employee's working lives. The Group's accounting treatment is already in line with this amendment.

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

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

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

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

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

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

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

  - Servicing contracts – If an entity transfers a financial assets to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.

  - Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

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

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

- IAS 34 (Amendment),'Interim financial reporting' (effective for annual periods beginning on or after July 1, 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. This amendment will only affect the disclosures in the Group'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 Group and therefore, have not been presented here.

2.1.5 Basis of consolidation

i) Subsidiaries

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

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

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

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

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

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

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

ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii) Disposal of subsidiaries

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

2.2 Exploration and evaluation assets

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

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

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

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

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

2.3 Development properties

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

(Amounts in thousand)

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

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

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

2.4 Property, plant and equipment

2.4.1 Owned assets

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

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

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

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

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

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

2.4.2 Leased assets

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

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

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

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

2.4.3 Dredging expenditure

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

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

2.5 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.6 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 estimate 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 and milk are recognized in the consolidated 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.

2.7 Intangible assets

a) Goodwill

Goodwill represents the difference between the consideration paid for acquiring interests in a company and the value of the Group's share of its net assets at the date of acquisition.

(Amounts in thousand)

b) Brands

These are stated at cost less impairment, if any. Carrying amounts of these intangibles are subject to impairment review at each balance sheet date and where conditions exist, impairment is recognized.

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

c) Computer software and licenses

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

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

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

d) Rights for future gas utilization

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

2.8 Impairment of non-financial assets

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

2.9 Investments in Joint ventures

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

2.10 Investments in associates

Associates are all entities over which the Group has significant influence but not control. Investment in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investors share of profit or loss of the investee after the date of acquisition. The Group's investment in associate includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the impairment loss as the difference between the recoverable amount of associates and its carrying value and recognizes it in the profit and loss account.

(Amounts in thousand)

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

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

2.12 Financial instruments

2.12.1 Financial assets

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

a) At fair value through profit or loss

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

b) Loans and receivables

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

c) Held to maturity

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

d) Available-for-sale

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

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

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

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

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account. Impairment testing of trade debts and other receivables is described in (note 2.17).

2.12.2 Financial liabilities

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

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

2.12.3 Offsetting of financial assets and liabilities

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

(Amounts in thousand)

2.13 Derivative financial instruments and hedging activities

Derivatives are recognized initially at fair value on the date a derivative contract is entered into; attributable transaction cost are recognized in consolidated profit and loss account when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are accounted for as described below:

a) Fair value hedges

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

b) Cash flow hedges

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

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

c) Other non-trading derivatives

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

d) Embedded derivatives

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

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

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

2.14 Inventory of fuel oil

This is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(Amounts in thousand)

2.15 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 consolidated balance sheet date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if any.

2.16 Stock-in-trade

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

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

2.17 Trade debts and other receivables

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

2.18 Cash and cash equivalents

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

2.19 Share capital

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

2.20 Employees' share option scheme

The grant date fair value of equity settled share based payment to employees is initially recognized in the consolidated 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 consolidated profit and loss account, such employee compensation expense is reversed in the consolidated profit and loss account equal to the amortized portion with a corresponding effect to employee share option compensation reserve in the consolidated balance sheet.

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

When options are exercised, employee share option compensation reserve relating to these options is transferred to share capital and share premium account. 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 account.

2.21 Borrowings

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

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

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

2.22 Trade and other payables

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

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

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

2.23 Operating lease

Lease arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases arrangements. Rentals due under operating lease arrangements are recognised in the profit & loss account.

2.24 Provisions

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

(Amounts in thousand)

2.25 Income tax

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

2.25.1 Current

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

2.25.2 Deferred

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

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

2.26 Retirement and other service benefits

2.26.1 Defined contribution plans

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

The Group operates:

- defined contribution provident funds for its permanent employees. Monthly contributions are made both by the Group and employees to the fund at the rate of 10% to 15% of basic salary;
- defined contribution pension funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate ranging from 12.5% to 13.75% of basic salary; and
- defined contribution gratuity funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

(Amounts in thousand)

2.26.2 Defined benefit plans

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

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

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

The Group operates defined benefit funded gratuity schemes for its management employees and non-management employees of Engro Fertilizers Limited (EFert).

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

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

2.26.3 Employees' compensated absences

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

2.26.4 Other benefits - Service Incentive Plan

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

2.27 Foreign currency transactions and translation

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

2.27.2 The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated profit and loss account item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

2.28 Revenue recognition

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

- Sales revenue is recognized when products are dispatched to customers or services are rendered.
- Income on deposits and other financial assets is recognized on accrual basis.
- Commission income is recognized on an accrual basis in accordance with the substance of the relevant agreement.
- Interest income on delayed payment income on overdue trade receivables is recognized on accrual basis.
- service revenue is recognized on the basis of delivery of services.
- Revenue from construction activities, if the outcome of such activity can be reliably measured, is recognized by reference to stage of completion of the activity at year end (the percentage completion method). In applying the percentage completion method, revenue recognized corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.
- Dividend income from investments is recognized when the Group's right to receive the payment has been established.
- Fee from Operations and Management (O&M) projects is recognized on accrual basis under the terms of O&M agreements. Recoveries against reimbursable expenses are adjusted against the related expenses and net amount is recognized in the profit and loss account as other income.
- Revenue from sale of electricity is recognized as follows:
  - Capacity revenue based on the capacity made available to National Transmission and Dispatch Company Limited (NTDC); and
  - Energy revenue based on the Net Electrical Output (NEO) delivered.
- Revenue from consultancy services is recognized at the time the services are rendered.

(Amounts in thousand)

- Revenue from re-gasification and transportation of Liquefied Natural Gas (LNG) to Sui Southern Gas Company Limited (SSGCL) is recognized on the following basis:
  - Capacity and flexibility revenue on the basis of capacity made available to SSGCL.
  - Utilization revenue on the basis of Regasified Liquefied Natural Gas (RLNG) throughput to SSGCL.
- Revenue generated from the provision of LNG carrier services of Floating, Storage and Re-gassification Unit (FSRU) is recognized on accrual basis.

2.29 Borrowing costs

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

2.30 Research and development costs

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

2.31 Government grant

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

2.32 Earnings per share

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

2.33 Transactions with related parties

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

2.34 Dividend and appropriation to reserves

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

2.35 Segment reporting

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

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a) Property, plant and equipment

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

b) Biological assets

The fair values of biological assets – (Dairy livestock) is determined semi-annually by utilizing the services of an independent expert/valuer. These valuations are mainly based on market and livestock conditions existing at the end of each reporting period.

c) Investments at fair value through profit or loss

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

d) Derivatives

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

e) Stock-in-trade

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

f) Income taxes

In making the estimates for income taxes payable by the Group, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

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

(Amounts in thousand)

g) Fair value of employee share options

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 fair values as at the balance sheet date in accordance with the requirements of IFRS 2 'Share based payment' and will be reassessed on the actual grant date. Any change in these assumptions may significantly impact the carrying values of the related asset and reserve in the consolidated balance sheet.

h) Provision for retirement and other service benefits obligations

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

i) Impairment of financial assets

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

j) Construction revenue and cost

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

4. RESTATEMENT OF PRIOR PERIODS

As a result of adoption of International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', by Securities and Exchange Commission of Pakistan (SECP), the Holding Company reassessed the control conclusion of its investment in ECL that although, the Holding Company has less than 50% voting rights in ECL, however, based on the absolute size of the Holding Company's shareholding and the relative size of the other shareholdings, the Holding Company has the ability to exercise control over ECL as per the terms of IFRS 10. Henceforth, Dawood Hercules Corporation Limited is deemed to be the holding company of ECL. This has resulted in change in its accounting policy retrospectively the earliest period presented in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been restated as if it has been the subsidiary from the date when the Group obtained control over ECL. The effects of retrospective application are as follows:

Effect on consolidated balance sheet as of January 1, 2014 and December 31, 2014

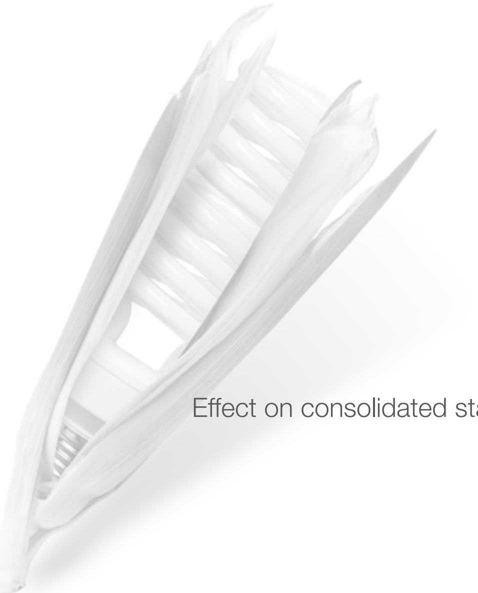
	December 31, 2014			January 1, 2014		
	Balance previously reported	Effect of change in accounting policy	Balance after change in accounting policy	Balance previously reported	Effect of change in accounting policy	Balance after change in accounting policy
	(Rupees in '000)					
ASSETS						
Non-Current Assets						
Property, plant and equipment	1,939,822	134,507,257	136,447,079	2,008,375	131,969,040	133,977,415
Biological assets	-	858,680	858,680	-	716,465	716,465
Intangible assets	3,133	4,796,494	4,799,627	267	5,308,367	5,308,634
Long term investments	36,306,035	(27,695,557)	8,610,478	34,224,346	(26,608,785)	7,615,561
Deferred taxation	-	1,103,153	1,103,153	-	1,502,981	1,502,981
Long term loans, advances and other receivables	-	1,183,224	1,183,224	-	307,435	307,435
Deferred employee compensation expense	-	112,581	112,581	-	168,865	168,865
Current Assets						
Stores, spares and loose tools	728,416	7,547,456	8,275,872	767,782	7,038,623	7,806,405
Deferred taxation	-	960,537	960,537	-	-	-
Stock-in-trade	60,679	11,567,174	11,627,853	72,357	20,699,771	20,772,128
Trade debts	146	4,615,213	4,615,359	39,819	3,033,487	3,073,306
Deferred employee compensation expense	-	90,430	90,430	-	136,153	136,153
Derivative financial instruments	-	-	-	-	130,207	130,207
Loans, advances, deposits and prepayments	32,588	1,708,023	1,740,611	34,839	1,451,026	1,485,865
Other receivables	24,577	5,317,228	5,341,805	36,898	4,995,503	5,032,401
Interest accrued on bank deposits and investments	915	-	915	-	-	-
Taxes recoverable	389,217	3,252,789	3,642,006	235,798	3,086,087	3,321,885
Short term investments	175,000	28,987,084	29,162,084	1,334,515	21,366,091	22,700,606
Cash and bank balances	127,870	12,244,532	12,372,402	142,771	6,899,123	7,041,894
	39,788,398	191,156,298	230,944,696	38,897,767	182,200,439	221,098,206
Assets attributable to discontinued operations	-	-	-	-	980,140	980,140
Total assets	39,788,398	191,156,298	230,944,696	38,897,767	183,180,579	222,078,346

Effect on consolidated balance sheet as of January 1, 2014 and December 31, 2014

	December 31, 2014			January 1, 2014		
	Balance previously reported	Effect of change in accounting policy	Balance after change in accounting policy	Balance previously reported	Effect of change in accounting policy	Balance after change in accounting policy
	(Rupees in '000)					
EQUITY & LIABILITIES						
Equity						
Share capital	4,812,871	-	4,812,871	4,812,871	-	4,812,871
Employee share option compensation reserve	-	152,488	152,488	-	155,240	155,240
Revaluation reserve on business combination	-	24,453	24,453	-	28,251	28,251
Maintenance reserve	-	68,475	68,475	-	81,345	81,345
Exchange revaluation reserve	-	1,919	1,919	-	13,505	13,505
Hedging reserve	-	(55,041)	(55,041)	-	(70,803)	(70,803)
General reserves	700,000	-	700,000	700,000	-	700,000
Unappropriated profit	25,742,455	(3,708,441)	22,034,014	23,247,833	(5,159,246)	18,088,587
Share of income of associates	(4,255)	2,313	(1,942)	11,458	(11,458)	-
Remeasurement of post-employment benefits	-	(21,075)	(21,075)	-	(23,168)	(23,168)
Non-Controlling Interest	-	46,743,143	46,743,143	-	34,651,034	34,651,034
Advance against issuance of shares to Non-Controlling Interest by subsidiary company	-	-	-	-	2,954,829	2,954,829
	31,251,071	43,208,234	74,459,305	28,772,162	32,619,529	61,391,691
Liabilities						
Non-Current Liabilities						
Borrowings	4,195,185	55,379,841	59,575,026	5,005,668	78,321,114	83,326,782
Derivative financial instruments	-	51,103	51,103	-	1,611,258	1,611,258
Deferred taxation	1,358,756	5,444,397	6,803,153	1,182,364	5,381,808	6,564,172
Deferred liabilities	83,416	197,543	280,959	91,071	221,856	312,927
Current Liabilities						
Trade and other payables	1,080,584	53,588,882	54,669,466	891,782	40,205,235	41,097,017
Current portion of						
- borrowings	1,327,530	17,945,494	19,273,024	1,996,130	14,754,508	16,750,638
- deferred liabilities	-	43,338	43,338	-	45,883	45,883
Accrued interest / mark-up	55,845	2,067,680	2,123,525	53,535	2,252,256	2,305,791
Short term borrowings	436,011	11,764,678	12,200,689	905,055	6,380,255	7,285,310
Derivative financial instruments	-	1,465,108	1,465,108	-	1,247,823	1,247,823
Total Liabilities	8,537,327	147,948,064	156,485,391	10,125,605	150,421,996	160,547,601
Liabilities associated with discontinued operations	-	-	-	-	139,054	139,054
	39,788,398	191,156,299	230,944,696	38,897,767	183,041,525	222,078,346

Effect on consolidated profit and loss account for the year ended December 31, 2014

	Balance previously reported	Effect of change in accounting policy	Balance after change in accounting policy
	(Rupees in '000)		
Revenue	3,670,299	175,958,342	179,628,641
Cost of revenue	(3,396,587)	(139,741,638)	(143,138,225)
Gross profit	273,712	36,216,704	36,490,416
Selling and distribution expenses	(106,976)	(10,825,129)	(10,932,105)
Administrative expenses	(613,828)	(3,963,882)	(4,577,710)
Other income	86,148	3,719,042	3,805,190
Other operating expenses	(9,007)	(2,499,562)	(2,508,569)
Operating profit before impairment	(369,951)	22,647,173	22,277,222
Impairment loss	-	(43,295)	(43,295)
Operating profit after impairment	(369,951)	22,603,878	22,233,927
Finance cost	(890,163)	(12,344,159)	(13,234,322)
Share of income from joint venture and associates	3,941,451	(2,073,615)	1,867,836
Gain on dilution of share in associate	720,515	(720,515)	-
Profit before taxation	3,401,852	7,465,589	10,867,441
Taxation	(427,142)	(2,985,586)	(3,412,728)
Profit for the year	2,974,710	4,480,003	7,454,713
	Rupees		
Earnings per share – basic and diluted	6.18	(1.48)	4.70



Effect on consolidated statement of total comprehensive income for the year ended December 31, 2014

	Balance previously reported	Effect of change in accounting policy	Balance after change in accounting policy
	-------------	(Rupees in '000)	-------------
Profit for the year	2,974,710	4,480,003	7,454,713
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss Hedging reserve - cash flow hedges			
Loss arising during the year	-	(1,714,461)	(1,714,461)
Less:			
- Reclassification adjustments for loss included in profit and loss account	-	1,802,791	1,802,791
- Adjustments for amounts transferred to initial carrying amount of hedged items (capital work in progress / stock in trade)	-	34,527	34,527
- Share of other comprehensive income of associate	(17,401)	15,301	(2,100)
- Impact on taxation	1,688	(1,530)	158
Revaluation reserve on business combination	-	(21,318)	(21,318)
Exchange differences on translation of foreign operations	-	(33,339)	(33,339)
Income tax relating to:			
Hedging reserve - cash flow hedges	-	(60,261)	(60,261)
Revaluation reserve on business combination	-	7,035	7,035
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	1,772	4,083	5,855
Income tax relating to remeasurement of post employment benefits obligation	(573)	(2,172)	(2,745)
Deferred tax charge relating to revaluation of equity related items	-	(1,648)	(1,648)
Other comprehensive income for the year, net of tax	(14,514)	29,008	14,494

Effect on consolidated cash flow statement for the year ended December 31, 2014

	Balance previously reported	Effect of change in accounting policy	Balance after change in accounting policy
	-------------	(Rupees in '000)	-------------
Cash flows from operating activities			
Cash generated from operations	177,997	45,510,549	45,688,546
Retirement and other service benefits paid	(32,143)	(119,416)	(151,559)
Financial charges paid	(887,853)	(11,646,148)	(12,534,001)
Taxes paid	(403,054)	(3,708,981)	(4,112,035)
Long term loans and advances - net	-	(875,789)	(875,789)
Net cash generated from operating activities	(1,145,053)	29,160,215	28,015,162
Cash flows from investing activities			
Purchases of property, plant & equipment, intangible assets and biological assets	(146,814)	(9,432,994)	(9,579,808)
Sale proceeds on disposal of property, plant & equipment and biological assets	27,649	371,538	399,187
Sale proceeds from disposal of assets classified as held for sale	1,060,316	-	1,060,316
Investment in associated company	(62,561)	(165,131)	(227,692)
Disposal of subsidiary	-	87,048	87,048
Short term investments made	(500,000)	500,000	-
Proceeds from sale of short term investments	1,876,847	(1,876,847)	-
Investment made during the year - net	-	(25,986,527)	(25,986,527)
Income on deposits / other financial assets	16,278	4,198,803	4,215,081
Proceeds against disposal of investment subsidiary companies	-	2,356,962	2,356,962
Dividends received	1,461,451	240,055	1,701,506
Net cash generated from / (used in) investing activities	3,733,166	(29,707,093)	(25,973,927)
Cash flows from financing activities			
Repayments of borrowings - net	(1,505,083)	(18,295,920)	(19,801,003)
Long term financing obtained	26,000	-	26,000
Proceeds from issuance of shares	-	1,495,080	1,495,080
Proceeds from short term finance	-	4,750,000	4,750,000
Dividends paid	(479,887)	(827,934)	(1,307,821)
Net cash utilised in financing activities	(1,958,970)	(12,878,774)	(14,837,744)
Net increase / (decrease) in cash and cash equivalents	629,143	(13,425,652)	(12,796,509)
Cash and cash equivalents at the beginning of the year	(762,284)	21,914,289	21,152,005
Cash and cash equivalents at the end of the year	(133,141)	8,488,637	8,355,496

Effect on Statement of changes in Equity as at December 31, 2014 and January 1, 2014

	2014			2013		
	Balance previously reported	Effect of change in accounting policy	Balance after change	Balance previously reported	Effect of change in accounting policy	Balance after change
	(Rupees in '000)			(Rupees in '000)		
Equity						
Paid up Capital	4,812,871	-	4,812,871	4,812,871	-	4,812,871
General reserves	700,000	-	700,000	700,000	-	700,000
Employee share option compensation reserve	-	152,488	152,488	-	155,240	155,240
Revaluation reserve on business combination	-	24,453	24,453	-	28,251	28,251
Maintenance reserve	-	68,475	68,475	-	81,345	81,345
Exchange revaluation reserve	-	1,919	1,919	-	13,505	13,505
Hedging reserve	-	(55,041)	(55,041)	-	(70,803)	(70,803)
Unappropriated profit	25,742,455	(3,708,441)	22,034,014	23,247,833	(5,159,246)	18,088,587
Share of income of associates	(4,255)	2,313	(1,942)	11,458	(11,458)	-
Remeasurement of post-employment benefits	-	(21,075)	(21,075)	-	(23,168)	(23,168)
Non-Controlling Interest	-	46,743,143	46,743,143	-	34,651,034	34,651,034
Advance against issuance of shares to Non-Controlling Interest by subsidiary company	-	-	-	-	2,954,829	2,954,829

5. PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	-------Rupees in '000-------	
Operating assets, at net book value (note 5.1)	123,743,680	124,509,267
Capital work in progress - Expansion and other projects (note 5.5)	3,708,782	10,035,603
Capital spares and standby equipments	1,082,062	1,902,209
	128,534,524	136,447,079

Notes to the consolidated financial statements

For the year ended December 31, 2015

(Amounts for 2014 restated)

5.1 Operating assets

	Land		Building		Lease hold improvement	Pipelines	Plant and machinery		Catalyst	Furniture fixture and equipments		Vehicles		Data processing equipment	Jetty	Capital dredging	Total
	Freehold	Leasehold	Freehold	Leasehold			Owned	Leased		Owned	Leased	Owned	Leased				
	(Rupees in '000)																
As at January 1, 2014																	
Cost	700,593	614,641	7,958,337	1,759,295	-	2,191,668	145,747,327	12,741	2,086,452	1,693,802	21,723	1,706,733	39,810	60,188	-	-	164,593,310
Accumulated depreciation	-	(95,458)	(1,634,784)	(450,343)	-	(401,530)	(32,068,187)	(12,741)	(1,451,063)	(1,092,241)	(21,002)	(861,324)	(39,810)	(54,517)	-	-	(38,183,000)
Accumulated impairment	-	-	-	-	-	-	(97,949)	-	-	-	-	(5,422)	-	-	-	-	(103,371)
Net book value	700,593	519,183	6,323,553	1,308,952	-	1,790,138	113,581,191	-	635,389	601,561	721	839,987	-	5,671	-	-	126,306,939
Year ended December 31, 2014																	
Opening net book value	700,593	519,183	6,323,553	1,308,952	-	1,790,138	113,581,191	-	635,389	601,561	721	839,987	-	5,671	-	-	126,306,939
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.5)	5,469	-	1,142,529	71,927	10,406	708,137	5,663,840	-	176,997	255,612	-	230,726	-	7,540	-	-	8,273,183
Capitalization of exchange gain by Subsidiary Company (note 5.1.2)	-	-	-	-	-	-	(500,137)	-	-	(362)	-	-	-	-	-	-	(500,499)
Adjustments / reclassifications																	
Cost	2,488	-	-	-	-	-	(32,581)	-	-	352	-	-	-	-	-	-	(29,741)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,488	-	-	-	-	-	(32,581)	-	-	352	-	-	-	-	-	-	(29,741)
Adjustments																	-
Disposals / Write offs (note 5.4)																	
Cost	-	-	(8,676)	(2,609)	-	-	(591,327)	-	-	(56,410)	-	(348,481)	(1,364)	(3,212)	-	-	(1,012,079)
Accumulated depreciation	-	-	6,683	2,543	-	-	201,648	-	-	52,104	-	231,672	1,364	2,717	-	-	498,731
Accumulated impairment	-	-	-	-	-	-	75,753	-	-	-	-	5,422	-	-	-	-	81,175
	-	-	(1,993)	(66)	-	-	(313,926)	-	-	(4,306)	-	(111,387)	-	(495)	-	-	(432,173)
Depreciation charge (note 5.2)	-	(10,209)	(425,226)	(80,884)	(88)	(92,108)	(7,730,372)	-	(221,920)	(223,654)	-	(242,708)	-	(3,192)	-	-	(9,030,361)
Impairment (note 5.3)	-	-	(7,001)	-	-	-	(36,294)	-	-	-	-	-	-	-	-	-	(43,295)
Impairment charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-	-	-	(780)	-	-	-	-	-	-	- (780)
Net book value	708,550	506,402	7,031,862	1,298,789	10,318	2,409,522	110,598,072	-	590,466	628,423	721	716,618	-	9,524	-	-	124,509,267
As at December 31, 2014																	
Cost	708,550	612,069	9,092,190	1,827,473	10,406	2,903,160	150,253,473	12,741	2,263,449	1,892,214	21,723	1,588,978	38,446	64,516	-	-	171,289,388
Accumulated depreciation	-	(105,667)	(2,053,327)	(528,684)	(88)	(493,638)	(39,596,911)	(12,741)	(1,672,983)	(1,263,791)	(21,002)	(872,360)	(38,446)	(54,992)	-	-	(46,714,630)
Accumulated impairment	-	-	(7,001)	-	-	-	(58,490)	-	-	-	-	-	-	-	-	-	(65,491)
	708,550	506,402	7,031,862	1,298,789	10,318	2,409,522	110,598,072	-	590,466	628,423	721	716,618	-	9,524	-	-	124,509,267

Notes to the consolidated financial statements

For the year ended December 31, 2015

(Amounts for 2014 restated)

5.1 Operating assets - continued

	Land		Building		Lease hold improvement	Pipelines	Plant and machinery		Catalyst	Furniture fixture and equipments		Vehicles		Data processing equipment	Jetty	Capital dredging	Total
	Freehold	Leasehold	Freehold	Leasehold			Owned	Leased		Owned	Leased	Owned	Leased				
	(Rupees in '000)																
Year ended December 31, 2015																	
Opening net book value	708,550	506,402	7,031,862	1,298,789	10,318	2,409,522	110,598,072	-	590,466	628,423	721	716,618	-	9,524	-	-	124,509,267
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.5)	1,108	141,295	184,450	5,549	11,298	-	4,654,344	-	-	325,419		232,171	-	10,847	5,304,592	2,638,673	13,509,746
Capitalization of exchange loss by Subsidiary Company (note 5.1.2)	-	-	-	-	-	-	364,019	-	-	-	-	-	-	-	-	-	364,019
Adjustments / reclassifications																	
Cost	2,488	-	-	-	-	-	(79,606)	-	-	352	-	-	-	-	-	-	(76,766)
Accumulated depreciation	-	-	-	-	-	-	5,727	-	-	-	-	-	-	-	-	-	5,727
	2,488	-	-	-		-	(73,879)	-	-	352	-	-	-		-	-	(71,039)
Disposals / Write offs (note 5.4)																	
Cost	-	-	(13,948)	-	-	-	(126,561)	-	-	(78,529)	-	(283,291)	(46)	(113)	-	-	(502,488)
Accumulated depreciation	-	-	6,493	-	-	-	37,899	-	-	52,815	-	193,876	46	33	-	-	291,162
Accumulated impairment	-	-	7,001	-	-	-	1,736	-	-	-	-	-	-	-	-	-	8,737
	-	-	(454)	-	-	-	(86,926)	-	-	(25,714)	-	(89,415)	-	(80)	-	-	(202,589)
Depreciation charge (note 5.2)	-	(15,217)	(445,542)	(81,069)	(1,135)	(97,109)	(7,863,140)	-	(217,597)	(279,314)	-	(222,692)	-	(5,249)	(174,568)	(146,593)	(9,549,225)
Impairment loss (note 5.3)	-	(134,921)		(642,779)	-	-	(2,513,546)	-	-	(88,342)	-	(915)	-	-	-	-	(3,380,503)
Discontinued Operations (note 20)	-	(227,941)	-	(11,498)	-	-	(1,045,836)	-	(93,280)	(9,723)	-	(9,883)	-	(3,829)	-	-	(1,401,990)
Net book value	712,146	267,046	6,770,316	567,852	20,481	2,315,768	103,999,459	-	279,589	551,101	721	625,884	-	11,213	5,130,024	2,492,080	123,743,680
As at December 31, 2015																	
Cost	712,146	522,851	9,262,692	1,727,355	21,704	2,906,515	151,302,227	12,741	1,960,174	2,080,433	21,723	1,449,154	38,400	25,944	5,304,592	2,638,673	179,987,324
Accumulated depreciation	-	(120,884)	(2,492,376)	(516,724)	(1,223)	(590,747)	(44,732,468)	(12,741)	(1,680,585)	(1,440,990)	(21,002)	(822,355)	(38,400)	(14,731)	(174,568)	(146,593)	(52,806,387)
Accumulated impairment	-	(134,921)	-	(642,779)		-	(2,570,300)	-	-	(88,342)	-	(915)	-	-	-	-	(3,437,257)
Net book value	712,146	267,046	6,770,316	567,852	20,481	2,315,768	103,999,459	-	279,589	551,101	721	625,884	-	11,213	5,130,024	2,492,080	123,743,680
Annual rate of depreciation (%)	-	2 to 5	2.5 to 33	2.5 to 10	10	5	2.5 to 25	20	No. of production days	5 to 33	20	5 to 25	25	33.33 to 50	6.67	6.67	

(Amounts in thousand)
(Amounts for 2014 restated)

5.1.1 Includes following assets held by third parties :

- equipment costing Rs 234,492 (2014: Rs 230,600) having net book value of Rs 107,243 (2014: Rs 123,043) mounted on transport contractors' vehicles;
- freezers and trikes held by third parties costing Rs 1,038,496 (2014: Rs 923,434) having a net book value of Rs 380,767 (2014: Rs 393,272); and
- computer equipments managed by a third party for disaster recovery costing Rs 31,526 (2014: Rs 31,526) having a net book value of Rs 2,390 (2014: Rs 4,647).

5.1.2 Represents exchange loss capitalized amounting to Rs 364,019 (2014: exchange gain of Rs 500,137) pertaining to Engro Powergen Qadirpur Limited and includes currency translation effect of Nil (2014: Rs 362) pertaining to Engro Foods Limited.

	2015	2014
	--------------Rupees--------------	
5.2 Depreciation charge for the year has been allocated as follows:		
Cost of goods sold (note 31.1)	8,757,422	8,679,851
Cost of services rendered (note 31.2)	417,336	-
Selling and distribution expenses (note 32)	236,526	229,218
Administrative expenses (note 33)	137,941	121,292
	9,549,225	9,030,361

5.3 Impairment loss

The management taking cognizance of the significant losses suffered by Engro Eximp Agriproducts (Private) Limited (EEAPL), a wholly owned subsidiary company, as an indicator of impairment, has conducted an impairment test of its Rice Processing Plant (RPP). The recoverable amount so determined is less than the carrying value of the RPP, thereby resulting in an impairment loss of Rs 3,384,030 which has been recognized in the profit and loss account.

The recoverable amount of Rs 1,076,743 as at December 31, 2015 (including property, plant & equipment and stores and spares) was determined on the basis of value in use, discounted using a pre-tax risk adjusted weighted average cost of capital of 13.67%. In this assessment key assumptions relating to plant recovery rates, primary margins, fixed and conversion costs etc. have been based on past performance of EEAPL while paddy purchase price and selling price of rice including brands were estimated on management's expectation of market development. Further, volume of paddy procurement and utilization plant capacity is based on management's approved Corporate Plan.

Further Engro Powergen Qadirpur Limited (EPQL), a subsidiary company, has filed an insurance claim alongwith supporting documents, with the insurance company, which is in the approval stage as at December 31, 2015 which represents net book value of machinery and equipment, identified as damaged in major inspection activity carried out during the year. Accordingly, as the outcome of insurance claim is not virtually certain, an impairment loss has been recognized against these damaged assets amounting to Rs 47,335.

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	--------------Rupees--------------	
Impairment loss for the year has been allocated as follows:		
Operating assets (note 5.1)	3,380,503	43,295
Stores and spares (note 12)	73,681	-
	3,454,184	43,295

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		---------------------------- Rupees ----------------------------			
Plant and machinery					
Sold to Third Party under					
Company Policy	Arriza Group	834	172	662	15
	Arriza Group	583	85	498	30
	M/s Shafiq	298	52	246	27
	Ambala Sweets	137	27	110	50
	M/s Shafiq	126	34	92	10
Sale through bid	Mehboob Brothers	234	103	131	67
Insurance claims	Adamjee Insurance Co. Limited	100,409	18,559	81,850	86,250
Items having net book value					
upto Rs 50 each	-	20,037	16,700	3,337	5,196
"	Written-off	3,903	3,903	-	-
		126,561	39,635	86,926	91,645
Building and civil works					
Items having net book value					
upto Rs 50 each	-	800	767	33	30
"	Written-off	13,148	12,727	421	-
		13,948	13,494	454	30
Data processing equipment					
Sold to Third Party under					
Company Policy	Hasan Reza Ur Rahim	113	38	75	75

(Amounts in thousand)
(Amounts for 2014 restated)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		----------	---------- Rupees	----------	----------
Furniture, fixture and equipment					
Insurance claims	Adamjee Insurance Company Limited	125	79	46	70
	"	244	77	167	106
	EFU General Insurance Limited	130	36	94	94
	"	274	66	208	191
	"	197	32	165	165
Sale through bid	Ali Azfar Mahmood	308	72	236	275
	Auction Mart	1,992	1,296	696	48
	AS Cushion maker	416	109	307	38
	Regency Enterprises	152	73	79	17
	Daniyal Traders	85	23	62	32
	Regency Enterprises	74	20	54	21
	Akram Bardana	13,512	7,588	5,924	7,461
	Qadeem Khan	20,289	11,394	8,895	9,910
	Shaikh Nadeem & Brothers	1,733	974	759	956
	Fazzal Qayyum	6,775	3,805	2,970	3,740
By Company policy to existing / existing / resigned / retired executives	Arshaduddin Ahmed	283	44	239	239
	Aliuddin Ansari	3,339	3,339	-	-
Transfer of employee under Group's policy	Engro Vopak Terminal Limited	1,519	96	1,423	1,423
Items having net book value upto Rs 50 each	-	20,741	17,480	3,261	826
"	Written-off	6,341	6,212	129	-
		78,529	52,815	25,714	25,612
Balance carried forward		219,151	105,982	113,169	117,362

(Amounts in thousand)
(Amounts for 2014 restated)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		---- Rupees ----			
Balance brought forward		219,151	105,982	113,169	117,362
Vehicles					
By Company policy to existing / resigned / retired executives	Naila Kassim	1,401	1,051	350	743
	Muneeza Iftikhar	1,487	1,007	480	484
	Andalib Alvi	7,929	5,947	1,982	1,988
	Asghar Ali Khan	2,058	1,061	997	2,058
	Asim Rasheed Qureshi	1,560	829	731	731
	Azhar Ali Malik	1,965	1,474	491	491
	Bilal Ali Shah	1,461	1,096	365	365
	Dr. Zaheer Ahmad	1,490	955	535	570
	Farooq Nazim Shah	1,960	1,470	490	490
	Kasihif Rahim	1,510	1,133	377	378
	M. Asif Sultan Tajik	7,600	5,700	1,900	1,900
	Majid Latif	1,965	1,474	491	491
	Muhammad Isamil	1,510	1,133	377	378
	Muhammad Mushfiq Hussain	1,461	1,096	365	365
	Nasir Iqbal	2,176	1,338	838	838
	Nazir Jamali	1,490	1,118	372	373
	S. Attaullah Shah Bokhari	1,510	1,133	377	378
	Tassawar Ali	1,500	1,057	443	443
	Khurram Mahmood	1,648	901	747	704
	Asad Meer	1,495	794	701	770
	Imran Ahmed Shaikh	1,669	1,033	636	796
	Nida Mohsin	1,534	920	614	954
	Tahir Madad	1,495	925	570	947
	Owais Ur Rehman	1,485	916	569	945
	Ahmed Ali Mirza	1,646	1,101	545	717
	Kashif Ahmed Soomro	2,020	1,486	534	505
	Shabbir Hussain	1,499	978	521	861
	Fakhra Ashraf	1,495	1,009	486	832
	Atif Sultan Ali Khan	1,394	915	479	497
	Muhammad Faridoon	1,555	1,078	477	1,061
	Muhammad Iqbal	1,399	940	459	583
	Malik Liaquat Ali	1,699	1,242	457	849
	Omair Zahir Nagi	1,943	1,531	412	412
	Tariq Hafeez Gill	1,608	1,206	402	617
	Adeel Ahmed Khan	1,495	1,121	374	494
	Sadaf Zahra Naqvi	1,482	1,110	372	490
	Yousuf Kamal	676	317	359	381
	Atif Muhammad Ali	1,394	1,046	348	349
	Shakir Jamsa	1,374	1,031	343	344
	Shakil Ahmed	676	342	334	352
	Imran Ali	1,495	1,173	322	552
	Jawad Noor	1,495	1,201	294	762

(Amounts in thousand)
(Amounts for 2014 restated)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		----------	Rupees	----------	
	Ahmed Kamal Randhawa	1,424	1,148	276	496
	Rehan Saeed Khan	1,399	1,145	254	350
	Shameel Qasim	612	379	233	242
	Ghulam Hussain	1,466	1,319	147	293
	Sajjad Hussain	1,367	1,230	137	273
	Faheem Ahmed	581	464	117	116
	Raja Wasif	577	462	115	115
	Abdul Salam Khan	574	459	115	115
	Farooq Mahmood	557	445	112	111
	Asghar Anjum	557	445	112	111
	Salman Mazhar	554	443	111	111
	Imran Bashir	577	470	107	115
	Rizwan Ahmed	586	482	104	117
	M.Sohail Khan	574	484	90	233
	Ayaz Qamar Cheema	665	599	66	133
	Dawar Iqbal	665	599	66	133
	Usman Akram	554	499	55	111
	Sohail Khan	537	483	54	107
	Faryal Mohiuddin	537	483	54	107
	Ahsan iqbal	1,629	733	896	1,128
	Ali Atta	2,438	983	1,455	1,832
	Ahsan Zafar Syed	8,000	6,000	2,000	2,519
	Akram Umar Khan	7,049	4,582	2,467	3,610
	Abdul Qayuum Sheikh	1,920	1,380	540	480
	Syed Kaleem Asghar Naqvi	1,920	1,380	540	480
	Adeeb Ahmed Malik	1,960	1,378	582	490
	Farhan Ansari	1,930	1,387	543	483
	M.Ali Ansari	1,930	1,417	513	483
	Arshaduddin Ahmed	8,000	3,750	4,250	3,877
	S.M Farooq Ahmed	1,399	940	459	350
	Muneeza Kassim	1,965	1,351	614	492
	Usama H. Siddiqui	1,447	904	543	475
	Aneeq Ahmed	1,648	747	901	824
	Syed Nayyar Iqbal Raza	1,950	1,341	609	488
	Rizwan Ahmed Taqi	1,386	975	411	347
	Jahanzeb Dal	1,825	1,369	456	356
	Hasnain Mahmood Ali	1,269	952	317	317
	Syed Muhammad Ali	1,424	1,024	400	356
	Mohsin Mumtaz	1,448	1,040	408	359
	Fraz Nasir Khan	1,113	398	715	717
	M. Ovais Aziz	1,535	1,156	379	379
	Muhammad Saqib	2,099	1,237	862	861
	Syed Mohammed Ali	8,645	5,753	2,892	2,892
Sale through bid / auction	Nusrat Iqbal	1,769	1,592	177	1,120
	Imran Malik	9,075	8,167	908	5,556

(Amounts in thousand)
(Amounts for 2014 restated)

Description and method of disposal	Sold to	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds
		----------------------------	Rupees	----------------------------	
	Iqra University	10,833	7,312	3,521	7,500
	Chahudary Ansar Jawed	10,116	8,725	1,391	7,026
	Abdul Moeed Asif	666	599	67	538
	Amir Jan	879	791	88	721
	Hassan Ali Warsi	900	675	225	723
	Khalid Anwar	530	477	53	381
	M/S U & H Textile	1,439	1,079	360	1,085
	M/S U & H Textile	588	529	59	495
	Mohammad Jawed	555	500	55	368
	Muhammad Akbar Awan	900	675	225	563
	Muhmmad Imran	530	477	53	412
	Nusrat Iqbal	1,319	1,187	132	794
	Rana Abdus Samad	530	477	53	427
	Said Faqeer	605	545	60	476
	Salman	605	545	60	356
	Syed Zafar Akhtar Naqvi	666	599	67	479
	Umair Iqbal	12,100	3,592	8,508	6,371
	Heera	1,629	1,302	327	583
	Muhammad Imran	1,569	1,324	245	1,084
	Muhammad Saleem	1,478	807	671	1,000
	Kousar Ali	1,337	850	487	670
	Waqar Ahmed Khan	665	533	132	339
	Muhammad Asif	666	533	133	203
	Muhammad Imran	1,485	1,195	290	990
	Syed Amir Ali	665	532	133	286
	Muhammad Saleem	879	660	219	841
	Ibrar Hussain	1,289	1,160	129	830
	Nazar Wali	934	841	93	394
	Shafi ur Rehman	626	563	63	473
	Zeeshan Abdullah	915	839	76	916
		445,889	264,267	181,623	218,584
By Company policy to existing / separating executives having net book value of less than Rs 50		15,631	11,379	4,252	1,703
Transfer of employee under Group's policy	Engro Vopak Terminal Limited	12,851	1,205	11,646	11,646
Insurance claims	Adamjee Insurance Company Limited	3,951	1,262	2,689	3,175
	AIG Insurance Limited	2,104	1,380	724	1,850
Items having net book value upto Rs 50 each	-	22,016	20,360	1,656	14,122
	Written-off	46	46	-	-
		56,599	35,632	20,967	32,496
Year ended December 31, 2015		502,488	299,899	202,590	251,080
Year ended December 31, 2014		1,012,079	(579,906)	432,173	185,478

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	--------------Rupees--------------	
5.5 Capital work in progress		
Plant and machinery	3,136,563	8,273,841
Building and civil works including pipelines	289,202	223,712
Furniture, fixture and equipment	67,108	40,144
Advances to suppliers	137,838	91,988
Other ancillary cost	65,071	1,256,862
Fabrication and installation	-	11,140
Steam turbine for plant and machinery	-	131,810
Others	-	6,106
Vehicles	13,000	-
	3,708,782	10,035,603
Balance as at January 1	10,035,603	5,956,237
Additions during the year	6,556,268	12,430,519
Transferred to:		
- operating assets (note 5.1)	(12,652,662)	(8,100,419)
- intangible assets (note 7)	(79,683)	(80,112)
- capital spares	-	(170,622)
- discontinued operations (note 20)	(150,744)	-
Balance as at December 31	3,708,782	10,035,603

6. BIOLOGICAL ASSETS

	2015	2014
		-
Dairy livestock (note 6.1)		
- mature	606,622	484,685
- immature	427,473	382,752
	1,034,095	867,437
Provision for culling (notes 6.2 and 35)	(24,748)	(22,314)
	1,009,347	845,123
Crops - feed stock	14,904	13,557
	1,024,251	858,680

(Amounts in thousand)

		2015	2014
		--------------Rupees--------------	
6.1	Reconciliation of carrying amounts of livestock		
	Carrying amount at beginning of the year	845,123	704,228
	Add:		
	Changes in fair value due to biological transformation		
	- Gain due to new births [inclusive of cost of feeding immature herd of Rs 168,657 (2014: Rs 156,445)]	250,179	224,817
	- Loss due to increase in age of livestock	(14,244)	(10,245)
		235,935	214,572
	Changes in fair value due to price changes		
	- Gain / (loss) due to currency devaluation / appreciation	36,287	(37,403)
	- (Loss) / gain due to (decrease) / increase in international market prices	(28,619)	68,337
		7,668	30,934
	Total gain (note 34)	243,603	245,506
	Less:		
	Decrease due to deaths / disposals	(54,631)	(82,297)
	Provision for culling (note 6.2)	(24,748)	(22,314)
	Carrying amount at end of the year, which approximates the fair value	1,009,347	845,123

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

6.3 As at December 31, 2015, the Group held 2,739 (2014: 2,206) mature assets able to produce milk and 2,129 (2014: 1,998) immature assets that are being raised to produce milk in the future. During the year, approximately 12,809,590 (2014: 12,084,302) gross litres of milk was produced from these biological assets with a fair value less estimated point-of-sale costs of Rs 782,234 (2014: Rs 734,120), determined at the time of milking. As at December 31, 2015, the Group also held 561 (2014: 522) immature male calves.

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

(Amounts in thousand)
(Amounts for 2014 restated)

7. INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilization	Brands	Goodwill (note 7.2)	Total
	------------------------------Rupees------------------------------				
As at January 1, 2014					
Cost	671,432	102,312	431,731	4,550,774	5,756,249
Accumulated amortization and impairment	(431,825)	(14,568)	-	(1,222)	(447,615)
Net book value	239,607	87,744	431,731	4,549,552	5,308,634
Year ended December 31, 2014					
Opening net book value	239,607	87,744	431,731	4,549,552	5,308,634
Additions including transfers (note 5.5)	83,835	-	-	-	83,835
Disposals					
Cost	-	-	(431,731)	(50,373)	(482,104)
Accumulated amortization and impairment	-	-	-	1,222	1,222
	-	-	(431,731)	(49,151)	(480,882)
Amortization charge (note 7.1)	(106,849)	(5,111)	-	-	(111,960)
Closing net book value	216,593	82,633	-	4,500,401	4,799,627
As at January 1, 2015					
Cost	755,267	102,312	-	4,500,401	5,357,980
Accumulated amortization and impairment	(538,674)	(19,679)	-	-	(558,353)
Net book value	216,593	82,633	-	4,500,401	4,799,627
Year ended December 31, 2015					
Opening net book value	216,593	82,633	-	4,500,401	4,799,627
Additions including transfers (note 5.5)	79,683	-	-	-	79,683
Write off					
Cost	(7,712)	-	-	-	(7,712)
Accumulated amortization and impairment	7,712	-	-	-	7,712
	-	-	-	-	-
Amortization charge (note 7.1)	(94,573)	(5,110)	-	-	(99,683)
Discontinued operations (note 20)	(2,379)	-	-	-	(2,379)
Closing net book value	199,324	77,523	-	4,500,401	4,777,248
As at December 31, 2015					
Cost	824,859	102,312	-	4,500,401	5,427,572
Accumulated amortization and impairment	(625,535)	(24,789)	-	-	(650,324)
Net book value	199,324	77,523	-	4,500,401	4,777,248

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	---------Rupees---------	
7.1 Amortization charge for the year has been allocated as follows:		
Cost of goods sold (note 31.1)	27,138	39,945
Selling and distribution expenses (note 32)	960	160
Administrative expenses (note 33)	71,585	71,855
	99,683	111,960

7.2 This includes goodwill arisen upon acquisition of control of ECL mainly on account of expected synergies, efficient business management, high standards of policies, compliances with relevant regulatory framework and integrity, experience and other strength of the work force and management. Accordingly, the goodwill recognized represents the excess of the fair value of the previously held equity interest over the proportionate share acquired in identifiable net assets at the date when the control as per IFRS 10 has been deemed to commence in 2005.

	2015	2014
	---------Rupees---------	
8. LONG TERM INVESTMENTS		
Quoted		
Investment in associates (notes 8.1 to 8.5)		
- The Hub Power Company Limited (HUBCO)	6,382,752	5,643,701
Unquoted		
Joint venture company - Engro Vopak Terminal Limited (EVTL) (notes 8.6 to 8.9)	1,411,394	1,411,957
Investment in associates (notes 8.10 to 8.11)		
- GEL Utility Limited (GEL)	763,270	535,945
- Sindh Engro Coal Mining Company (SECMC)	793,873	782,255
	1,557,143	1,318,200
Others, at cost		
- Arabian Sea Country Club Limited 500,000 Ordinary shares of Rs 10 each	5,000	5,000
- e2e Business Enterprises (Private) Limited (notes 8.12)	95,713	231,620
- Magboro Power Company (notes 1.6.1.2)	146,637	-
	9,598,639	8,610,478

	2015	2014
	--------------Rupees--------------	
8.1 Details of investment in HUBCO is as follows:		
At beginning of the year	5,643,701	5,566,420
Add: Share of profit for the year	1,610,234	1,150,887
Less: Share of other comprehensive income	1,435	2,100
Add: Shares purchased from Patek (Private) Limited (note 8.2)	731,698	-
Add: Transaction cost	7,143	-
Less: Dividend received during the year	1,608,589	1,071,506
	6,382,752	5,643,701

8.2 Shareholders of the Holding Company in the Annual General Meeting held on April 24, 2015 authorised the purchase of these shares from Patek (Private) Limited. The purchase transaction was executed on May 21, 2015 at the market value of Rs 94.50 per share prevailing on that date through the Negotiated Deal Market mechanism of the Pakistan Stock Exchange (formerly Karachi Stock Exchange Limited).

8.3 The Holding Company has 14.91% (2014: 14.25%) of the voting power in the Hub Power Company Limited (HUBCO) by virtue of its shareholding (2014: 3.43% direct and 10.82% indirect shareholding via DHFL (former subsidiary)). Due to the representation of the Holding Company's nominees on the Board of Directors of HUBCO, the Holding Company has significant influence over HUBCO.

8.4 The market value of investment in HUBCO as at December 31, 2015 was Rs 17,706,913 (2014: Rs 3,111,441).

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

Bank	As at December 31, 2015			As at December 31, 2014		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
	(in '000)	--------(Rupees --------		(in '000)	--------(Rupees --------	
Pledged against financing facilities availed by the Holding Company						
Long term:						
Allied Bank Limited	82,570	825,700	8,471,682	12,581	125,810	985,847
Short term:						
Bank AL Habib Limited	31,256	312,560	3,206,866	13,500	135,000	1,057,860
United Bank Limied	15,656	156,560	1,606,306	10,000	100,000	783,600

	2015	2014
	--------------Rupees--------------	
8.6 Details of investment in EVTL is as follows:		
At beginning of the year	1,411,957	1,332,595
Add: Share of profit for the year (note 37)	786,937	709,362
Less: Dividend received during the year	787,500	630,000
	1,411,394	1,411,957

(Amounts in thousand)
(Amounts for 2014 restated)

8.7 As at December 31, 2015, ECL held 45,000,000 ordinary shares (2014: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed & paid-up capital of EVTL.

8.8 The summary of financial information of EVTL as of December 31 is as follows:

Balance Sheet		
Particulars	2015	2014
	-------------Rupees-------------	
Cash and cash equivalent	270,960	182,921
Current financial liabilties (excluding trade and other payables)	247,957	317,102
Non-current financial liabilities (excluding trade and other payables)	-	236,547
Non-current assets	2,876,880	3,063,724
Current assets	673,134	678,483
Non-current liabilities	(5,547)	(240,155)
Current liabilities	(686,883)	(643,342)
	2,857,584	2,858,710
Group's share at 50% (2014: 50%)	1,428,792	1,429,355
Others	(17,398)	(17,398)
Carrying amount	1,411,394	1,411,957

Profit and Loss		
Particulars	2015	2014
	-------------Rupees-------------	
Revenue	2,598,949	2,168,111
Depreciation and amortization	224,275	231,312
Interest income	19,515	27,626
Interest expense	11,021	17,241
Income tax expense	246,203	171,471
Profit / total comprehensive income for the year	1,573,873	1,418,724

8.9 Details of investment in associates is as follows:

	2015	2014
	--------------Rupees--------------	
At beginning of the year	1,318,200	536,400
Add:		
- Investment in associates - SECMC	-	639,023
- Share of profit for the year (note 37)	232,008	13,674
- Gain on deemed disposal in SECMC (note 34)	6,935	129,103
	1,557,143	1,318,200

8.10 The summary of financial information of HUBCO is as of September 30 whereas for GEL and SECMC are as of December 31 is as follows:

Particulars	HUBCO	GEL	SECMC
	-------------------------	Rupees	-------------------------
Revenue	118,048,820	1,969,373	19,320
Profit after tax	12,296,510	505,167	21,913
Other comprehensive income	(10,066)	-	202
Total comprehensive income	12,286,444	505,167	22,115
Non-current assets	59,394,810	7,277,132	3,567,985
Current assets	85,219,105	1,535,505	712,624
Non-current liabilities	(29,627,563)	(6,435,648)	(100,362)
Current liabilities	(75,448,148)	(916,040)	(179,881)
	39,538,204	1,460,949	4,000,366
Group's share in %	14.91%	45%	19.8%
Group share	5,895,146	657,427	792,072
Others	487,606	105,843	1,801
Carrying amount	6,382,752	763,270	793,873

(Amounts in thousand)
(Amounts for 2014 restated)

8.11 The financial information of GEL is based on unaudited financial statements for the year ended December 31, 2015.

	2015	2014
	--------------Rupees--------------	
8.12 e2e Business Enterprises (Private) Limited		
At beginning of the year	231,620	175,146
Add: Ordinary shares received during the year	-	62,561
Less: Share of loss for the year	(20,960)	(6,087)
Less: Disposal of shares	(107,286)	-
Less: Impairment loss	(7,661)	-
	95,713	231,620

8.13 During the year, the Holding Company disposed of these shares representing 19.86% of the total share capital of e2e Business Enterprises (Private) Limited (e2eBE). Shareholding of the Holding Company now stands at 19.14% (2014: 39%) of the total e2eBE share capital.

8.14 Further, the Holding Company has assessed the carrying amount of remaining investment in accordance with the requirements of IAS 36 'Impairment of Assets' and recorded an impairment loss of Rs 7,661 representing difference between the carrying amount of investment and break up value of Holding Company's share of net assets based on unaudited financial position of e2eBE as at September 30, 2015.

9. DEFERRED TAXATION

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
	----------- Rupees -----------			
DH Fertilizers Limited	-	-	-	236,256
Engro Corporation Limited	1,124	-	84,450	-
Engro Fertilizers Limited	-	6,419,916	-	5,149,666
Engro Foods Limited	-	1,816,289	-	1,185,717
Engro Eximp (Private) Limited	73,472	-	1,013,120	-
Engro Polymer and Chemicals Limited	908,103	-	966,120	-
Engro Elengy Terminal (Private) Limited	-	219,748	-	-
Net effect of consolidation adjustments	-	240,248	-	231,514
	982,699	8,696,201	2,063,690	6,803,153
Less: Current portion shown under current assets	-	-	960,537	-
	982,699	8,696,201	1,103,153	6,803,153

(Amounts in thousand)

	2015	2014
	----Rupees----	
9.1 Credit / (Debit) balances arising on account of:		
- Accelerated depreciation allowance	18,686,280	21,795,473
- Recoupable carried forward tax losses (note 9.2)	(4,433,352)	(12,701,600)
- Recoupable minimum turnover tax (note 9.3)	(2,517,145)	(2,295,233)
- Unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	(101,804)	(98,002)
- Provision for Gas Infrastructure Development Cess, Custom duty and Special Excise Duty	(325,412)	(314,747)
- Provision for net realizable value of stock-in-trade	(14,312)	(251,392)
- Recoupable Alternative Corporate Tax (note 9.4)	(3,962,572)	(1,424,152)
- Others	381,818	29,116
	7,713,501	4,739,463

9.2 Deferred income tax asset is recognized for tax losses available for carry forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The details of aggregate tax losses available for carry forward on which the deferred income tax asset has been recognized as at December 31, 2015 are as follows:

	2015	2014
	----Rupees----	
- Engro Fertilizers Limited	3,051,556	23,121,488
- Engro Polymer and Chemicals Limited	11,415,228	10,994,246
- Engro Eximp (Private) Limited	100,894	4,316,070
- Engro Foods Limited	-	57,894
	14,567,678	38,489,698

9.3 The High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Group's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court which the Group intends to approach, if required. Accordingly, the following subsidiary companies continue to carry forward minimum turnover tax not yet recouped or written-off:

	2015	2014
	----Rupees----	
Engro Corporation Limited	-	27,681
Engro Foods Limited	-	811,049
Engro Fertilizers Limited	2,491,715	1,276,725
Engro Polymer and Chemicals Limited	-	154,348
Engro Eximp (Private) Limited	25,430	25,430
	2,517,145	2,295,233

(Amounts in thousand)

9.4 Through Finance Act 2014, a new section 113C 'Alternative Corporate Tax' (ACT) has been introduced in the Income Tax Ordinance, 2001, whereby tax is payable at the higher of Corporate tax or ACT; being 17% of the accounting income adjustable upto 10 years. Accordingly, ACT on which deferred income tax has been recognized as at December 31, 2015 amounts to:

	2015	2014
	---Rupees---	
Engro Corporation Limited	-	61,352
Engro Fertilizers Limited	3,962,572	1,362,800
	3,962,572	1,424,152

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

	2015	2014
Executives (notes 10.1 to 10.3)	492,812	446,307
Other employees (note 10.2)	49,352	10,975
	542,164	457,282
Less: Current portion shown under current assets (note 16)	209,270	198,390
	332,894	258,892
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 10.5)	1,104,066	849,604
Less: Current portion shown under current assets (note 16)	18,372	-
	1,085,694	849,604
Direct cost of Floating Storage & Regasification Unit (FSRU) (note 10.6)	1,225,641	-
Insurance policy (note 10.7)	1,021,652	-
Other receivables	92,213	74,728
	3,758,094	1,183,224

10.1 Reconciliation of the carrying amount of loans and advances to executives:

	2015	2014
Balance as at January 1	446,307	413,709
Add: Disbursements	390,848	323,645
Less :Repayments / Amortization	(344,343)	(291,047)
Balance as at December 31	492,812	446,307

10.2 Long term loans include:

- interest free services incentive loans to executives repayable in equal monthly installments over a three years period or in one lump sum payment at the end of such period;
- interest free loans given to workers pursuant to Collective Labour Agreement; and
- advances to employees for car earn out assistance, long term incentive and house rent advance.

10.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated to Rs 599,745 (2014: Rs 528,956).

(Amounts in thousand)
(Amounts for 2014 restated)

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

10.5 In 2014, Engro Elengy Terminal (Private) Limited (EETPL) entered into LNG Operation and Services Agreement (LSA) with SSGCL. As per the terms of the LSA, EETPL was required to construct a pipeline (SSGCL Branch Pipeline) and transfer it to SSGCL upon commissioning of the LNG Project and recover the cost of construction through recovery of capacity charges to be billed to SSGCL on a monthly basis. During the year, EETPL constructed and transferred the SSGCL Branch Pipeline to SSGCL on March 29, 2015, for which the Certificate of Acceptance has been received from SSGCL. The receivable represents construction costs incurred in this respect.

10.6 This represents customs duty on import of FSRU for its use in storage and regasification of LNG. This amount is being expensed over the period of operating lease.

10.7 This represents amount paid to China Export and Credit Insurance Bank (Sinosure) in respect of credit insurance policy to be issued in respect of Engro Powergen Thar (Private) Limited's financing to be obtained from Chinese Lenders.

11. EMPLOYEES' SHARE OPTION SCHEME

In 2013, the shareholders of Engro Foods Limited approved Employees' Share Option Scheme (the Scheme) for granting of options to certain critical employees up to 16.9 million new ordinary shares, to be determined by the Board Compensation Committee. Under the Scheme, options were to be granted in the years 2013 to April 2015. 50% of the options granted were to vest in two years whereas the remaining 50% were to vest in three years from the date of the grant of options. These options are exercisable within 3 years from the end of vesting period. During the year, 800,000 share options have been granted to an employee. The details of share options granted to date under the Scheme, which remained outstanding as at December 31, 2015 are as follows:

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

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

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

(Amounts in thousand)

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

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

In respect of the Scheme, Employee share option compensation reserve and the related deferred expense amounting to Rs 595,144 has been recognized, out of which Rs 354,702 has been amortized to date, including Rs 157,972 being charge for the current year, in respect of related employees services received to the balance sheet date.

		2015	2014
		--------------Rupees--------------	
11.1	Deferred employee compensation expense		
	Balance as at January 1	203,011	305,018
	Add: Options issued during the year	11,733	-
	Add: Changes in value due to revision in assumptions	183,670	7,722
	Less: Options lapsed due to employee resignation	-	(15,115)
	Less: Amortization for the year (note 33.2)	(157,972)	(94,614)
	Balance as at December 31	240,442	203,011
	Less: Current portion shown under current assets	(92,986)	(90,430)
	Long term portion of deferred employee compensation expense	147,456	112,581
11.2	Employee share option compensation reserve		
	Balance as at January 1	152,488	155,240
	Add: Options issued during the year	4,367	-
	Less: Options lapsed due to employee resignation	-	(5,626)
	Less: Changes in value due to revision in assumptions	68,362	2,874
	Balance as at December 31	225,217	152,488
12.	STORES, SPARES AND LOOSE TOOLS		
	Consumable stores	693,837	1,076,182
	Spares and loose tools including in-transit Rs 592 (2014: Rs 23,237)	7,382,260	7,440,442
		8,076,097	8,516,624
	Less:		
	- Provision for surplus and slow moving items	294,044	240,752
	- Provision for impairment (note 5.3)	73,681	-
	- Stores and spares written-off	29,200	-
		7,679,172	8,275,872

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	--------------Rupees--------------	
13. STOCK-IN-TRADE		
Raw materials and packing materials (note 13.1)	5,459,117	5,582,329
Unprocessed rice (note 13.2)	369,320	819,219
Fuel stock (note 13.3)	382,085	383,460
Work-in-process	213,415	678,292
Finished goods:		
- own manufactured product (note 13.1)	3,950,386	3,880,408
- purchased product (notes 13.1 and 13.4)	3,714,378	284,145
	7,664,764	4,164,553
	14,088,701	11,627,853

13.1 Includes:

- materials in transit amounting to Rs 416,837 (2014: Rs 741,057);
- carrying value of inventory carried at net of realisable value of Rs 561,853 (2014: Rs 2,215,151);
- inventories held at storage facilities of third parties amounting to Rs 735,799 (2014: Rs 614,228) including inventories held at storage facilities of following related parties:

	2015	2014
	--------------Rupees--------------	
- Engro Vopak Terminal Limited	459,663	579,802
- fatimafert Limited (formerly DH Fertilizers Limited)	8,755	9,334
	468,418	589,136

13.2 Unprocessed rice written-off during the year amounted to Nil (2014: Rs 19,106).

13.3 This represents of High Speed Diesel (HSD) inventory required to be maintained for operating the power plant in case supply of gas is unavailable to Engro Powergen Qadirpur Limited (EPQL). As per clause (b) of section 5.14 of the Power Purchase Agreement (PPA), EPQL is required to maintain HSD at a level sufficient for operating the power plant at full load for seven days. However, due to non payment of dues in full by National Transmission and Dispatch Company (NTDC), EPQL is maintaining HSD inventory at a level sufficient for operating the power plant at full load for around five days.

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

	2015	2014
	--------------Rupees--------------	
14. TRADE DEBTS		
Considered good		
- secured (note 14.1 and 14.2)	6,297,449	4,022,727
- unsecured	436,164	592,632
	6,733,613	4,615,359
Considered doubtful	24,682	29,359
	6,758,295	4,644,718
Less: Provision for impairment (note 14.3)	24,682	29,359
	6,733,613	4,615,359

(Amounts in thousand)
(Amounts for 2014 restated)

14.1 Trade debts are generally secured by way of bank guarantees and letters of credit from customers. Trade debts of Engro Powergen Qadirpur Limited (EPQL) amounting to Rs 2,760,311 (2014: Rs 2,192,805), are secured by a guarantee from the Government of Pakistan under the Implementation Agreement.

14.2 Includes Rs 1,017,916 (2014: Nil) due from SSGCL, in respect of capacity and utilization charges billed in accordance with the terms of LSA.

14.3 As at December 31, 2015, trade debts aggregating to Rs 24,682 (2014: Rs 29,359) were passed due and impaired and have been provided for. The movement in provision during the year is as follows:

	2015	2014
	--------------Rupees--------------	
Balance as at January 1	29,359	38,595
Less: Reversal made during the year - net	(4,677)	(9,236)
Balance as at December 31	24,682	29,359

14.4 As at December 31, 2015, trade debts aggregating to Rs 483,778 (2014: Rs 333,841) were past due but not impaired. These relate to various customers for which there is no recent history of default. The aging analysis of these trade debts is as follows:

	2015	2014
	--------------Rupees--------------	
Upto 3 months	477,878	331,667
3 to 6 months	5,900	2,174
	483,778	333,841

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
	----------------------------- Rupees -----------------------------			
Conversion option on loan from International Finance Corporation (IFC)	-	298,749	-	965,326
Foreign exchange forward contracts (note 15.1)	-	23,982	-	119,571
Cash flow hedges:				
- Foreign exchange forward contracts (note 15.1)	29,207	57,173	-	310,248
- Interest rate swaps (note)	-	30,548	-	121,066
	29,207	410,452	-	1,516,211
Less: Current portion shown under current assets / liabilities				
Conversion option on loan from IFC	-	298,749	-	965,326
Foreign exchange forward contacts	-	23,982	-	119,571
Cash flow hedges:				
- Foreign exchange forward contacts	29,207	57,173	-	310,248
- Interest rate swaps	-	13,166	-	69,963
	29,207	70,339	-	380,211
	29,207	393,070	-	1,465,108
	-	17,382	-	51,103

(Amounts in thousand)
(Amounts for 2014 restated)

15.1 Foreign exchange forward contracts

The Group entered into various forward exchange contracts to hedge its foreign currency exposure. As at December 31, 2015, the Group, had multiple forward contracts to purchase various currencies involving amounts equivalent to USD 120,604 (2014: USD 241,180) at various maturity dates to hedge its foreign currency exposure against loan obligations and payments under the terms of supplier credit. The net fair value of these contracts as at December 31, 2015 is negative Rs 51,858 (2014: negative Rs 429,819).

15.2 Interest rates swaps

The Group has entered into multiple interest rate swap agreements to hedge its interest rate exposure on floating rate committed borrowings for notional amounts of USD 15,727 (2014: USD 36,516). Under these contracts the Group receives USD-LIBOR and pays fixed 2.79% - 3.73% settled semi-annually. As at December 31, 2015, the fair value of all the interest rate swaps is negative Rs 30,548 (2014: negative Rs 121,066).

15.3 Embedded derivatives

Engro Powergen Qadirpur Limited's (EPQL) tariff like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivative as per International Accounting Standard (IAS) 39, 'Financial Instrument: Recognition and Measurement' are required to be separated from the host contract and accounted for as derivative if economic characteristics and risks of the embedded derivative are not closely related to the host contract.

EPQL had sought clarification from the Institute of Chartered Accountants of Pakistan (ICAP) in respect of the indexations pertaining to (i) USD/PKR exchange rate (applicable to EPQL's price components of debt, return on equity, return on equity during construction); and (ii) US CPI & USD/PKR exchange rate (applicable to EPQL's price components of fixed and variable operations and maintenance – foreign) whether these derivatives were closely or not closely related to the host contract.

In addition, EPQL had also requested ICAP to prescribe a definite basis or guidelines for the valuation of such embedded derivatives considering the subjectivity involved therein if these were considered to be not closely related to the host contract. Further, as indexation of USD/PKR exchange rate related to debt component being not recognized separately as embedded derivative, EPQL taking cognizance of the 'matching principle' requested the Securities and Exchange Commission of Pakistan (SECP) to allow deferment of recognizing exchange loss on translation of borrowings under IAS 21 - Foreign Currency Transactions in the profit or loss till the clarification sought on the recognition of the foreign currency indexations from ICAP had been received.

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all IPPs from the requirement of IFRIC 4 "Determining whether an arrangement contains a lease" and IFRIC 12 "Service Concession Agreements". Further, SECP through the aforementioned SRO has also allowed the IPPs to continue capitalizing the exchange differences, and not to recognize embedded derivatives under IAS 39 where these are not closely related to the host contract. However in the case of such derivatives, for periods beginning on or after January 1, 2013, the companies are required to give "Additional Disclosure" as if the accounting for embedded derivatives had been adopted in preparing the financial statements.

(Amounts in thousand)

In view of the above SRO, EPQL has capitalized exchange loss aggregating to Rs 2,526,653 (2014: Rs 2,162,634) as at December 31, 2015, which includes exchange loss of Rs 364,019 pertaining to current year (2014: exchange gain of Rs 500,137) in property, plant and equipment (note 5.1).

15.3.1 Additional disclosure under SRO 24 (1) 2012

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

	Non controlling interest	Unappropriated profit	Property, plant and equipment	Derivative financial assets (liability)
	(Increase) / Decrease	(Increase) / Decrease	Increase / (Decrease)	Increase / (Decrease)
	---Rupees---			
As at January 1, 2014	46,417	712,033	(2,462,126)	1,703,676
For the year ended December 31, 2014				
- Recognition of exchange loss	(52,097)	(425,307)	477,404	-
- Change in fair value of derivatives	210,421	1,717,818	-	(1,928,239)
	158,324	1,292,511	477,404	(1,928,239)
As at December 31, 2014	204,741	2,004,544	(1,984,722)	(224,563)
For the year ended December 31, 2015				
- Recognition of exchange loss	80,038	177,235	(257,273)	-
- Change in fair value of derivatives	835,473	1,850,073	-	(2,685,546)
	915,511	2,027,308	(257,273)	(2,685,546)
As at December 31, 2015	1,120,252	4,031,852	(2,241,995)	(2,910,109)

16. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2015	2014
	---Rupees---	
Current portion of long term loans and advances to executives and other employees (note 10)	209,270	198,390
Advances to executives and other employees (notes 16.1)	57,745	50,792
Current portion of receivable from SSGCL (note 10)	18,372	-
Advance and deposits	422,077	860,511
Prepayments:		
- insurance	253,095	239,702
- associates	-	881
- others (note 16.2)	592,848	393,844
	1,553,407	1,744,120
Less: Provision for impairment	3,509	3,509
	1,549,898	1,740,611

16.1 Represents interest free advances to executives for house rent, given in accordance with the Group's policy.

16.2 Includes loan arrangement fee amounting to Rs 274,901 in respect of project finance, to be amortized over the loan period, as explained in note 1.6.2.

(Amounts in thousand)
(Amounts for 2014 restated)

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

17. OTHER RECEIVABLES

	2015	2014
	------Rupees------	
Receivable from Government of Pakistan against:		
- Sales tax refundable (note 17.1)	4,255,640	3,241,077
- Subsidy (note 17.2)	1,303,180	-
Less: Provision for impairment (note 17.8)	180,140	140
	5,378,680	3,240,937
- Special excise duty refundable	36,687	36,687
Less: Provision for impairment (note 17.8)	36,687	36,687
	-	-
- Customs duty claims refundable (note 17.3)	18,043	18,043
Less: Provision for impairment (note 17.8)	18,043	18,043
	-	-
- Others	194,713	289,222
	5,573,393	3,530,159
Delayed payment charges (note 17.4)	1,066,282	900,725
Reimbursable cost from NTDC in respect of:		
- Workers' profits participation fund	263,881	173,979
- Workers' welfare fund	205,638	169,662
Receivable from:		
- Tetra Pak Pakistan Limited (note 17.5)	462,509	3,171
- Ecolean AB (note 17.5)	132,474	44,838
- Engro Vopak Terminal Limited (note 17.6)	22,148	1,721
- GEL Utility Limited	83,300	-
- Tenaga Generasi Limited	33,772	-
- Engro Foundation	9	-
- Sindh Engro Coal Mining Company Limited	2,086	-
- Thar Power Company Limited	627	-
Accrued income on deposits / investments	45,101	30,919
Claims on suppliers and insurance companies	10,278	317,575
Others	183,422	169,600
Less: Provision for impairment (note 17.8)	35,718	544
	147,704	169,056
	8,049,202	5,341,805

17.1 Includes sales tax refundable of Engro Foods Limited (EFoods) amounting to Rs 3,724,441 (2014: Rs 2,811,878). Sales tax has been zero rated on EFoods's supplies (output), raw materials, components and assemblies imported or purchased locally by EFoods for manufacturing in respect of its dairy operations.

(Amounts in thousand)

17.2 During the year, the Government of Pakistan notified the payment of subsidy at the rate of Rs 500 per 50 kg bag of Di Ammonia Phosphate (DAP), Rs 217 per 50 kg bag of Nitrophos (N) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content) sold. The mode of payment of subsidy to Engro Fertilizers Limited shall either be adjustment against the sales tax liability or payment upon verification by the Federal Board of Revenue.

17.3 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed off appeal of Engro Polymer and Chemicals Limited (EPCL) filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all aforementioned VCM consignments were released after the issuance of SRO 565(1)/2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed on to the customers. However, as the price of the EPCL's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against EPCL. EPCL has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, based on prudence, EPCL is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal courses are exhausted.

17.4 Represents mark-up receivable on overdue trade debts of Engro Powergen Qadirpur Limited (note 14.1), as delayed payment charges from NTDC in accordance with the terms of the PPA. These include mark-up over due amounting to Rs 1,040,167 (2014: Rs 883,765).

17.5 Represents reimbursements receivable under cost sharing agreement for marketing related expenses and quantity discount, net of payable on account of packaging material purchased.

17.6 The maximum amount due from joint venture, Engro Vopak Terminal Limited, at the end of any month during the year aggregated to Rs 22,148 (2014: Rs 1,890).

17.7 As at December 31, 2015 other receivables aggregating to Rs 1,107,713 (2014: Rs 985,094) were past due but not impaired. The aging analysis of these receivables is as follows:

	2015	2014
	--------------Rupees--------------	
Upto 3 months	96,894	175,704
3 to 6 months	59,919	37,095
More than 6 months	950,900	772,295
	1,107,713	985,094

17.8 As at December 31, 2015, receivables aggregating to Rs 270,588 (2014: Rs 55,414) were deemed to be impaired being outstanding for more than six months and provided for. The movement in provision during the year is as follows:

	2015	2014
	--------------Rupees--------------	
Balance as at January 1	55,414	54,870
Add: Provision made during the year - net	215,174	544
Balance as at December 31	270,588	55,414

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	--------------Rupees--------------	
18. SHORT TERM INVESTMENTS		
At fair value through profit or loss		
Fixed income placements (note 18.1)	52,000	1,495,922
Treasury Bills (note 18.2)	11,775,935	25,978,410
Pakistan Investment Bonds	-	538,452
	11,827,935	28,012,784
Held to maturity		
Fixed income placements (note 18.1)	1,117,643	-
Treasury Bills (note 18.2)	488,700	-
Eurobonds (note 18.3)	615,834	-
	2,222,177	-
Loans and receivables		
Reverse repurchase of treasury bills (note 18.4)	-	1,149,300
	14,050,112	29,162,084

18.1 These represents foreign and local currency deposits with various banks, at the interest rates ranging upto 9.75% (2014: 9.75%) per annum.

18.2 These represent treasury bills discounted the using effective rates upto 9.30% (2014: 9.30%) per annum.

18.3 These represent investment in Eurobonds having face value of USD 5,700 (2014: Nil) with effective interest rates ranging from 1% to 2.3% per annum. These mature on March 31, 2016.

18.4 These represent treasury bills carrying interest at the rate ranging upto 6.42% (2014: 10.07%) per annum.

	2015	2014
	--------------Rupees--------------	
19. CASH AND BANK BALANCES		
Balances with banks in:		
- deposit accounts (notes 19.1 and 19.2)	2,521,480	6,476,038
- current accounts	1,736,974	5,880,042
Cheques / demand drafts in hand	853,005	7,805
Cash in hand	8,898	8,517
	5,120,357	12,372,402

19.1 Local currency deposits carry return up to the rate of 7.5% (2014: 9.8%) per annum.

19.2 Includes Rs 1,193,568 (2014: Rs 211,171) held in foreign currency bank accounts and carry return at the rate of 0.71% (2014: 0.25%) per annum.

(Amounts in thousand)
(Amounts for 2014 restated)

20. DISCONTINUED OPERATIONS

20.1 During the year, the Company entirely divested from DHFL following the signing of SPA with Pakarab Fertilizer Limited as detailed in note 1.2. DHFL was sold on July 3, 2015 and the assets and liabilities related to DHFL were consequently presented as held for sale as at June 30, 2015 and is reported in the current period as a discontinued operation.

An analysis of the discontinued operations i.e. DHFL based on unaudited financial statements, at the time of disposal of investment as at July 1, 2015 is as follows:

	(Unaudited) June 30, 2015 Rupees
Assets	
Property, plant & equipment	1,769,846
Intangibles	2,379
Stores, spares and loose tools	712,459
Stock-in-trade	75,900
Trade debts	177
Taxation - net	404,724
Advances, deposits and prepayments	23,432
Others receivable	29,787
Cash and bank balances	2,933
	3,021,637
Liabilities	
Long term finances	3,278,300
Deferred taxation	189,327
Deferred liabilities	84,043
Current portion of long term finances	1,329,200
Short term borrowings - secured	534,257
Trade and other payables	732,882
Accrued mark-up	10,383
	6,158,392

	For the period ended	
	June 30, 2015	December 31, 2014
	--------------Rupees--------------	
Results of operations		
Revenue	364,918	3,854,490
Expenses	(907,849)	(4,484,486)
Loss before tax	(542,931)	(629,996)
Taxation	6,384	(51,218)
Gain on disosal of investment in subsidiary	5,156,097	-
Total loss on discontinued operations	4,619,550	(681,214)

(Amounts in thousand)
(Amounts for 2014 restated)

	For the period ended	
	June 30, 2015	December 31, 2014
	--------------Rupees--------------	
Cash flows		
Operating cash flows	(686,910)	(417,122)
Investing cash flows	18,641,515	2,261,958
Financing cash flows	(18,603,546)	(1,470,750)
Cash inflows / (outflows)	(648,941)	374,086

20.2 During the year, the Company invested in Bubber Sher (Private) Limited (BSPL) at a cost of Rs 10,000 divided into 1,000 ordinary shares of Rs 10/- each. BSPL is a private limited company and its principal activity is sale, marketing and distribution of fertilizers and its derivatives, insecticides, pesticides, and all kinds of agricultural, 'fruit growing and other' chemicals. Investment in BSPL has also been disposed off following the signing of a separate SPA with Pakarab Fertilizers Limited (PAFL). The shares have been transferred in the name of Fatima Fertilizer Company Limited (assignee of PAFL).

21. SHARE CAPITAL

21.1 Authorized capital

2015	2014		2015	2014
---------Number of shares---------			-----------Rupees-----------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	10,000,000	10,000,000

21.2 Movement in issued, subscribed and paid-up capital

2015	2014		2015	2014
---------Number of shares---------			-----------Rupees-----------	
13,900,000	13,900,000	As at January 1	139,000	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued during the year as fully paid bonus shares	4,673,871	4,673,871
481,287,116	481,287,116		4,812,871	4,812,871

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	(Number of shares)	
21.3 Shares held by related parties		
Dawood Lawrencepur Limited Percentage of holding 16.19% (2014: 16.19%)	77,931,896	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2014: 3.95%)	18,991,988	18,991,988
Cyan Limited Percentage of holding 0.165% (2014: 0.165%)	794,380	794,380
Sach International (Private) Limited Percentage of holding 0.001% (2014: 0.001%)	6,996	6,996

22. MAINTENANCE RESERVE

In accordance with the Power Purchase Agreement (PPA), Engro Powergen Qadirpur Limited (EPQL) is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund is to remain in the Fund to the extent of any shortfall from the contractual limit.

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is required to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second agreement year and thereafter the Fund may be re-established at such other level that EPQL and NTDC mutually agree.

In 2012, EPQL due to uncertain cash flows resulting from delayed payments by NTDC has, as per flexibility available under the PPA, reduced the amount deposited in a schedule bank to Rs 50,000, which has been invested in investment certificates as at December 31, 2015 (note 18). Till such time the amount is deposited again to the required level, EPQL has unutilized short term financing available to meet any unexpected maintenance requirements that may arise in the foreseeable future.

	Note	2015	2014
		--------------Rupees--------------	
23. HEDGING RESERVE			
Fair values of :			
- Forward foreign exchange contracts (note 15.1)		(24,525)	(17,098)
- Interest rate swaps (note 15.2)		(9,278)	(57,308)
		(33,803)	(74,406)
Less:			
- Deferred tax		3,436	17,842
- Non-Controlling interest		(4,092)	1,524
		(656)	19,366
		(34,459)	(55,041)

(Amounts in thousand)
(Amounts for 2014 restated)

	Note	2015	2014
		--------------Rupees--------------	
24. BORROWINGS			
- Secured (Non-participatory)			
Engro Rupiya Certificates	24.1	3,966,617	3,951,521
Islamic Finances	24.2	8,903,580	18,271,320
Conventional Finances	24.3	27,923,449	28,615,623
Term Finance Certificates	24.4	6,000,000	7,432,006
Others	24.5	16,781,535	20,577,580
		63,575,181	78,848,050
Current portion shown under current liabilities		22,692,902	19,273,024
		40,882,279	59,575,026

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2015	2014
					------------ Rupees -----------	
24.1 Engro Rupiya Certificates						
Engro Islamic Rupiya Certificates I	24.1.1	13%	Lump sum		2,974,963	2,963,641
Engro Islamic Rupiya Certificates II	24.1.1	13.5%	Lump sum		991,654	987,880
					3,966,617	3,951,521
24.2 Islamic Finances						
Dubai Islamic Bank Limited		6 months KIBOR + 1.75%	4 half yearly	November 30,2018	800,000	800,000
Privately Placed Subordinated Sukuk Certificates	24.2.1	6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	3,006,272	3,151,823
Dubai Islamic Bank Limited		6 Months KIBOR + 2.11%	9 half yearly	June 30, 2013	-	294,409
Standard Chartered Bank (Pakistan) Limited	24.3.1	6 Months KIBOR + 0.9%	14 half yearly	June 14, 2013	593,090	591,118
Islamic Offshore Finance	24.2.3	6 months LIBOR + 2.57%	9 half yearly	March 28, 2013	3,525,468	5,312,289
Bank Islami Pakistan Limited	24.2.2	6 months KIBOR + 2.4%	14 half yearly	May 26, 2010	-	181,709
Sukuk Certificates		6 months KIBOR + 1.5%	2 half yearly	March 6, 2015	-	2,998,472
Sukuk Certificates		6 month KIBOR + 0.69%	4 half yearly	July 13, 2015	878,750	950,000
Master Istisna III		6 months KIBOR + 2%	6 half yearly	June 2015	-	200,000
Master Istisna IV		6 months KIBOR + 2.6%	Single	April 2016	100,000	100,000
Musharaka arrangement		6 months KIBOR + 1.1%	14 half yearly	June 2014	-	3,691,500
					8,903,580	18,271,320

(Amounts in thousand)
(Amounts for 2014 restated)

		Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2015	2014
						------------ Rupees -----------	
24.3	Conventional Finances						
	Bilateral loan I		6 months KIBOR + 2%	6 half yearly	June 2016	544,291	542,388
	Bilateral Loan II		6 months KIBOR + 1.35%	6 half yearly	June 2017	848,300	847,450
	Bilateral Loan III		6 months KIBOR + 1.35%	6 half yearly	June 2017	848,300	847,450
	Syndicated term finance I		6 months KIBOR + 2.25%	13 half yearly	November 2010	1,385,616	2,530,284
	Syndicated term finance II		6 months KIBOR + 3%	13 half yearly	June 2010	212,085	566,842
	Syndicated term finance IV		6 months KIBOR + 2.55%	6 half yearly	May 2013	-	166,667
	Syndicated term finance V		6 months KIBOR + 1.5%	8 half yearly	June 2015	991,605	1,322,136
	Syndicated term finance VI		6 months KIBOR + 1%	10 half yearly	June 2014	-	1,500,750
	Syndicated term finance VII	24.2.5	6 months KIBOR + 2%	10 half yearly	May 2017	3,750,000	-
	Habib Bank Limited		6 months KIBOR + 1.1%	8 half yearly	March 31, 2013	199,714	257,290
	Allied Bank Limited		6 months KIBOR + 1.1%	8 half yearly	June 26, 2013	399,160	514,066
	Allied Bank Limited	24.2.4	6 months KIBOR + 2%	10 half yearly	July 5, 2013	242,585	330,465
	Askari Bank Limited	24.2.2	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	-	64,599
	Citibank N.A.	24.2.2	6 months KIBOR + 1.1%	8 half yearly	July 22, 2013	-	25,840
	Standard Chartered Bank (Pakistan) Limited	24.2.2	6 months KIBOR + 1.1%	8 half yearly	June 30, 2013	-	128,644
	National Bank of Pakistan		6 months KIBOR + 1.1%	10 half yearly	March 5, 2013	790,364	788,842
	Faysal Bank Limited	24.3.1	6 months KIBOR + 1.2%	13 half yearly	May 26, 2013	859,503	857,785
	Samba Bank Limited	24.3.1	6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	296,813	295,954
	National Bank of Pakistan	24.3.1	6 Months KIBOR + 1.2%	10 half yearly	September 28, 2013	545,050	543,165
	Syndicated finance		6 months KIBOR + 1.8%	14 half yearly	February 28, 2013	9,880,750	9,853,119
	Habib Metropolitan Bank Limited	24.3.1	6 Months KIBOR + 0.9%	10 half yearly	June 21, 2013	80,000	120,000
	Pak Kuwait Investment Company (Private) Limited	24.3.1	6 months KIBOR + 1.0%	10 half yearly	April 30, 2012	99,803	199,297
	Silk Bank Limited		6 Months KIBOR + 2.35%	10 half yearly	January 21, 2013	-	180,000
	Syndicated Finance I		6 months KIBOR + 0.69%	4 half yearly	February 20, 2015	1,275,000	1,500,000
	Syndicated Finance III		6 months KIBOR + 2.0%	6 half yearly	February 16, 2013	-	333,333
	HBL Conventional term loan		6 months KIBOR + 0.65%	6 half yearly	November 2, 2014	388,817	634,353
	NIB Bank Limited		6 months KIBOR + 0.60%	6 half yearly	June 5, 2015	992,604	1,488,780
	The Bank of Punjab		6 months KIBOR + 0.70%	6 half yearly	April 03, 2015	332,234	498,277
	United Bank Limited		6 months KIBOR + 0.65%	6 half yearly	May 12, 2016	1,500,000	1,500,000
	United Bank Limited	24.2.2	6 months KIBOR + 0.65%	8 payments	December 17, 2015	1,460,855	-
	HBL LTFF Facility		SBP LTFF Rate + 2.5%	8 half yearly	February 27, 2014	-	177,847
						27,923,449	28,615,623
24.4	Term Finance Certificates						
	Term Finance Certificates - 3rd Issue	24.2.2	6 months KIBOR + 2.4%	14 half yearly	June 17, 2010	-	1,432,006
	Privately Placed Term Finance Certificates	24.4.1				6,000,000	6,000,000
						6,000,000	7,432,006
24.5	Others						
	DFI Consortium Finance	24.5.1	6 months LIBOR + 2.6%	7 payments	July 29, 2013	2,789,150	3,589,561
	International Finance Corporation	24.5.2	6 months LIBOR + 6%	3 half yearly	September 15, 2016	2,284,468	2,458,031
	International Finance Corporation	24.5.2	6 months LIBOR + 6%	3 half yearly	September 15, 2015	2,415,784	3,365,332
	International Finance Corporation		6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	1,246,479	1,991,687
	DFI Consortium Finance		6 months LIBOR + 3%	20 half yearly	December 15, 2010	8,045,654	9,172,969
						16,781,535	20,577,580

(Amounts in thousand)
(Amounts for 2014 restated)

24.1.1 Engro Islamic Rupiya (EIR) Certificates are AA rated, listed and secured Ijaratul Musha & Murabaha Sukuk certificates of a total issue size of Rs 4,000,000 duly approved by the Securities and Exchange Commission of Pakistan (SECP). . EIR - I Certificates amounting to Rs 3,000,000 have a tenure of 36 months with an expected profit rate of 13% per annum payable semi-annually, while EIR - II Certificates amounting to Rs 1,000,000 have a tenure of 60 months with an expected profit rate of 13.5% per annum payable semi-annually. The certificate holder, however, may request the ECL for early redemption at any time from the date of investment subject to an Early Redemption Discount service charge on the outstanding issue price. The ECL, in this respect, has appointed Meezan Bank Limited as a trustee.

The proceeds from the EIR Certificates I and II were utilized to pay-off conventional liabilities and to meet funding requirements of the subsidiaries and to finance new projects.

24.2.1 This represents Privately Placed Subordinated Sukuk (PPSS) amounting to Rs 3,200,000. Pak Brunei Investment Company Limited is the Trustee while Meezan Bank Limited acts as the Investment Agent for this Sukuk. EFert used PPSS to refinance the subordinated loan from the ECL.

24.2.2 During the year, a number of loans of EFert including from Askari Bank Limited, Citibank N.A., Standard Chartered (Pakistan) Limited, Bank Islami Pakistan Limited and Term Finance Certificates (3rd Issue) was refinanced through a loan from United Bank Limited. The pricing of the new loan is 6 month KIBOR + 0.65%, while the repayment schedule matches exactly with the refinanced loans. The loan was made a part of the Inter Creditor Agreement (ICA) and thus has the same charge with the other Senior Lenders. The new loan does not have a Corporate Guarantee from the ECL unlike the other Senior Lenders.

24.2.3 This represents the balance amount of an offshore Islamic Finance Facility Agreement of USD 36,000 with Habib Bank Limited, National Bank of Pakistan and SAMBA Financial Group and Rs 3,618,000 with Faysal Bank (previously share belonged to Citi Bank N.A.), Dubai Islamic Bank Pakistan Limited and Standard Chartered Bank (Pakistan) Limited.

24.2.4 The Holding Company has utilised portion of long term finance facility under mark-up arrangement from Allied Bank Limited (ABL) aggregating Rs 380,000 (2014: Rs 380,000). The finance facility is secured by way of hypothecation charge over all assets of the Holding Company with 25% margin and pledge of HUBCO shares as more fully explained in note 8.5. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for the period of 5 years and is payable semi annually in arrears with the first principal repayment made on July 5, 2013. The facility will be repaid in full by July 2017.

24.2.5 The Holding Company has utilised portion of syndicated term finance facility sanctioned by a syndicate of banks led by Allied Bank Limited aggregating to Rs 4,000 million (2014: Nil). The facility is secured against HUBCO shares as more fully explained note 8.5. The facility carries mark-up at the rate of six months KIBOR plus 200 basis points per annum. The facility is for a period of 5 years and is payable semi annually with the first principal repayment to be made after the expiry of 2 years grace period commencing from May 2017.

(Amounts in thousand)

24.3.1 During the year, EFert negotiated re-pricing for the following borrowings:

Bank	Mark-up rate per annum		Effective Date of Repricing
	Original	Repriced	
Faysal Bank Limited	6 Month Kibor + 2.35%	6 Month Kibor + 1.20%	26-Nov-15
Standard Chartered Bank (Pakistan) Limited	6 Month Kibor + 2.40%	6 Month Kibor + 0.90%	17-Jun-15
Samba Bank Limited	6 Month Kibor + 2.40%	6 Month Kibor + 0.90%	1-Jul-15
National Bank of Pakistan	6 Month Kibor + 2.40%	6 Month Kibor + 1.20%	28-Sep-15
Habib Metropolitan Bank Limited	6 Month Kibor + 2.40%	6 Month Kibor + 0.90%	21-Dec-15
Pak Kuwait Investment Company (Private) Limited	6 Month Kibor + 2.35%	6 Month Kibor + 1.0%	1-Nov-15

24.4.1 This represents Privately Placed Subordinated TFCs amounting to Rs 4,000,000 (PPTFC Issue I) and Rs 2,000,000 (PPTFC Issue II) respectively. The PPTFCs are perpetual in nature with a five year call and a ten year put option. The PPTFC I issue has mark-up of six months KIBOR plus 2.1% whereas the PPTFC II issue has mark-up of six months KIBOR plus 1.65%. IGI Investment Bank Limited is the trustee for these TFCs. In 2011, the aforementioned TFCs have been listed on the Over-The-Counter (OTC) market of the Pakistan Stock Exchange Limited.

24.5.1 This represents the balance amount of a facility agreement amounting to USD 85,000 with a consortium of Development Finance Institutions comprising of DEG, FMO and OFID.

24.5.2 The ECL entered into a C Loan Agreement (Original Agreement) dated September 29, 2009 with International Finance Corporation (IFC) for USD 50,000, divided into Tranche A (USD 15,000) and Tranche B (USD 35,000). Both Tranche A and B were fully disbursed as at December 31, 2009 and transferred to EFert under the scheme of demerger effective January 1, 2010. However, the option given to convert the Tranche A loan amount of USD 15,000 remained upon the ECL's ordinary shares at Rs 205 per ordinary share (reduced to Rs 155.30 and Rs 119.46 as at December 31, 2011 and December 31, 2012 respectively consequent to bonus issues) calculated at the US Dollar to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option. Such option was to be exercised within a period of no more than five years from the date of disbursement of the loan (December 28, 2009). Tranche B, however, is not convertible. The ECL has entered into an agreement with EFert that in the event IFC exercises the aforementioned conversion option (Tranche A), the loan amount then outstanding against EFert would stand reduced by the conversion option amount and EFert would pay the Pakistan Rupee equivalent of the corresponding conversion amount to the ECL which would simultaneously be given to EFert as a subordinated loan, carrying mark-up payable by the ECL for Pakistan Rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion resulted in a loan from the ECL having the same repayment terms / dates as that of Tranche A.

In 2014 IFC exercised its entire conversion option for an outstanding amount of USD 15,000 of Tranche A and accordingly 12,515,319 ordinary shares of the ECL have been issued to the IFC.

On December 22, 2010, EFert and IFC entered into an amended agreement for further disbursement of USD 30,000 over and above the aforementioned disbursed amount of USD 50,000. The amount was fully disbursed as at June 30, 2011. The salient features of the Original Loan essentially remained the same and some of the terms of the loan were further amended through an agreement dated January 29, 2014. The additional loan of USD 30,000 is divided into (i) Tranche A2: 30% convertible loan on the shares of EFert at Rs 24.00 per ordinary share calculated at the US Dollar to Pakistan Rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option; and (ii) Tranche B2: 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at six months LIBOR plus a spread of 6%.

(Amounts in thousand)

On June 25, 2014, EFert received a notice from IFC for exercise of option on loan of USD 5,000, as a result of which 20,541,667 ordinary shares of EFert have been allotted to IFC. During the year, EFert received a notice from IFC for exercise of further loan of USD 3,000 on January 9, 2015 out of the remaining USD 4,000 of Tranche A2, accordingly, 12,590,625 ordinary shares of EFert have been allotted to the IFC on January 14, 2015. The fair value of the remaining conversion option, included in derivative financial instruments, amounts to Rs 298,749.

24.6 During the year, Engro Elengy Terminal Private Limited (EETPL), a subsidiary company, entered into a Common Terms Agreement (CTA) and financing agreements with Asian Development Bank (ADB), International Finance Corporation (IFC), Askari Bank Limited (ABL) and NIB Bank Limited as arrangers and ADB as lender. No amounts have been disbursed / drawn during the year. Details of facilities are as follows:

	Note	Interest rate	US $
ADB		LIBOR + 5%	30,000
IFC		LIBOR + 5%	20,000
Others	24.6.1	KIBOR + 2.25%	41,520
			91,520

24.6.1 This represents USD equivalent of Pak Rs 4,210,000 (converted at the exchange rate of Rs 101.393 / USD) obtained from Pak Brunei Investment Company Limited, NIB and ABL.

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

	2015	2014
	--------------Rupees--------------	
25. DEFERRED LIABILITIES		
Deferred income under Ijarah arrangement (note 25.1)	568	2,516
Retirement and other service benefits obligations (note 25.2)	161,261	278,443
	161,829	280,959

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	--------------Rupees--------------	
25.1 Deferred income under Ijarah arrangement		
Balance as at January 1	2,516	9,410
Less: Amortization during the year	(1,948)	(6,894)
Balance as at December 31	568	2,516
25.2 Retirement and other service benefits obligations		
Retirement and other service benefits obligations	259,344	321,781
Less: Current portion shown under current liabilities	98,083	43,338
	161,261	278,443

26. TRADE AND OTHER PAYABLES

	2015	2014
Creditors (note 26.1)	18,305,509	36,282,774
Accrued liabilities (notes 26.2 and 26.3)	10,728,995	7,737,161
Advances from customers	2,197,559	7,260,863
Deposits from dealers/ distributors refundable on termination of dealership	16,297	25,854
Retention money	207,714	250,762
Contractors'/ suppliers' deposits	103,854	81,978
Workers' welfare fund	1,982,449	1,407,075
Workers' profits participation fund (note 26.4)	142,602	76,422
Sales tax payable	125,775	994,521
Payable to retirement benefit funds	80,060	24,230
Withholding tax payable	111,916	150,032
Others	446,467	263,836
Unclaimed dividends	169,776	113,958
	34,618,973	54,669,466
26.1 Includes due to following related parties:		
- Mitsubishi Corporation	2,195,710	5,290,255
- Engro Vopak Terminal Limited	120,135	95,794
	2,315,845	5,386,049

26.2 Accrual for Gas Infrastructure Development Cess (GIDC)

26.2.1 Engro Fertilizers Limited (EFert)

Includes Rs 789,775 (2014: Rs 12,580,333) on account of GIDC relating to EFert.

During the year, the Parliament passed the GIDC Act 2015 in May 2015 which seeks to impose GIDC levy since 2011. The EFert has challenged the validity and promulgation of GIDC Act, 2015 before the Honorable High Court of Sindh, wherein the Court passed interim orders, thereby restraining Mari Gas Limited, Oil and Gas Development Company Limited, Spud Energy Pty Limited, Government Holdings (Private) Limited and IPR TransOil Corporation from recovering GIDC arrears till the pendency of the matter. Further, the Court has also passed interim orders restraining Sui Northern Gas Pipeline Limited from charging or recovering GIDC on concessionary gas. However, at the request of the Government, and without compromising on the legal stance, the fertilizer industry agreed to pay GIDC arrears except on concessionary gas/fixed price contracts to the Government.

26.2.2 Engro Polymer and Chemicals Limited (EPCL)

Under the GIDC Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, Finance Act, 2014 and GIDC Ordinance 2014 against which the EPCL has obtained ad-interim stay orders from High Court of Sindh. However, on prudent basis the EPCL recognized a provision of Rs 1,345,789 till May 21, 2015.

On May 22, 2015 GIDC Act, 2015 was promulgated whereby cess rate of Rs 100 per MMBTU and Rs 200 per MMBTU were fixed for industrial and captive power consumption, respectively.The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

The EPCL based on the advice of its legal counsel, is of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the EPCL has reversed the provision relating to industrial portion of GIDC amounting to Rs 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs 592,125 in respect of captive power. Further, the EPCL has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the EPCL has recognized a provision of Rs 556,748 pertaining to the period subsequent to promulgation of GIDC Act, 2015.

26.3 Engro Elengy Terminal Private Limited (EETPL), received a notice from Model Customs Collectorate (the 'Customs Authorities') during the year seeking information on import of FSRU and contending that the import attracts all leviable duties and taxes i.e. customs duty and advance income tax. EETPL is of the view that the FSRU has been classified as plant, machinery and equipment vide SRO 337(1)/2015 dated April 22, 2015 and accordingly, along with sales tax, custom duty is also exempt under SRO 678(1)/2004 dated August 7, 2004, read with condition (vii) relating to the clause 2(a), being of the nature of import-cum-export or temporary import of plant, machinery and equipment. Further, since EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations, EETPL is also entitled to exemption from collection of advance income tax. The Customs Authorities are not in agreement with EETPL's views on the same and to treat import of FSRU for 15 years as a temporary import. EETPL in response filed a suit with the High Court of Sindh (the 'Court') which through its order dated June 29, 2015 has restrained Customs Authorities from collection of customs duty and advance income tax. However, EETPL, based on the merits of the case and opinion of its legal advisor has provided for the potential exposure relating to customs duty amounting to Rs 1,297,737, being 5% of the value of FSRU, whereas EETPL considers likelihood of matter relating to advance income tax being decided against EETPL to be remote.

(Amounts in thousand)
(Amounts for 2014 restated)

		2015	2014
		--------------Rupees--------------	
26.4	Workers' profits participation fund		
	Payable at beginning of the year	76,422	120,231
	Add:		
	- Interest charge for the year (note 36)	154	4,265
	- Allocation for the year (note 35)	1,482,985	665,692
	Less: Amount paid to Trustees	(1,416,959)	(713,766)
	Payable at end of the year	142,602	76,422
27.	ACCRUED INTEREST / MARK-UP		
	Accrued interest / mark-up on secured:		
	- long term borrowings	970,231	1,823,217
	- short term borrowings	457,558	300,308
		1,427,789	2,123,525
28.	SHORT TERM BORROWINGS		
	Running finance utilized under mark-up arrangements (note 28.1)	5,528,453	7,450,689
	Short term finance	1,080,000	4,750,000
		6,608,453	12,200,689

28.1 Running finances

The short-term running finances available to Group from a consortium of commercial banks under mark-up arrangement amounts to Rs 27,080,000 (2014: Rs 28,075,000). The rates of mark-up on these finances are KIBOR based and range from 7% to 12.13% SPB Export Finance Facility (ERF) rate (2014: 10.54% to 12.57%) per annum. The aggregate running finances are secured by way of hypothecation of ranking floating charge over present and future loans, advances, receivables, stocks, book debts, Energy Purchase Price (EPP), current assets and pledge over shares.

28.2 Letters of credits and bank guarantees

The aggregate facilities available to ECL for opening Letter of credits and Bank guarantees amounts to Rs 20,965,000 (2014: Rs 20,940,000). The unutilized balance as at December 31, 2015 amounts to Rs 12,682,198 (2014: Rs 9,385,858).

29. CONTINGENCIES AND COMMITMENTS

Contingencies

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

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	--------------Rupees--------------	
29.2 Guarantees issued in favour of Subsidiary Companies by Engro Corporation Limited:		
- Engro Fertilizers Limited (note 29.2.1)	30,905,573	40,460,159
- Engro Powergen Qadirpur Limited (note 29.2.2)	1,047,500	1,006,000
- Engro Powergen Limited (note 29.2.3)	228,000	-
- Engro Elengy Terminal (Private) Limited (note 29.2.4)	3,320,575	2,012,000
- Engro Eximp (Private) Limited (note 29.2.5)	-	553,300
	35,501,648	44,031,459
Others (note 29.3)	610,000	-
	36,111,648	44,031,459

29.2.1 Includes Corporate Guarantee amounting to USD 45,335 to International Finance Corporation (IFC) against loans of USD 23,335 under the C Loan Agreement (Original Agreement) and further USD 22,000 under the Amended Facility Agreement entered into by the subsidiary company with IFC. During the year, under the Amended Facility Agreement, IFC has exercised its loan conversion option converting loan of USD 3,000 into ordinary shares of the Engro Fertilizers Limited.

29.2.2 Represents Corporate Guarantee amounting to USD 10,000 issued to Allied Bank Limited to open DSRA letter of credit in favour of senior long term lenders of Engro Powergen Qadirpur Limited (EPQL).

29.2.3 During the year, a bank has issued performance guarantee on behalf of Engro Powergen Thar (Pvt.) Limited (EPTL) in favour of Private Power and Infrastructure Board (PPIB). The performance guarantee relates to 2 x 330 MW mine mouth power plants to be constructed by EPTL and has been submitted to PPIB as a condition precedent for the issuance of Letter of Support (LoS) by PPIB for the Thar Power Project. The performance guarantee is valid upto March 30, 2016 and is secured by way of first exclusive charge on all present and future assets of Engro Powergen Limited (EPL). In this regard, the ECL has extended corporate guarantee amounting to Rs 228,000 to the bank against Letter of Guarantee facility granted to EPL.

29.2.4 During the year, the following changes occurred in repect of Guarantees issued in favour of Engro Elengy Terminal (Private) Limited (EETPL):

- The ECL had extended a Corporate Guarantee amounting to USD 20,000 to a bank against a Letter of Credit (SBLC) facility granted to EETPL, a wholly owned subsidiary of Elengy Terminal Pakistan Limited (ETPL). The Corporate Guarantee expired during the year.
- The ECL extended a Corporate Guarantee amounting to USD 20,700 to a bank against SBLC facility granted to EETPL, a wholly owned subsidiary of ETPL. Furthermore, the Holding Company has also pledged shares of Engro Fertilizers Limited and Engro Foods Limited with the bank against the SBLC.
- The ECL has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Letter of Guarantee provided by EETPL, the EETPL through National Bank of Pakistan amounting to USD 10,000 in favour of Sui Southern Gas Company Limited (SSGCL) to guarantee the performance of the obligations of the EETPL under the LNG Operations and Services Agreement (LSA).
- The ECL, as Sponsor Support, has permitted United Bank Limited to mark a lien on its treasury bills against the Letter of Guaurantee provided by EETPL, subsidiary company through the bank amounting to USD 1,000 in favour of Port Qasim Authority (PQA) to gaurantee the performance of the obligations of the subsidiary company under the Implementation Agreement.

(Amounts in thousand)
(Amounts for 2014 restated)

29.2.5 Represented Corporate Guarantee amounting to USD 5,500 issued to a bank against finance facilities granted to Engro Eximp (Private) Limited. During the year, the guarantee was released by the bank.

29.3 During the year, the ECL divested some of its shareholding in Engro Fertilizers Limited (EFert). The ECL held such shareholding in EFert since 2010 i.e. more than five years. Under the income tax laws, capital gain on sale of securities held for more than 24 months are to be taxed at zero %. However, the ECL was informed by the National Clearing Company of Pakistan Limited (NCCPL) that their clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. The ECL has obtained a stay thereagainst from High Court of Sindh and has also provided a bank guarantee amounting to Rs 610,000 in this respect in favor of Nazir of High Court of Sindh.

29.4 Last year, Engro Fertilizers Limited (EFert), had purchased losses surrendered by Engro Eximp Agriproducts (Private) Limited (EEAPL), to avail the benefit of Group Relief under section 59B of the Income Tax Ordinance, 2001, aggregating to Rs 3,508,441 representing business losses of Rs 1,765,178 for financial year ended December 31, 2012 and Rs 1,743,263 for financial year ended December 31, 2013. Further, during the year, losses aggregating to Rs 2,899,363 for the financial year ended December 31, 2014 were surrendered by EEAPL in favour of EFert. These losses were duly adjusted by EFert against taxable profit for the financial years ended December 31, 2013 (Tax Year 2014) and December 31, 2014 (Tax Year 2015) whilst filing its tax returns for the said tax years. The ECL has provided an indemnity to EFert in case of any losses incurred by it due to any adverse order on account of the Group Relief transaction.

29.5 Claims, including pending lawsuits, not acknowledged as debts amounted to Rs 109,685 (2014: Rs 55,038).

29.6 EFert is contesting a penalty of Rs 115,631 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial refund of Rs 62,618 was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

29.7 EFert had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded EFert Rs 47,800 whereas the award for the earlier years is awaited. The award for the second arbitration was challenged in High Court of Sindh (the Court) and during the year the Court has upheld the award. However, as this can be challenged by way of further appeals, it will be recognized as income on realization thereof.

29.8 EFert had filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resource (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmcfd gas per day to the Enven Plant and to prohibit from suspending, discontinuing or curtailing the aforesaid supply. The High Court of Sindh, in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmcfd of gas per day to EFert's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of High Court of Sindh by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited along with 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. EFert's management as confirmed by the legal advisor considers the chances of petitions being allowed to be remote.

Further, EFert upon continual curtailment of gas after the aforementioned decision of the High Court has filed an application in respect of Contempt of Court under Article 199 & 204 of the Constitution of Pakistan. EFert, in the aforementioned application has submitted that SNGPL and MPNR have failed to restore full supply of gas to EFert's plant despite the judgment of High Court in EFert's favour. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the High Court. The application is pending for hearing and no orders have yet been passed in this regard.

29.9 All Pakistan Textile Processing Mills Association (APTPMA), Shan Dying & Printing Industries (Private) Limited, Agritech Limited (Agritech) and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to EFert's expansion plant is premised on the output of Qadirpur gas field exceeding 500 mmcfd by 100 mmcfd and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 with Sui Northern Gas Pipeline Limited (SNGPL) be declared void ab initio because the output of Qadirpur gas field has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. EFert has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 mmcfd gas has been allocated to EFert through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 mmcfd gas production from the Qadirpur gas field; and (iii) both EFert and gas field (Qadirpur), that is to initially supply gas to EFert, are located in Sindh. Also neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply upon Qadirpur field producing 100 mmcfd over 500 mmcfd. No orders have been passed in this regard and the petition has also been adjourned sine die. However, EFert's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

29.10 EFert along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to unreasonable increase in fertilizer prices. EFert has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that EFert enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs 3,140,000 and Rs 5,500,000 on EFert and that other fertilizer company respectively. An appeal has been filed in the Competition Appellate Tribunal (at present non-functional) and a writ has been filed in the Sindh High Court and stay has been granted against the recovery of the imposed fine. EFert's management believes that the chances of ultimate success are very good, as confirmed by legal advisor. Hence, no provision has been made in these consolidated financial statements.

29.11 Bank guarantees have been provided to:

- Sui Southern Gas Company Limited amounting to Rs 62,842 (2014: Rs 56,199) under the contract for supply of gas;
- Sui Northern Gas Company Limited (SNGPL) amounting to Rs 34,350 (2014: Rs 34,350) under the contract for supply of gas;
- SNGPL amounting to Rs 2,496,126 (2014: Rs 2,496,126) representing an amount equivalent to three months contractual quantities of gas in accordance with the terms of Gas Supply Agreement;

(Amounts in thousand)
(Amounts for 2014 restated)

- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs 258,712 (2014: Rs 258,712) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs 172,000 (2014: Rs 172,000) have been received to-date;
- Controller Military Accounts, Rawalpindi amounting to Rs 9,001 (2014: Rs 5,953), as collateral against supplies;
- Parco Pearl Gas Co. (Private) Limited amounting to Rs 1,000 (2014: Rs 600) as collateral against supplies; and
- Officer Commanding PAF Faisal Base amounting to Rs 4,745 (2014: Rs 3,818) as collateral against supplies.
- Other third parties amounting to Rs 1,402,223 (2014: Rs 1,075,119).

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

29.13 The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Act thereafter was last amended through Sindh Finance Act, 2014 according to which infrastructure fee will range from 0.9% to 0.95% of total value of goods as assessed by the Custom Authorities (the Authorities) plus one paisa per kilometer against various slab of net weight of goods.

In 2014, Engro Elengy Terminal Private Limited (EETPL) filed a petition against the aforementioned levy before the High Court of Sindh (the Court) where it is currently pending. Earlier, the Court through an interim order on petitions filed by other companies, directed companies to clear the goods on paying 50% of the amount of levy and furnishing bank guarantee / security for the balance amount.

EETPL estimates the amount of levy as at December 31, 2014 to be Rs 8,774. In this respect, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs 8,000 in favor of the Authorities to comply with interim orders of the Court. The bank guarantee shall continue and remain valid until the decision of the Court in the above mentioned case. However, based on the merits of the case and as per the opinion of its legal advisor, EETPL expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

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

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

(Amounts in thousand)
(Amounts for 2014 restated)

29.15 Last year Engro Eximp (Private) Limited (EEL) received various notices from Deputy Commissioner Inland Revenue (DCIR) in respect of recovery of sales tax amounting to Rs 213,012 under section 8B of the Sales Tax Act, 1990. EEL responded to these notices through its tax consultant and pleaded not to recover any amount under the above mentioned section as EEL was in a net refundable position. However, DCIR rejected EEL's contention for adjustment of refund against 8B payments and has demanded payments amounting to Rs 49,907. An appeal to this effect has been filed with Commissioner Inland Revenue (Appeals) for which no hearing has taken place to date.

Further, EEL has filed a writ petition in Honorable High Court of Sindh (the Court) challenging the existence of section 8B on the grounds that such a section is confiscatory in its operation and thus unconstitutional. A stay order against the recovery of the aforementioned demand under section 8B has been granted to EEL by the Court. The management, based on advice of their legal counsel is confident that the matter will ultimately be decided in favor of EEL.

29.16 Subsequent to the balance sheet date, the Deputy Commissioner Inland Revenue (DCIR) through order dated January 8, 2016 raised sales tax demand of Rs 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material. The management of Engro Polymer & Chemicals Limited (EPCL) strongly believes that the order passed against EPCL is baseless as the DCIR has used inappropriate theoretical assumptions for calculating the sales tax liability.

The management of EPCL, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matter would be favorable and is in the process of filing appeal against aforesaid order at relevant forums.

Commitments

29.17 Details of commitments as at December 31, 2015 entered by the Group are as follows:

29.17.1 Commitment in respect of operating lease arragements

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

	2015	2014
	--------------Rupees--------------	
Not later than one year	7,885	2,315

The Holding Company has signed lease agreements for premises on rent from Dawood Foundation, a related party, for Karachi office which is due to expire in September 2017. The same is revocable by either party through prior notice of at least 3 months.

29.17.2 Commitments in respect of capital expenditure contracted but not incurred amount to Rs 1,789,212 (2014: Rs 3,884,174).

29.17.3 Commitments in respect of letters of credit / contracts other than for capital expenditures amount to Rs 6,183,587 (2014: Rs 7,090,270). This includes a letter of credit amounting to Rs 840,663 (2014 : Rs 806,972) extended by Engro Powergen Qadirpur Limited (EPQL) in favor of its senior lenders.

29.17.4 Other commitments in respect of subsidiary companies amounts to Rs 1,175,460 (2014: Rs 5,239,659).

(Amounts in thousand)
(Amounts for 2014 restated)

29.17.5 The aggregate facility for performance guarantees to be issued by banks as at December 31, 2015 amounts to Rs 1,098,000 (2014: Rs 1,165,000). The amount utilized thereagainst as at December 31, 2015 was Rs 1,097,280 (2014: Rs 1,080,939).

29.17.6 EPCL has entered into various contracts with Engro Vopak Terminal Limited, a related party, for storage and handling of Ethylene and Vinyl Chloride Monomer (VCM) valid till March, 2026 and December 2018, respectively, and Ethylene Di-Chloride (EDC) valid till May 2018. Annual fixed cost payable to Engro Vopak Terminal Limited, under these contracts, approximates to USD 9,165.

29.17.7 The Group has entered into lease arrangements for computer / office equipments and for storage and handling of Ethylene Di Chloride (EDC) & caustic soda. The future aggregate lease payments under these arrangements are as follows:

	2015	2014
	--------------Rupees--------------	
Not later than 1 year	109,945	109,842
Later than 1 year and no later than 5 years	158,094	275,601
Later than 5 years	-	-
	268,039	385,443

29.17.7 Engro Elengy Terminal Private Limited (EETPL) has entered into lease arrangement for hire of Floating Storage & Regasification Unit (FSRU). The future aggregate lease payments as daily hire charges under this arrangement are as follows:

	2015	2014
	--------------Rupees--------------	
Not later than 1 year	4,016,460	-
Later than 1 year and no later than 5 years	16,404,344	-
Later than 5 years	41,182,208	-
	61,603,012	-

29.17.8 EETPL is required to pay USD 1,225 to foreign lenders (Asian Development Bank and International Finance Corporation) and Rs 42,100 to local commercial facility financiers (comprising of Pak Brunei Investment Company Limited, NIB Bank Limited and Askari Bank Limited) as loan arrangement fees under the Common Terms Agreement.

30. REVENUE

	2015	2014
	--------------Rupees--------------	
Own manufactured products (note 30.1)	168,597,868	159,467,710
Less:		
- Sales tax	(20,085,102)	(15,129,098)
- Discounts	(3,797,384)	(2,016,274)
	144,715,382	142,322,338
Purchased product / services rendered	38,637,608	41,776,247
Less: Sales tax	(1,373,304)	(4,469,944)
	37,264,304	37,306,303
Subsidy from Government of Pakistan	2,611,879	-
	184,591,565	179,628,641

(Amounts in thousand)
(Amounts for 2014 restated)

30.1 Includes export sales amounting to Rs 3,561,108 (2014: Rs 8,515,714).

	2015	2014
	--------------Rupees--------------	
31. COST OF REVENUE		
Cost of goods sold (note 31.1)	128,504,590	143,138,225
Cost of services rendered (note 31.2)	4,800,072	-
	133,304,662	143,138,225

31.1 Cost of Goods Sold

	2015	2014
Raw and packing materials consumed including unprocessed rice (note 31.1.2)	62,931,392	73,975,114
Salaries, wages and staff welfare (note 31.1.3)	5,262,963	4,838,715
Fuel and power	21,465,054	20,652,996
Repairs and maintenance	2,007,397	1,749,382
Depreciation (note 5.2)	8,757,422	8,679,851
Amortization (note 7.1)	27,138	39,945
Consumable stores	2,106,896	822,743
Staff recruitment, training, safety and other expenses	142,557	172,497
Purchased services	1,097,012	1,155,253
Storage and handling	1,678,134	1,877,782
Travel	307,791	268,488
Communication, stationery and other office expenses	307,867	298,541
Insurance	756,532	802,740
Rent, rates and taxes	641,998	580,479
Provision / (Reversal of provision) against:	-	-
- stock-in-trade	(1,653,298)	1,448,350
- slow moving spares	42,421	25,875
- Provision for impairment in major spare parts & stand by equipment	-	1,439
Catalysts and chemicals	778	12,291
Other expenses	287,384	126,518
Manufacturing cost	106,167,438	117,528,999
Add: Opening stock of work-in-process (note 13)	678,292	528,820
Less: Closing stock of work-in-process (note 13)	213,415	678,292
Less: Discontinued operations	73,982	-
	390,895	(149,472)
Cost of goods manufactured	106,558,333	117,379,527
Add: Opening stock of finished goods manufactured	4,581,087	3,647,394
Less: Closing stock of finished goods manufactured	4,041,032	3,880,408
	540,055	(233,014)
Cost of goods sold		
- own manufactured product	107,098,388	117,146,513
- purchased product (note 31.1.1)	21,406,202	25,991,712
	128,504,590	143,138,225

(Amounts in thousand)

Notes to the consolidated financial statements

31.1.1 Cost of sales - purchased product

	2015	2014
	--------------Rupees--------------	
Opening stock (note 13)	298,214	197,486
Add: Purchases	25,225,734	24,364,184
Less: Closing stock (note 13)	4,117,746	284,145
	21,406,202	24,277,525

31.1.2 This is net of reversal of provision amounting to Rs 881,860 (2014: Nil) in respect of duty on import of raw materials and GIDC of prior periods.

31.1.3 Salaries, wages and staff welfare include Rs 341,980 (2014: Rs 330,806) in respect of staff retirement benefits.

31.2 Cost of services rendered

	2015	2014
	--------------Rupees--------------	
Fixed expenses (note 31.2.1)	3,881,982	-
Variable expenses (note 31.2.2)	350,079	-
Depreciation (note 5.2)	417,336	-
Amortization of direct cost on FSRU	72,096	-
Salaries, wages and benefits	44,707	-
Repairs and maintenance	22,128	-
Travelling and entertainment	4,418	-
Security and other expense	7,326	-
	4,800,072	-

31.2.1 Includes expenses in respect of rental, operating and maintenance charges of FSRU and for its use as LNG carrier amounting to Rs 3,783,314.

31.2.2 Includes royalty to Port Qasim Authority amounting to Rs 203,383.

32. SELLING AND DISTRIBUTION EXPENSES

	2015	2014
	--------------Rupees--------------	
Salaries, wages and staff welfare (note 32.1)	1,486,778	1,296,768
Staff recruitment, training, safety and other expenses	72,724	62,874
Product transportation and handling	5,559,310	5,911,374
Repairs and maintenance	87,184	67,030
Advertising and sales promotion	2,589,747	2,585,365
Rent, rates and taxes	260,754	319,113
Communication, stationery and other office expenses	105,434	76,411
Travel	160,002	190,176
Depreciation (note 5.2)	236,526	229,218
Amortization (note 7.1)	960	160
Purchased services	22,127	16,356
Others	182,065	176,920
Insurance	3	340
Sales promotion, advertising and market development	2,202	
	10,765,816	10,932,105

(Amounts in thousand)
(Amounts for 2014 restated)

32.1 Salaries, wages and staff welfare include Rs 119,748 (2014: Rs 103,569) in respect of staff retirement benefits.

33. ADMINISTRATIVE EXPENSES

	2015	2014
	--------------Rupees--------------	
Salaries, wages and staff welfare (notes 33.1 and 33.2)	2,222,980	2,035,000
Staff recruitment, training, safety and other expenses	164,737	130,443
Repairs and maintenance	72,872	112,321
Advertising	93,092	6,199
Rent, rates and taxes	348,090	314,639
Communication, stationery and other office expenses	371,920	329,825
Travel	419,402	296,532
Depreciation (note 5.2)	137,941	121,292
Amortization (note 7.1)	71,585	71,855
Purchased services	383,390	560,333
Donations (note 51)	149,237	131,323
Others	119,419	304,428
Legal and professional charges	617,141	145,159
Insurance	3,467	4,085
Subscriptions and periodicals	26,637	14,276
Impairment expense	7,661	-
	5,209,571	4,577,710

33.1 Salaries, wages and staff welfare include Rs 151,222 (2014: Rs 165,734) in respect of staff retirement benefits.

33.2 Includes Rs 157,972 (2014: Rs 94,614) in respect of Employees' share option compensation expense.

34. OTHER INCOME

	2015	2014
	--------------Rupees--------------	
Financial assets:		
Income on deposits / other financial assets	1,701,868	2,551,330
Exchange gain / exchange loss	46,550	28,764
Interest on receivable from SSGCL	205,643	-
Delayed payment charges on overdue receivables	195,865	171,126
Non financial assets:		
Service charges	-	4,321
Insurance claims	141,936	235,373
Gain on disposal of property, plant and equipment	49,687	13,702
Income from sale of spares / scrap	57,669	59,721
Capital gain on disposal of investment in subsidiary companies - Gain on deemed disposal	6,935	129,103

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	--------------Rupees--------------	
Loss arising on sale of investment in e2e BE	(105,286)	-
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets (note 6.1)	243,603	245,506
Reversal of provision against:		
- infrastructure cess (note 34.1)	148,583	-
- doubtful loan to Avanceon Limited	-	35,379
- Worker's welfare fund	-	28,128
Gain on disposal of subsidiary	5,156,097	-
Others	225,463	302,737
	8,074,613	3,805,190

34.1 As per the interim arrangement with the Excise and Customs authorities, the bank guarantees furnished by the Group (Appellants before the Supreme Court) upto December 27, 2006 were discharged and returned. As agreed, 50% in value of the Bank Guarantees furnished for consignments released after the aforesaid date were permitted to be enchased; the remaining 50% were to be retained until a judicial resolution. It was specifically agreed, as per the joint statement, that after May 31, 2011 all imports would be released on payment of 50% cash and 50% bank guarantee.

The management of the Group being confident that no demand will be raised for any amount pertaining to the period prior to December 27, 2006, has reversed the provision relating to that period.

35. OTHER OPERATING EXPENSES

	2015	2014
	--------------Rupees--------------	
Workers' profits participation fund (note 26.4)	1,482,985	665,692
Workers' welfare fund	561,821	352,223
Legal and professional charges	814,640	359,844
Research and development	56,405	54,339
Reversal of provision for trade debts, loans advances and other receivables	1,086	(10,918)
Provision for contractual commitments and insurance	-	96,145
Provision for insurance settlement of subsidiary since inception	-	84,975
Provision for dispatch claims	35,718	-
Provision against refundable sales tax	180,000	-
Loss on disposal of property, plant and equipment	-	260,204
Loss on disposal of biological assets	-	18,921
Loss on disposal of subsidiary	-	453,381
Auditors' remuneration (note 35.1)	43,422	29,526
Provision for culling of biological assets (note 6)	24,748	22,314
Others	35,265	121,725
Property, plant and equipment written off	-	198
	3,236,090	2,508,569

(Amounts in thousand)
(Amounts for 2014 restated)

35.1 Auditors' remuneration

The aggregate amount charged in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2015	2014
	------Rupees------	
Fee for:		
- audit of annual financial statements	6,832	6,217
- review of half yearly financial statements	2,218	1,787
Special audit, certifications, audit of retirement benefit funds, review of compliance with Code of Corporate Governance and other advisory services	19,673	11,268
Tax services	11,786	7,529
Reimbursement of expenses	2,913	2,725
	43,422	29,526

36. FINANCE COST

	2015	2014
Interest / mark-up on:		
- long term borrowings	5,917,941	7,880,944
- short term borrowings	1,334,658	2,719,643
Interest on Workers' profits participation fund (note 26.4)	154	4,265
Loss on fair value of IFC conversion option	28,551	566,998
Foreign exchange loss - net	1,121,793	1,373,150
Financial charges on usance letters of credit	83,662	353,705
Others	389,320	335,367
Bank charges	42,584	250
	8,918,663	13,234,322

37. SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES

	2015	2014
Engro Vopak Terminal Limited		
Share of profit before taxation	910,038	795,098
Less: Share of provision for taxation	(123,101)	(85,736)
	786,937	709,362
Sindh Engro Coal Mining Company & GEL Utility Limited		
Share of profit from associates	232,008	13,674
The Hub Power Company Limited - quoted		
Share of profit from associates	1,610,234	1,150,887
e2e Business Enterprises (Private) Limited - unquoted		
Less: Share of loss	(20,960)	(6,087)
	2,608,219	1,867,836

38. TAXATION

	2015	2014
Current		
- for the year	6,306,386	4,051,076
- for prior years	466,091	(443,734)
	6,772,477	3,607,342
Deferred	2,248,197	(194,614)
	9,020,674	3,412,728

(Amounts in thousand)
(Amounts for 2014 restated)

38.1 Engro Corporation Limited - Subsidiary Company

In 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs 218,790 and raised a demand of Rs 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The ECL filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs 184,191 and revised the demand to Rs 104,976.

The ECL paid Rs 53,250 thereagainst and simultaneously filed an appeal against the CIR - Appeals decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to the Company. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the ECL's contention. The income tax department, in response thereagainst, had filed an appeal with ATIR, which was pending for hearing. Subsequent to the year end, the ATIR has also dismissed the appeal of the CIR.

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

During the year, in respect of pending tax assessments for tax year 2011 and tax year 2012, the ECL received notices of demand amounting to Rs 105,955 and Rs 250,773, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The ECL filed appeals thereagainst with the CIR - Appeals and also obtained stays from the High Court of Sindh from initiating any recovery proceedings in respect of both tax years. Subsequently, in respect of tax year 2011, the CIR - Appeals accepted the ECL's plea and annulled the order passed by the DCIR. In response the DCIR filed an appeal before the ATIR for rectification of the order passed by the CIR - Appeals.

38.2 Subsidiary Companies of Engro Corporation Limited

38.2.1 Engro Fertilizers Limited (EFert)

38.2.1.1 During the year, the income tax department amended the assessment filed by EFert for tax year 2014. EFert filed the appeal before CIR - Appeals against disallowances made through the assessment, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts (Private) Limited under section 59B of the Income Tax Ordinance, 2001. In addition the tax department raised demand for the Alternative Corporate Tax through the same order, for which EFert specifically obtained a stay order. The case is pending to be heard with the CIR - Appeals and EFert is confident of a favourable outcome.

38.2.1.2 Last year, the income tax department amended the assessment filed by EFert for tax years 2010 and 2011. EFert filed the appeals before ATIR against the said disallowances, which through its decision during last year, provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011, and loss on derivative for tax year 2011. During the year, EFert has challenged the said decision before High Court of Sindh, which is pending to be heard and is confident of a favourable outcome.

38.2.1.3 EFert had filed suit in the High Court of Sindh, against the Federal Board of Revenue contesting both the retrospective and prospective application of Alternate Corporate Tax (ACT) under section 113C of the Income Tax Ordinance, 2001 (introduced vide Finance Act 2014). EFert has been granted stay against ACT for the years 2013 and 2014 during 2014 and stay for the cuirrent year has been granted during the year.

38.2.1.4 During the year, EFert has purchased losses surrendered by Engro Eximp Agriproducts (Private) Limited, a Group Company, to avail the benefit of Group Relief under section 59B of the Income Tax Ordinance, 2001, amounting to Rs 2,899,368 representing business tax losses for financial year ended December 31, 2014. These losses have been duly adjusted by EFert against taxable profit for the financial year ended December 31, 2014 (Tax Year 2015) whilst filing its tax return for the said tax year.

38.2.1.5 In previous years, the department had filed reference applications in High Court against the below-mentioned ATIR's decisions in EFert's favor. No hearing has been conducted to-date. The reference application includes the following matters:

- Group Relief (Financial year 2006 to 2008): Rs 1,500,847
- Inter-Corporate Dividend (Financial year 2007 and 2008): Rs 336,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs 653,000

EFert is confident that all pending issues will eventually be decided in its favour.

38.2.1.6 During the year, EFert received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs 402,875 and on presumption that output tax liability is not being discharged by EFert on advances received from dealers amounting to Rs 1,844,075. EFert filed appeal with CIR - Appeals which has decided the matters in favour of EFert. The department has now challenged the decision of the CIR - Appeals with ATIR , which is pending to be heard.

38.2.2 Engro Foods Limited (EFoods)

Following is the position of the EFoods's open tax assessments:

38.2.2.1 EFoods in accordance with section 59B (Group Relief) of the Income Tax Ordinance, 2001 has surrendered to EFert, its tax losses amounting to Rs 4,288,134 out of the total tax losses of Rs 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs 1,500,847 being equivalent to tax benefit / effect thereof.

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

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

In 2013, the ATIR also decided the similar appeal filed by EFert for the year ended December 31, 2008 in its favour.

38.2.2.2 EFoods's appeal against the order of CIR - Appeals 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, EFoods, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, hence the balance of taxes recoverable has not been reduced by the effect of the aforementioned disallowance.

38.2.2.3 In 2013, CIR - Appeals raised a demand of Rs 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. During the year, in response to the appeal filed against the audit proceedings, the Commissioner Appeals issued an appellate order in favour of EFoods holding the selection of case for audit to be illegal and without jurisdiction. The tax department has filed an appeal against the order with the ATIR, however, no hearing has been conducted to date. EFoods, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

38.2.2.4 In 2014, the Additional Commissioner Inland Revenue (ACIR) raised a demand of Rs 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. EFoods has obtained a stay order from the Sindh High Court against the recovery proceedings and has also filed an appeal thereagainst before CIR - Appeals. EFoods, 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.

38.2.3 Engro Elengy Terminal (Private) Limited (EETPL)

EETPL has been granted tax holiday for a period of 5 years from the date of commencement of operations through Finance Act, 2015.

38.2.4 Engro Eximp (Private) Limited (EEL)

Following is the position of EEL open tax assessments:

38.2.4.1 Uptil 2011, EEL's major operating activities were taxable under the Final Tax Regime (FTR) except for profit on bank accounts, capital gain on investments and gain on local commodity trading were taxable under the Normal Tax Regime (NTR). However, through Finance Act, 2012, certain amendments were introduced, whereby EEL had the option to be taxed under NTR in respect of activities previously taxable under FTR, with the condition that minimum tax liability with respect to such income as specified therein.

EEL intended to opt for NTR and accordingly has made provision and filed return for tax year 2013 on that basis. Last year, EEL's return for tax year 2013 was selected for audit by the tax authorities under section 177 of Income Tax Ordinance, 2001. As a result of the audit, the assessing officer has passed a notice of demand along with an amended assessment order in which the officer has treated

(Amounts in thousand)
(Amounts for 2014 restated)

the entire return as a return under FTR thereby disallowing the refundable adjustment amounting to Rs 369,329 arising as a result of clause 41A, 41AA and 41AAA of Second Schedule to the Income Tax Ordinance, 2001.

Further, the notice of Demand was issued for the recovery of Workers Welfare Fund (WWF) and tax on bank deposits amounting to Rs 17,241 and Rs 7,243 respectively.

In respect thereof, EEL has filed an appeal to the CIR - Appeals against the disallowance of NTR / FTR adjustment along with the notice for the recovery of WWF and tax on deposits. The CIR - Appeals through his order dated January 26, 2015 accepted EEL's contention on account of FTR opt out. However, matters in respect of Income from deposits and WWF were decided against EEL. EEL has filed an appeal on the matters decided against EEL and based on advice of tax consultant, is confident that these matters will also be decided in favour of EEL. Accordingly, no provision has been recognized in this respect in these consolidated financial statements.

38.2.5 Engro Eximp AgriProduct (Private) Limited (EEAPL)

EEAPL's return for tax year 2011 was selected for audit by the tax authorities through balloting under section 214C of Income Tax Ordinance, 2001, (ITO). As a result of the audit, the assessing officer passed an amended assessment order under section 122 of ITO, whereby it disallowed total depreciation including initial allowance amounting to Rs 569,062 and also disallowed certain manufacturing and trading expenses amounting to Rs 26,900. EEAPL, in response to the amended assessment order, had filed an appeal before CIR - Appeals which has been disposed off in favor of the tax department.

In this respect, the EEAPL filed an appeal to ATIR, on the grounds that necessary supports are available with the management to prove its stance. During the year, the ATIR reverted the case to the Commissioner and directed to assess the case in the light of evidences and supports available with the management of EEAPL. To date, management of EEAPL has submitted partial information with a request for extension in filling other necessary supports. The management of EEAPL based on advice of tax consultant, is confident that matters will be decided in favour of the EEAPL. Accordingly, no provision has been recognized in these consolidated financial statements.

38.2.6 Engro Polymer & Chemicals Limited (EPCL)

38.2.6.1 Tax year 2008

The DCIR through the order dated November 26, 2009 raised a tax demand of Rs 213,172. The demand arose as a result of additions on account of trading liabilities of Rs 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs 5,899; adding imputed interest on loans to employees and executives of Rs 16,069 to income; disallowing finance cost of Rs 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

EPCL filed an appeal against the aforesaid order before CIR - Appeals, but discharged the entire demand through adjustment against assessed refunds of Rs 180,768 and paying the balance of Rs 32,404 'under protest'. Through his appellate order, the CIR - Appeals maintained certain additions aggregating Rs 189,810 including finance cost amounting to Rs 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by EPCL before the ATIR. The department also filed an appeal against the said appellate order challenging the actions of the CIR - Appeals.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of trading liabilities to the extent of Rs 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs 19,692 and Rs 7,300 respectively, which were maintained.

EPCL filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of EPCL. The management of EPCL, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in these consolidated financial statements.

38.2.6.2 Tax year 2009

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

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

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of SED provision of Rs 36,689 and imputed interest on loans to employees and executives to the extent of Rs 17,430, which were maintained.

EPCL filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of EPCL. The management of EPCL, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in these consolidated financial statements.

38.3 Relationship between tax expense and accounting profit

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Group's applicable tax rate as follows:

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	--------------Rupees--------------	
Profit before taxation	30,385,411	10,867,441
Tax calculated at the rate of 32% (2014: 33%)	9,723,332	3,586,255
Depreciation on exempt assets not deductible for tax purposes	3,044	3,140
Effect of exemption from tax on certain income	(2,753,629)	(397,262)
Effect of applicability of lower tax rate, FTR and other tax credits / debits	(3,041,637)	670,925
Prior year current and deferred tax charge	732,382	(652,317)
Un-recoupable minimum turnover tax	161,613	387,210
Effect of derecognition of carried forward losses	1,181,778	-
Effect of provision for impairment against long term investment	1,492,405	-
Tax effect of minimum tax liability on imports, exports and local trading	66,700	-
Others	1,454,686	(185,223)
Tax charge for the year	9,020,674	3,412,728

39. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Group by weighted average number of ordinary shares in issue during the year.

Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan throughout the year. The effect of these options is anti-dilutive as at December 31, 2015.

	2015	2014
	--------------Rupees--------------	
Profit / (loss) for the year (attributable to the owners of the Holding Company) from:		
- Continuing operations	4,607,351	3,151,660
- Discontinued operations	4,619,550	(889,850)
	9,226,901	2,261,810
The information necessary to calculate basic and diluted earnings per share is as follows:		
Profit for the year from continuing operations	4,607,351	3,151,660
Add: Interest on IFC loan - net of tax	1,422	15,616
- Loss on revaluation of conversion options on IFC loan - net of tax	5,300	88,879
	6,722	104,495
	4,614,073	3,256,155
	----- Number in thousands ------	
Weighted average number of ordinary shares	481,287	481,287

(Amounts in thousand)

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2015			2014		
	Directors		Executives	Directors		Executives
	Chief Executive	Others		Chief Executive	Others	
	Rupees					
Managerial remuneration	19,355	62,696	4,577,771	9,612	49,951	4,090,813
Retirement benefits funds	4,515	1,588	510,871	1,794	662	489,068
Other benefits	12,498	32,471	281,903	5,685	29,463	308,742
Fees	-	-	234,640	-	-	93,446
Total	36,368	96,755	5,605,185	17,091	80,076	4,982,069
Number of persons including those who worked part of the year	1	3	1,770	1	2	1,694

40.1 The Group also makes contributions based on actuarial calculations to pension and gratuity funds and provides certain household items for use of some executives.The Group also provides certain household items for use of some employees and Chief executive. Cars are also provided for use of certain employees and directors. In addition, entertainment and security expenses are also incurred for directors.

40.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Company, amounts to Rs 1,254 (2014: Rs 1,517).

40.3 Mr. Abdul Samad Dawood was appointed as Chief Executive (CEO) of the Holding Company on October 6, 2014. In 2014, the Securities and Exchange Commision of Pakistan, upon request of the Holding Company granted waiver from the disclosure of his remuneration. Accordingly, the corresponding amounts of remuneration represent the payments made to the previous CEO of the Holding Company.

41. RETIREMENT BENEFITS

41.1 Defined benefit plans

The Group offers a defined post-employment gratuity benefit to permanent management and non-management employees. In addition, until June 30, 2005, the Group offered a defined post-employment pension benefit to management employees in service which has been discontinued and the plan now only covers a handful of retired pensioners.

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

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

(Amounts in thousand)
(Amounts for 2014 restated)

The Group faces the following risks on account of defined benefit plans:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments of 3, 5 or 10 year SSC's, RIC's, DSC's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

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

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

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

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

41.1.1 Valuation results

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

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2015	2014	2015	2014
	------------------------Rupees------------------------			
41.1.2 Balance sheet reconciliation				
Present value of defined benefit obligation	1,005,738	1,011,160	33,367	34,406
Fair value of plan assets	(897,111)	(1,006,330)	(40,835)	(38,824)
Deficit / (Surplus)	108,627	4,830	(7,468)	(4,418)
Payable to Defined Contribution Gratuity Fund	10,120	10,515	-	-
Payable in respect of inter group transfers	505	1,022	-	-
Unrecognized asset	-	-	7,468	4,418
Net (asset) / liability recognized in the balance sheet	119,252	16,367	-	-

(Amounts in thousand)
(Amounts for 2014 restated)

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2015	2014	2015	2014
	------------------------Rupees------------------------			
41.1.3 Movement in net (assets) / liability recognized in the balance sheet				
Net liability at beginning of the year	16,367	126,663	-	-
Expense / (income) for the year	117,362	120,719	(464)	(821)
Net contribution by the Group	(115,486)	(223,935)	-	-
Remeasurement loss / (gain) to Other Comprehensive Income	125,168	(6,676)	464	821
Discontinued operations	(24,159)	(404)	-	-
Net (asset) / liability at end of the year	119,252	16,367	-	-
41.1.4 Movement in present value of defined benefit obligation				
As at beginning of the year	1,011,160	951,224	34,406	32,218
Current service cost	114,058	110,018	-	-
Past service cost	6,345	-	-	-
Interest cost	95,672	122,462	3,400	3,949
Benefits paid during the year	(294,458)	(141,422)	(4,054)	(3,847)
Remeasurement loss / (gain) to Other Comprehensive Income	122,062	(29,280)	(385)	2,086
Liability transferred in respect of inter-company transfer	(1,076)	(1,547)	-	-
(Asset) / Liability in respect of defined contribution transfers	(23,866)	665	-	-
Discontinued operations	(24,159)	(960)	-	-
As at end of the year	1,005,738	1,011,160	33,367	34,406
41.1.5 Movement in fair value of plan assets				
As at beginning of the year	1,006,330	835,743	38,824	38,535
Expected return on plan assets	98,713	111,761	3,864	4,770
Contributions by the Group	115,486	223,935	-	-
Benefits paid during the year	(294,458)	(141,422)	(4,054)	(3,847)
Remeasurement (loss) / gain to Other Comprehensive Income	(3,106)	(21,830)	2,201	(634)
Inter group asset transfers	(1,988)	(1,156)	-	-
Assets adjusted in respect of defined contribution transfers	(23,866)	-	-	-
Discontinued operations	-	(701)	-	-
As at end of the year	897,111	1,006,330	40,835	38,824

(Amounts in thousand)
(Amounts for 2014 restated)

41.1.6 Charge for the year

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2015	2014	2015	2014
	--Rupees--			
Current service cost	114,058	110,018	-	-
Past service cost	6,345	-	-	-
Net Interest income / (cost)	(3,041)	10,701	(464)	(821)
	117,362	120,719	(464)	(821)

41.1.7 Principal actuarial assumptions used in the actuarial valuation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2015	2014	2015	2014
Discount rate	9% - 10.5%	10.5% - 12.5%	9%	10.5%
Expected rate of return on plan assets - per annum	9% - 10.5%	12.25% - 14%	9%	10.5%
Expected rate of increase in pension - per annum	-	-	1%	2.5%
Expected rate of increase in future salaries - per annum	8% - 10%	9.5% - 11.25%	8%	9.5% - 11.25%

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2015	2014	2015	2014
	--Rupees--			
41.1.8 Actual return on plan assets	87,038	92,140	3,823	3,782

41.1.9 Plan assets comprise of the following

	2015		2014	
	Rupees	(%)	Rupees	(%)
Defined Benefit Gratuity Plans				
Debt	645,786	72%	614,395	61%
Mutual funds	21,159	2%	87,412	9%
Equity	119,231	13%	95,231	9%
Others	110,935	12%	209,292	21%
	897,111	100%	1,006,330	100%
Defined Benefit Pension Plan				
Debt	38,998	96%	38,142	98%
Others	1,837	4%	682	2%
	40,835	100%	38,824	100%

41.1.10 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

(Amounts in thousand)
(Amounts for 2014 restated)

41.1.11 Historical information of staff retirement benefits

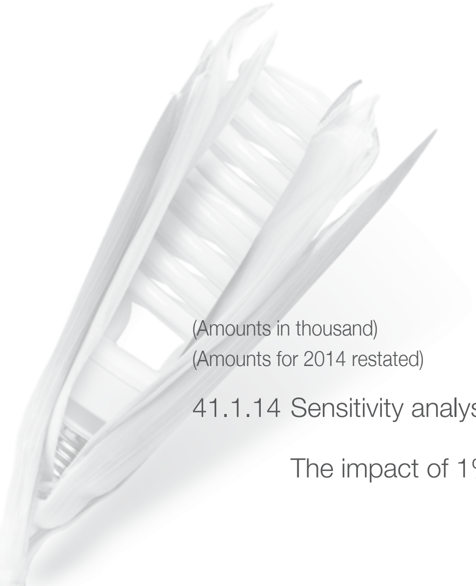
	2015	2014	2013	2012	2011
	---Rupees---				
Defined benefit gratuity plans					
Present value of defined benefit obligation	(1,005,738)	(1,011,160)	(951,224)	(836,528)	(745,133)
Fair value of plan assets	897,111	1,006,330	835,743	773,942	647,234
Surplus / (deficit)	(108,627)	(4,830)	(115,481)	(62,586)	(97,899)
Defined benefit pension plan					
Present value of defined benefit obligation	(33,367)	(34,406)	(32,218)	(181,783)	(164,522)
Fair value of plan assets	40,835	38,824	38,535	187,719	154,157
Surplus / (deficit)	7,468	4,418	6,317	5,936	(10,365)

41.1.12 Expected future cost / (reversal) for the year ending December 31, 2016 is as follows:

	Rupees
Defined benefit gratuity plans	132,877
Defined benefit pension plan	(672)

41.1.13 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2015	2014	2015	2014
	---Rupees---			
Loss from change in demographic assumptions	-	-	-	(740)
Gain / (Loss) from change in experience adjustments	(106,250)	29,916	138	(1,769)
(Loss) / Gain from change in financial assumptions	(15,812)	(636)	247	423
Remeasurement of Obligation	(122,062)	29,280	385	(2,086)
Actual Return on plan assets	85,887	89,633	3,823	3,782
Expected Return on plan assets	(97,562)	(98,401)	(3,864)	(4,770)
Difference in opening fair value of plan assets	8,569	(13,062)	2,242	354
Remeasurement of Plan Assets	(3,106)	(21,830)	2,201	(634)
Adjustments for DC transfer pertaining to earlier periods	-	(774)	-	-
Effect of Asset Ceiling	-	-	(3,050)	1,899
	(125,168)	6,676	(464)	(821)



(Amounts in thousand)
(Amounts for 2014 restated)

41.1.14 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	Rupees			
Discount rate	902,504	837,560	31,390	35,592
Long term salary increases	1,074,645	704,768	-	-
Long term pension increases	-	-	35,754	31,223
Withdrawal rates : Light	31,390	-	-	-
Withdrawal rates : Heavy / Moderate	35,592	-	-	-

41.1.15 Maturity Profile

Time in years	Gratuity Plans	Pension Plan
	Rupees	
1	108,260	4,095
2	78,997	4,135
3	105,555	4,177
4	163,934	4,219
5-10	708,787	21,734
11-15	1,017,333	22,843
16-20	1,864,338	24,008
20+	11,755,865	108,920
Weighted average duration	3.83 - 12.22	6.30

41.2 Defined contribution plans

An amount of Rs 293,053 (2014: Rs 268,372) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
42. CASH GENERATED FROM OPERATIONS	-------------Rupees------------	
Profit before taxation	30,385,411	10,867,441
Adjustment for non-cash charges and other items:		
Depreciation	9,549,225	9,064,367
Amortization of intangible assets	99,683	111,960
Amortization of deferred income	(5,720)	(6,894)
Amortization of deferred employee share compensation expense	157,973	94,614
Provision for impairment in major spare parts & stand-by equipment	3,270	-
Provision for advances and receivables	1,086	-
Unrealised exchange loss	8,558	-
Impairment loss on e2e	7,661	-
Amortization of arrangement fees on long term finances	6,685	-
Amortization of prepaid financial charges	27,069	-
Amortization of direct cost on FSRU	72,096	-
(Gain) / Loss on disposal of property, plant and equipment - net	(51,505)	190,325
Stores and spares written-off	29,795	8,156
Loss on disposal of biological assets	3,327	18,921
Loss on fair value adjustments of embedded derivatives and hedging instruments	-	88,640
Provision for retirement and other service benefits	296,782	130,286
Income on deposits / other financial assets	(1,700,976)	(2,536,714)
Share of income from joint venture and associated companies (note 37)	(2,608,219)	(1,072,423)
Gain arising from changes in fair value less estimated point of sale costs of biological assets	(243,604)	(245,506)
Financial charges (note 36)	8,918,663	13,234,322
Foreign currency translation	28,004	(1,207,440)
Provision for surplus and slow moving stores and spares	168,130	20,698
Provision for stock in trade	102,881	2,234,257
Provision for impairment of other receivable	215,718	544
Provision / (Reversal of provision) for doubtful trade debts	902	(11,502)
Provision for impairment of property, plant and equipment and intangible assets	3,454,184	477,582
Provisions against concessionary duty on import of raw materials	134,690	-
Share of Profit from Associate	-	(1,144,800)
Long outstanding balances written back	-	(14,616)
(Gain) / Loss on disposal of investment in subsidiary	(5,156,097)	324,278
Realised loss on disposal of investments at 'fair value through profit or loss'	104,395	-
Reversal of provision against Worker's welfare fund		(28,128)
Provision for culling of biological assets	24,748	22,314
Working capital changes (note 42.1)	(25,358,605)	15,067,864
	18,676,210	45,688,546

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	-------------Rupees------------	
42.1 Working capital changes		
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(283,889)	(490,165)
- Stock-in-trade	(2,639,629)	6,891,714
- Trade debts	(2,119,333)	(1,587,939)
- Loans, advances, deposits and prepayments	(49,208)	(257,673)
- Other receivables - net	(2,737,498)	(294,330)
	(7,829,557)	4,261,607
Increase / (decrease) in current liabilities		
- Trade and other payables and provisions	(17,529,048)	10,806,257
	(25,358,605)	15,067,864

43. CASH AND CASH EQUIVALENTS

	2015	2014
Cash and bank balances (note 19)	5,120,357	12,372,403
Short term investments (note 18)	12,570,835	3,433,782
Short-term borrowings (note 28)	(5,858,453)	(7,450,689)
	11,832,739	8,355,496

44. FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

	2015	2014
Loans and receivables at amortized cost		
Trade debts	6,733,613	4,615,359
Other receivables	2,006,290	1,468,005
Term Deposit Receipts	-	175,000
Interest accrued on bank deposits and investments	-	915
Cash and bank balances	5,120,357	12,372,402
	13,860,260	18,631,681
Available for sale investments		
Others, at cost - e2e Business Enterprises (Private) Limited - unqouted	95,713	-
Fair value through profit and loss	11,827,935	27,837,784
Held till maturity		
Short term investments	2,222,177	1,149,300
Derivatives used for hedging	-	-

(Amounts in thousand)
(Amounts for 2014 restated)

	2015	2014
	-------------Rupees------------	
FINANCIAL LIABILITIES		
Financial liabilities measured at amortized cost		
Borrowings	70,183,634	91,048,739
Trade and other payables	32,256,231	52,041,416
Accrued interest / mark-up	1,427,789	2,123,525
	103,867,654	145,213,680
- Fair value through profit and loss		
Derivative financial instruments	348,093	1,084,897
- Derivatives used for hedging	33,152	431,314

45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Group's Finance and Planning departments under policies approved by the Senior Management.

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

This exists due to the Group's exposure resulting from outstanding import payments, foreign commercial transactions, foreign currency loan liabilities and related interest payments. A foreign exchange risk management policy has been developed and approved by the management. The policy allows the Group to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Group ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

Engro Corportion Limited has given guarantees in favor of its subsidiary companies amounting to USD 130,947 (2014: USD 159,144). The devaluation / revaluation of currency will only impact contingent liabilities and the impact on consolidated post tax profit for the year is Nil.

At December 31, 2015, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollars with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs 65,652, mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated liabilities.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from short and long-term borrowings and obligations under finance lease. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

The Group manages its interest rate exposure through floating to fixed rate interest swaps on its foreign currency borrowings.

As at December 31, 2015, if interest rates on Group's borrowings had been 1% higher / lower with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs 482,528, mainly as a result of interest exposure on variable rate borrowings.

iii) Other price risk

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

As at December 31, 2015, the Group is not exposed to any significant price risk.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The Maximum exposure to credit risk is equal to the carrying amount of financial assets. The Group maintains internal policies to place funds with commercial banks/mutual funds having a minimum short term credit rating of A1 and AM3. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by management.

The Group's fertilizer segment is exposed to a concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing a majority of trade debts against bank guarantees inland letter of credits and by the fact that the exposure is spread over a wide customer base.

The Group's power segment is not exposed to any credit risk on its trade debts as these are secured by sovereign guarantee from the Government of Pakistan.

(Amounts in thousand)
(Amounts for 2014 restated)

The Group's foods and polymers segment is not materially exposed to credit risk on trade debts as unsecured credit is provided to selected parties with no default in recent history and a major part is secured by bank guarantees and letters of credit from customers or written terms of agreement. However, the foods segment has significant concentration of credit risk resulting from receivable from Tetra Pak Pakistan Limited, Ecolean AB and deposits with banks and financial institutions amounting to Rs 884,032 (2014: Rs 244,909). The Group attempts to control credit risk arising on receivable from Tetra Pak Pakistan Limited and Ecolean AB, through legally binding agreements that are signed between the two parties.

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2015	2014
	-------------Rupees------------	
Loans and advances	5,427,328	2,272,270
Trade debts	6,249,835	4,281,518
Other receivables	898,577	469,793
Interest accrued on bank deposits and investments	-	915
Short term investments	11,827,935	29,162,084
Cash and bank balances	5,119,845	12,254,638
	29,523,520	48,441,218

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history. The credit quality of Group's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Al-Baraka Bank Pakistan Limited	JCR-VIS	A1	A
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Bank Islami Pakistan Limited	PACRA	A1	A+
Burj Bank Limited	JCR-VIS	A-2	A-
CIMB Bank Berhud	Moody's	P2	A3
Citibank N.A.	Moody's	P1	A2
Deutsche Bank AG	Moody's	P2	A3
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HSBC Bank Middle East Limited	Moody	P1	A2
Industrial & Commercial Bank of China	Moody's	P1	A1
JS Bank Limited	PACRA	A1+	A+
MCB Bank Limited	PACRA	A1+	AAA

(Amounts in thousand)
(Amounts for 2014 restated)

Bank	Rating agency	Rating Short term	Rating Long term
Meezan Bank Limited	JCR-VIS	A1+	AA
Mashreq Bank	Moodys	P-2	Caa2
National Bank of Pakistan	JCR-VIS	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Pak Oman Investment Company	JCR-VIS	A1+	AA+
Samba Bank Limited	JCR-VIS	A1	AA
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A1	A
The Bank of Punjab	PACRA	A1+	AA-
United Bank Limited	JCR-VIS	A1+	AA+

c) Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available.

The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

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

	2015			2014		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Derivatives	393,070	17,382	410,452	1,465,108	51,103	1,516,211
Trade and other payables	34,618,973	-	34,618,973	43,718,365	-	43,718,365
Accrued interest / mark-up	1,427,789	-	1,427,789	2,095,761	-	2,095,761
Borrowings	29,410,102	40,773,532	70,183,634	30,263,594	55,684,759	85,948,353
	65,849,934	40,790,914	106,640,848	77,542,828	55,735,862	133,278,690

45.2 Capital risk management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

(Amounts in thousand)
(Amounts for 2014 restated)

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The regulatory regime in which the Group's power segment operates, renders the value of the equity to a bond given the guaranteed IRR of 15% with an indexation allowed under the Power Purchase Agreement for changes in US $ / PKR exchange rate.

The Group's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and is in accordance with agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. The total long term borrowings to equity ratio as at December 31, 2015 and 2014 are as follows:

	2015	2014
	-------------Rupees------------	
Borrowings	63,575,181	78,848,050
Equity	92,866,877	74,459,305
	156,442,058	153,307,355
Gearing Ratio	41%	51%

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

46. FAIR VALUE ESTIMATION

46.1 The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	--------------------------Rupees-------------------------			
Assets				
Financial assets at fair value through profit and loss				
- Short term investments	-	13,860,260	-	13,860,260
Liabilities				
Financial liabilities at fair value through profit and loss				
- Derivatives	-	-	-	-
- Derivatives used for hedging	-	-	-	-

(Amounts in thousand)
(Amounts for 2014 restated)

46.2 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives.

Heding derivatives include forward exchange contracts, interest rate swaps and conversion option on IFC loans. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions. The fair value of conversion options on IFC loan is determined using the option pricing model where its determinants are derived from observable market inputs.

Short term investments comprise treasury bills and fixed income placements which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year.

47. PROVIDENT FUND

47.1 The employees of the Group participate in a Provident Fund maintained by the Holding Company. Monthly contribution are made both by companies in the Group and employees to the fund maintained by the Holding Company at the rate of 10% to 15% of basic salary.

47.2 The following information is based upon the latest unaudited financial statements of the Provident Fund as at June 30, 2015 and the audited financial statements as at June 30, 2014.

	2015	2014
	---------Rupees---------	
Size of the fund - Total assets	3,221,418	3,445,766
Cost of the investments made	2,390,652	2,850,733
Percentage of investments made	87%	90%
Fair value of investments	2,795,119	3,113,742

47.3 The break-up of investments is as follows:

	2015		2014	
	Rupees	%	Rupees	%
National Savings Scheme	223,037	8%	290,609	9%
Government securities	1,045,090	38%	1,218,036	39%
Listed securities and Unit trusts	1,164,311	42%	643,829	21%
Term deposits receipts	-	0%	435,093	14%
Mutual Funds Units	14,854	1%	363,445	12%
Balances with banks in savings account	319,295	12%	162,730	5%
	2,766,587	100%	3,113,742	100%

(Amounts in thousand)
(Amounts for 2014 restated)

47.4 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.

48. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Board of Directors of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organized into the following operating segments:

Type of segments	Nature of business
Fertilizer	This part of the business manufacture, purchase and market fertilizers. The operations of this segment include a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro, Engro DAP and Envy etc. optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phospatic fertilizers;
Polymer	This part of the business manufactures, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries;
Food	This part of the business manufactures, processes and sells dairy products, beverages, ice-cream, frozen deserts and other food products all over Pakistan and few parts of Afghanistan and Middle east. The segment markets and promotes its own brands in local and foreign markets through a network of distributors;
Power	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and management services in Nigeria;
Other operations	This part of the business comprises of other operations including operating a terminal for handling, regasification, storage, treatment and processing of LNG and related petroleum products. It also includes management of investments in subsidiary companies and joint ventures by the Holding Company.

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.

(Amounts in thousand)
(Amounts for 2014 restated)

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

	Fertilizer		Polymer		Food		Power		Other operations		Elimination - net		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Rupees													
Revenue from external customers	89,573,547	93,078,810	22,263,742	23,819,272	51,715,327	50,557,250	13,419,258	12,049,228	16,055,315	2,111,365	(8,435,624)	(1,987,284)	184,591,565	179,628,641
Segment gross profit / (loss)	32,328,519	26,849,192	2,773,243	1,820,927	10,699,165	4,916,200	2,530,479	2,710,390	11,255,243	2,111,365	(8,299,746)	(1,917,658)	51,286,903	36,490,416
Segment expenses - net of other income	(9,256,444)	(7,589,876)	(2,028,884)	(2,338,549)	(6,503,144)	(7,105,020)	(427,054)	(55,419)	6,506,963	303,240	(1,578,227)	(703,528)	(13,286,790)	(17,489,152)
Income on deposits /other financial assets	1,359,711	2,175,672	38,692	54,333	3,444	13,736	97,290	193,528	1,283,855	870,300	(633,066)	(31,610)	2,149,926	3,275,959
Impairment	-	-	-	-	(3,406,849)	(43,295)	-	-	-	-	(47,335)	-	(3,454,184)	(43,295)
Financial charges	(5,113,731)	(7,626,883)	(1,143,122)	(1,064,980)	(1,005,007)	(2,807,882)	(443,591)	(764,071)	(1,613,736)	(1,326,493)	400,524	355,987	(8,918,663)	(13,234,322)
Share of income from joint venture and associates	-	873,866	-	-	-	-	232,008	13,674	2,376,211	980,296	-	-	2,608,219	1,867,836
Income tax (charge) / credit	(6,303,267)	(5,009,424)	(284,053)	418,951	(1,142,226)	1,562,579	(47,303)	(3,297)	(1,221,385)	(328,330)	(22,440)	(53,207)	(9,020,674)	(3,412,728)
Segment profit after tax / (loss)	13,014,788	9,672,547	(644,124)	(1,109,318)	(1,354,617)	(3,463,682)	1,941,829	2,094,805	18,587,151	2,610,378	(10,180,290)	(2,350,016)	21,364,737	7,454,713
Segment profit / (loss) after tax from discontinued operations	4,619,550	(681,214)	-	-	-	(644,309)	-	-	-	-	-	-	4,619,550	(1,325,523)
Segment assets	110,817,000	118,020,515	24,211,764	26,336,715	29,152,843	34,719,874	22,438,983	21,835,491	59,698,480	56,245,617	(47,302,233)	(34,818,994)	199,016,837	222,339,218
Investment in joint venture / associate	-	5,875,321	-	-	-	-	1,557,143	-	7,889,859	2,730,157	-	-	9,447,002	8,605,478
Total segment assets	110,817,000	123,895,836	24,211,764	26,336,715	29,152,843	34,719,874	23,996,126	21,835,491	67,588,338	58,975,774	(47,302,233)	(34,818,994)	208,463,838	230,944,696
Total segment liabilities	67,880,391	94,788,469	18,878,036	20,371,681	12,860,134	18,684,174	12,275,802	12,651,965	22,113,799	17,931,620	(18,411,201)	(7,942,518)	115,596,961	156,485,391
Capital expenditure including biological assets	1,985,348	805,768	660,708	1,052,114	1,025,075	2,680,006	752,656	273,579	5,467,774	4,718,420	-	49,921	9,891,561	9,579,808
Depreciation	4,824,283	4,919,478	1,269,108	1,223,646	2,273,240	2,150,903	717,093	701,297	465,501	35,037	-	-	9,549,225	9,030,361
Amortization of intangible assets	24,725	32,032	14,871	13,394	53,595	56,546	6,217	6,756	275	243	-	2,989	99,683	111,960

(Amounts in thousand)
(Amounts for 2014 restated)

49. TRANSACTIONS WITH RELATED PARTIES

Related party comprise subsidiaries, joint venture companies, associates, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2015	2014
	-------------Rupees------------	
Associated Companies		
Purchases and services	7,549,002	10,876,462
Sale of goods and rendering of services	358,545	1,616,420
Sale of Property Plant and equipments	-	11,581
Dividend Income	1,728,349	2,625,437
Markup on Musharaka loan - Meezan Bank Limited	-	216,680
Principal Repayment of Musharaka loan- Meezan Bank Limited	-	484,970
Investment inTreasury bills	608,070	719,701
Redemption of investment in Treasury bills	719,701	-
Payment of interest on TFCs and repayment of principal amount	45,349	41,898
Right shares issued (including share premium)	-	-
Advance against issue of share capital	675,048	-
Share capital issued	168,000	-
Investment in associated company	-	135,791
Investment in mutual funds securities	490,000	102,908
Redemption of mutual funds securities	491,210	133,430
Reimbursement to associated companies	253,616	2,313
Reimbursement from associated companies	28,030	12,011
Expenses paid on behalf of associated companies	12,773	-
Investment in e2e Business Enterprises (Private) Limited	-	62,561
Utilization of overdraft facility	467,112	-
Repayment of overdraft facility	467,112	-
Mark-up on utilization of overdraft facility	2,172	-
Commitment in respect of operating lease	7,885	2,315
Membership fee and other subscriptions	121	1,928
Donations	-	487
Rental income	-	15,607
Commitment fee	5,492	-
Interest on deposit	1,504	-
Bank charges	4	-
Sale Of Brand	5,900,000	-
Dividend Paid	1,270,986	97,822
Joint Ventures		
Purchase of services	1,147,606	1,020,876
Services rendered	18,801	1,273
Reimbursements	67,473	45,785
Retirement funds		
Contribution to retirement benefit schemes / funds	840,272	821,455

(Amounts in thousand)

	2015	2014
	-------------Rupees------------	
Others		
Reimbursement of expenses from other related parties	-	10,786
Other benefits paid	71,021	72,820
Sale of operating assets to employees	3,578	13,115
Consulting professional fees	-	3,000
Remuneration of key management personnel	1,078,764	1,134,255
Reimbursement to key management personnel	11,786	21,690

50. WAIVER FROM APPLICATION OF IFRIC - 4 "DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE"

The Securities and Exchange Commission of Pakistan (SECP) in pursuance of SRO 24 (1) / 2012 dated January 16, 2012 has granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies including power sector companies. However, the SECP made it mandatory to disclose the impacts on the results had IFRIC - 4 been applied.

If the Group were to apply IFRIC - 4, the agreement between EETPL and SSGCL for operating and provision of services, would have been classified as operating lease. However, the impact of such application over the assets, liabilities or the net profit of the Group for the year would have been immaterial.

51. DONATIONS

Donations include the following in which the Director of the Company or Group companies is interested:

Director	Interest in Donee	Name of donee	2015	2014
			-------------Rupees------------	
Khalid Siraj Subhani	Chairman	Engro Foundation	102,500	83,250
Ruhail Mohmmad	Trustee			
Shamshuddin A. Shaikh	Trustee			
Babur Sultan	Trustee			
Syed Mohammad Ali	Trustee			
Naz Khan	Trustee			
Imran Anwar	Trustee			
Jahangir Piracha	Trustee			

52. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2015	2014	2015	2014
Urea	Metric Tons	2,275,000	2,275,000	1,964,034	1,818,937
NPK	Metric Tons	100,000	100,000	126,074	117,193
PVC Resin	Metric Tons	178,000	164,083	162,000	153,000
EDC	Metric Tons	127,000	127,000	100,000	118,000
Caustic soda	Metric Tons	106,000	106,000	98,000	114,000
VCM	Metric Tons	204,000	204,000	162,000	168,000
Power (note 50.1)	Mega watt	1,855,782	1,860,135	1,424,015	1,721,959
Dairy and beverages	Thousand Litres	748,000	730,000	552,532	472,735
Milling / Drying unit of rice processing plant (note 50.2)	Metric Tons	414,000	414,000	45,982	166,801
Ice cream	Thousand Litres	39,000	39,000	19,364	16,726

(Amounts in thousand)

52.1 Output produced by the plant is dependent on the load demanded by NTDC and plant availability.

52.2 Three months season design capacity and production is dependent on availability of rice paddy.

53. NUMBER OF EMPLOYEES OF THE GROUP

	2015	2014
Number of employees	3,975	4,113
Average number of employees	4,040	4,138

54. SEASONALITY

The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.

The Group's foods business is subject to seasonal fluctuation, with demand of ice cream and beverages products increasing in summer. It is also subject to seasonal fluctuation due to lean and flush cycles of milk collection.

The Group's agri business is subject to seasonal fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in the business through appropriate inventory management.

55. LOSS OF CERTAIN ACCOUNTING RECORDS

During 2007, a fire broke out at PNSC Building, Karachi where the Head Office and registered office of the Holding Company was located. Immediately following this event the Holding Company launched its Disaster Recovery Plan due to which operational disruption and financial impact resulting from this incident remained minimal.

The fire destroyed a substantial portion of its hard copy records related to the financial years 2005, 2006 and the period January 01, 2007 to August 19, 2007 although, electronic data remained intact due to the Holding Company's Disaster Recovery Plan. The Holding Company launched an initiative to recreate significant lost records and was successful in gathering the same in respect of the financial year 2007. Hard copy records related to the already reported financial years 2005 and 2006 have not been recreated.

56. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on February 23, 2016 has proposed 40% (Rs 4 per share), for approval of the members at the Annual General Meeting to be held on April 23, 2016.

The consolidated financial statements for the year ended December 31, 2015 do not include the effect of the proposed 40% (Rs 4 per share) dividend, which will be accounted for in the consolidated financial statements for the year ending December 31, 2016.

(Amounts in thousand)
(Amounts for 2014 restated)

57. LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of Subsidiary	Financial year end
Engro Corporation Limited (ECL)	December 31
Name of Subsidiaries of ECL	
Engro Fertilizers Limited	December 31
Engro Foods Limited	December 31
Engro Polymer and Chemicals Limited	December 31
Engro Eximp (Private) Limited	December 31
Engro Powergen Limited	December 31
Elengy Terminal Pakistan Limited	December 31
Name of Joint Venture	
Engro Vopak Terminal Limited	December 31
Name of Associates	
Sindh Engro Coal Mining Company Limited	December 31
Gel Utility Limited	December 31
The Hub Power Company Limited (HUBCO)	June 30

57.1 Set out below is summarised financial information for each subsidiary that has Non-Controlling Interests (NCI). The amounts disclosed for each subsidiary are before inter-company eliminations:

Name of Subsidiaries	ECL	EPQL	EPTPL	EXIMP	EFert	FZE	EFoods	EPCL
Total Assets	41,217,527	19,551,619	1,869,622	1,473,713	105,381,084	3,962,203	26,285,386	24,211,764
Total Liabilities	4,902,028	12,062,849	91,232	1,728,969	62,855,063	3,296,359	11,372,585	18,878,036
Total Comprehensive Income / (Loss)	11,358,719	1,788,951	(3,700)	(1,560,394)	15,036,216	100,725	3,139,780	(631,306)
Total Comprehensive Income / (Loss) allocated to NCI	4,227,715	556,630	(51)	(46,870)	2,825,508	21,252	406,384	(278,961)
Accumulated NCI	13,516,629	2,381,279	842,157	(45,123)	8,812,398	20,460	2,054,700	2,365,574
Cash and Cash Equivalent	399,510	(2,072,689)	287,542	(71,715)	11,455,483	670,502	(120,708)	(1,137,864)
Cash (utilized in) / generated from								
- operating activities	(193,958)	2,861,624	63,573	(8,467,447)	4,641,053	114,808	4,516,967	(1,191,441)
- investing activities	7,751,540	(263,016)	(461,915)	7,164,179	17,660,819	375,773	(790,020)	(611,120)
- financing activities	(8,411,306)	(2,768,969)	564,767	-	(16,384,368)	-	(1,721,870)	(98,192)
Dividend paid to NCI	5,376,295	251,875	-	-	1,415,050	-	-	-

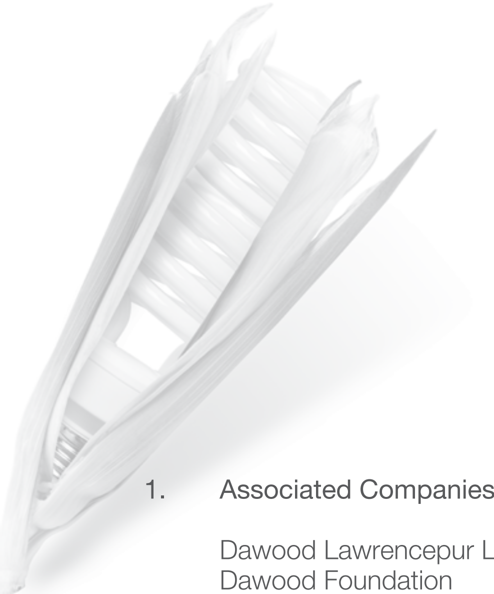
58. CORRESPONDING FIGURES

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

59. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 23, 2016 by the Board of Directors of the Holding Company.

Karachi February 23, 2016	M. A. Aleem Director	Samad Dawood Chief Executive



Pattern of Shareholding

As at December 31, 2015

Disclosure requirement under the Code of Corporate Governance

		Number of share held
1.	**Associated Companies, Undertakings and Related Parties**	
	Dawood Lawrencepur Limited	77,931,896
	Dawood Foundation	18,991,988
	Cyan Limited	794,380
	Sach International (Pvt.) Limited.	6,996
2.	**Mutual Funds**	
	CDC - Trustee Meezan Islamic Fund	2,596,800
	CDC - Trustee National Investment (Unit) Trust	1,422,196
	CDC - Trustee Al Meezan Mutual Fund	475,200
	CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	418,400
	CDC - Trustee KSE Meezan Index Fund	365,300
	CDC - Trustee Meezan Balanced Fund	338,000
	CDC - Trustee Atlas Stock Market Fund	282,700
	CDC - Trustee Atlas Islamic Stock Fund	223,000
	CDC - Trustee Askari Asset Allocation Fund	75,000
	CDC - Trustee Askari Equity Fund	75,000
	CDC - Trustee AKD Index Tracker Fund	71,796
	CDC - Trustee NAFA Islamic Stock Fund	34,300
	CDC - Trustee APIF - Equity Sub Fund	30,000
	CDC - Trustee First Capital Mutual Fund	25,000
	CDC - Trustee APF-Equity Sub Fund	20,000
	CDC - Trustee NIT Islamic Equity Fund	11,000
	CDC - Trustee NAFA Multi Asset Fund	9,000
3.	**Directors, CEO and their Spouse(s) and minor children**	
	Hussain Dawood - Chairman	34,058,516
	Kulsum Dawood (W/o Hussain Dawood)	11,202,400
	Shahzada Dawood	5,496,616
	Sabrina Dawood	5,492,616
	Samad Dawood	3,916,616
4.	**Executives**	500
5.	**Public Sector Companies and Corporations**	12,204,788
6.	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**	8,079,519

7.	Shareholders Holding five percent or more Voting Rights in the Listed Company	Number of share held
	Dawood Lawrencepur Limited	77,931,896
	Faisal Private Bureau (Switzerland) Sa	66,653,068
	Hercules Enterprises Limited	43,281,216
	Alzarat Limited	38,376,008
	Zincali Limited	38,376,008
	Persica Limited	36,240,796
	Palmrush Investments Limited	36,240,796
	Hussain Dawood	34,058,516

8. **Trades in the shares of the Company by Directors, Executives, their spouses and minor children**

Following trades in the share of the Company were made by the directors and there spouses:

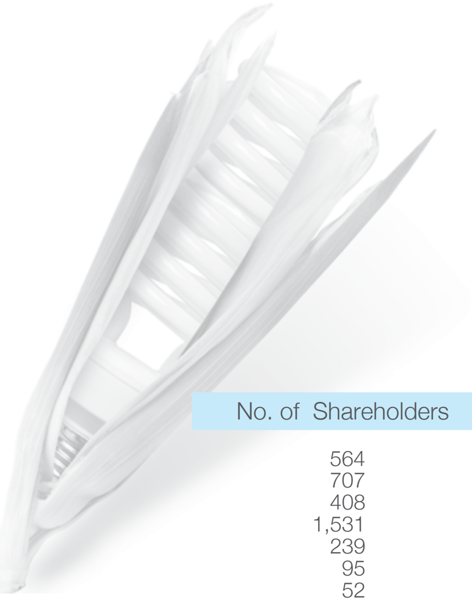
Name	Date	Purchased	Sold	Rate / per share
Mr. Asif Saad*	30-Jan-15	420	-	119
Mr. Hussain Dawood	6-Oct-15	1,000	-	109.68
Mr. Hussain Dawood	6-Oct-15	3,977,200	-	109.68
Mr. Hussain Dawood	6-Oct-15	21,800	-	109.70
Mrs. Kulsum Dawood (w/o Mr. Hussain Dawood)	6-Oct-15	688,200	-	109.69
Mrs. Kulsum Dawood (w/o Mr. Hussain Dawood)	6-Oct-15	283,200	-	109.70
Mr. Hussain Dawood	28-Oct-15	772,000	-	129.73
Mrs. Kulsum Dawood (w/o Mr. Hussain Dawood)	28-Oct-15	231,000	-	129.73
Mr. Shahzada Dawood	28-Oct-15	400	-	129.33
Mr. Shahzada Dawood	28-Oct-15	1,000	-	129.36
Mr. Shahzada Dawood	28-Oct-15	1,000	-	129.38
Mr. Shahzada Dawood	28-Oct-15	1,000	-	129.41
Mr. Shahzada Dawood	28-Oct-15	300	-	129.48
Mr. Shahzada Dawood	28-Oct-15	300	-	129.58
Mr. Shahzada Dawood	28-Oct-15	300	-	129.61
Mr. Shahzada Dawood	28-Oct-15	1,000	-	129.63
Mr. Shahzada Dawood	28-Oct-15	379,700	-	129.73
Ms. Sabrina Dawood	28-Oct-15	1,500	-	129.33
Ms. Sabrina Dawood	28-Oct-15	2,500	-	129.43
Ms. Sabrina Dawood	28-Oct-15	500	-	129.72
Ms. Sabrina Dawood	28-Oct-15	226,500	-	129.73
Ms. Sabrina Dawood	29-Oct-15	150,000	-	129.73

* Mr Asif Saad resigned as Director on 22nd June 2015

Pattern of Shareholding

As at December 31, 2015
Category - Wise

Shareholders Category	No. of Shareholders	Total Shares Held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children	5	60,166,764	12.50%
Associated Companies, undertakings and related parties.	4	97,725,260	20.30%
NIT & ICP	-	-	-
Banks Development Financial Institutions, Non Banking Financial Institutions.	12	7,711,905	1.60%
Insurance Companies	4	12,491,788	2.60%
Modarabas and Mutual Funds	18	6,477,692	1.35%
Share holders holding 10%	2	144,584,964	30.04%
General Public :			
a. Local	3,656	19,551,710	4.06%
b. Foreign	16	272,745,801	56.67%
Others	57	4,416,196	0.92%
Total (excluding : share holders holding 10%)	3,772	481,287,116	100.00%



Pattern of Shareholding

As at December 31, 2015

No. of Shareholders	Shareholding		Total Shares Held
564	1	100	23,663
707	101	500	247,092
408	501	1,000	357,226
1,531	1,001	5,000	3,324,484
239	5,001	10,000	1,761,768
95	10,001	15,000	1,183,546
52	15,001	20,000	933,271
35	20,001	25,000	801,636
15	25,001	30,000	431,172
15	30,001	35,000	506,682
6	35,001	40,000	227,204
7	40,001	45,000	299,642
13	45,001	50,000	642,576
1	50,001	55,000	50,192
7	55,001	60,000	402,356
4	60,001	65,000	251,316
7	65,001	70,000	481,012
5	70,001	75,000	363,697
1	80,001	85,000	83,500
1	85,001	90,000	86,100
8	95,001	100,000	788,808
1	100,001	105,000	102,000
1	105,001	110,000	106,500
1	115,001	120,000	117,400
1	120,001	125,000	120,596
1	155,001	160,000	160,000
1	170,001	175,000	173,116
3	195,001	200,000	593,152
1	215,001	220,000	217,700
1	220,001	225,000	223,000
2	245,001	250,000	499,500
1	280,001	285,000	282,700
2	315,001	320,000	633,300
1	335,001	340,000	338,000
1	360,001	365,000	362,162
1	365,001	370,000	365,300
1	415,001	420,000	418,400
1	460,001	465,000	464,857
1	475,001	480,000	475,200
1	595,001	600,000	600,000
1	630,001	635,000	631,192
1	790,001	795,000	794,380
1	890,001	895,000	891,498
1	930,001	935,000	934,800
1	1,420,001	1,425,000	1,422,196
1	1,700,001	1,705,000	1,704,500
1	1,900,001	1,905,000	1,902,370
1	2,020,001	2,025,000	2,023,500
1	2,595,001	2,600,000	2,596,800
1	2,775,001	2,780,000	2,779,576
1	2,795,001	2,800,000	2,798,700
1	3,915,001	3,920,000	3,916,616
1	4,510,001	4,515,000	4,512,992
1	4,835,001	4,840,000	4,838,846
2	5,490,001	5,495,000	10,985,228
1	5,495,001	5,500,000	5,496,616
1	11,200,001	11,205,000	11,202,400
1	12,200,001	12,205,000	12,204,788
1	18,990,001	18,995,000	18,991,988
1	34,055,001	34,060,000	34,058,516
2	36,240,001	36,245,000	72,481,592
2	38,375,001	38,380,000	76,752,016
1	43,280,001	43,285,000	43,281,216
1	66,650,001	66,655,000	66,653,068
1	77,930,001	77,935,000	77,931,896
3,772	**TOTAL**		**481,287,116**

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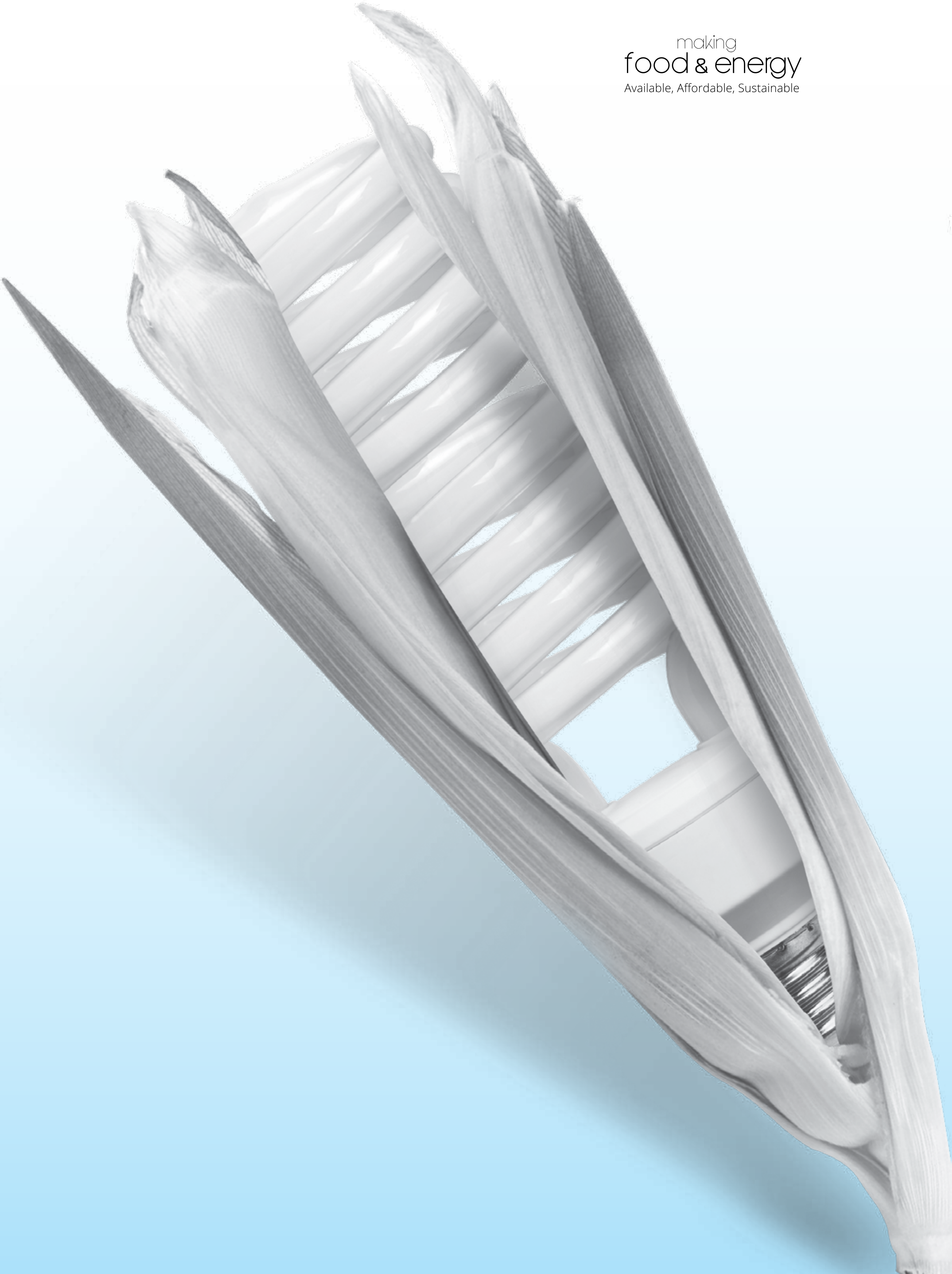

Dawood Hercules

Proxy Form

I/We ____

of ____________________ being a member of Dawood Hercules Corporation Limited and holder of ________________ Ordinary Shares, as per:

Share Register Folio No. ________________ and/or

CDC Participant ID No. ____________ Sub A/c No. ____________

hereby appoint Mr./Ms. ____of ______________________ or failing him/her

Mr./Ms.___________________________ of _________________, as our proxy to attend, speak and vote for us and on our behalf, at the Forty Eight Annual General Meeting of the Company to be held at Movenpick Hotel, Club Road, Karachi on Saturday, 23rd April 2016 at 11:00 a.m. and at any adjournment thereof.

Signed this ____________ day of ____________ 2016.

WITNESSES:

1. Signature:
   Name: ________________________
   Address: ________________________
   ____
   CNIC No. or
   Passport No. ________________________
   ____

2. Signature:
   Name: ________________________
   Address: ________________________
   ____
   CNIC No. or
   Passport No. ________________________
   ____

Signature on Revenue Stamps of Rupees Five

Signature should agree with the specimen signature with the Company.

IMPORTANT:

1. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, not less than forty eight hours before the meeting.

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

3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.

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Dawood Hercules Corporation Limited

Dawood Centre, M.T. Khan Road, Karachi - 75530

Tel: +92-21-35686001 Fax: +92-21-35633972

www.dawoodhercules.com

نمائندگی کا فارم

Dawood Hercules

میں / مسمّی / مسمّاۃ ________________ ساکن ________________________________

________________ ضلع ________________ بحیثیت ممبر داؤد ہرکولیس کارپوریشن لمیٹڈ، / مسمّی / مسمّاۃ ساکن ________________ کو

بطورِ مختار (پراکسی) مقرر کرتا/کرتی ہوں تاکہ وہ میری / ہماری جگہ اور میری / ہماری طرف سے کمپنی کے ۴۸ واں سالانہ اِجلاس عام جو کہ موونپک ہوٹل،کلب روڈ، کراچی میں بتاریخ ۲۳ اپریل ۲۰۱۶ بروز ہفتہ صبح ۱۱ بجے منعقد ہورہا ہے اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط ____________ بروز ____________ ۲۰۱۶

گواہ (۱)

دستخط گواہ : ____________

نام : ____________

قومی شناختی کارڈ نمبر یا : ____________

پاسپورٹ نمبر : ____________

گواہ (۲)

دستخط گواہ : ____________

نام : ____________

قومی شناختی کارڈ نمبر یا : ____________

پاسپورٹ نمبر : ____________

مطلوبہ (پانچ روپے کا)
ریوینیوٹکٹ چسپاں کریں اور دستخط کریں

دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔

نوٹس :

- تمام نامزدگیاں اسی صورت میں موثر ہوں گی جب پراکسی فارم بنام کمپنی کے رجسٹرڈ آفس میں اجلاس کے انعقاد کے مقررہ وقت سے ۴۸ گھنٹے قبل موصول ہوں۔
- CDC اکاؤنٹ رکھنے والے / کارپوریٹ ممبر ان کے لیے مندرجہ بالا ضوابط کے علاوہ درج ذیل شرائط کو بھی پورا کرنا لازمی ہے :

۱) نامزدگی فارم دو اشخاص کی گواہی، پتے اور قومی شناختی کارڈ نمبر کے ساتھ پُر ہونے چاہیے۔

۲) نامزدگی فارم کے ساتھ سادہ حصص یافتگان اور مُجاز وکیل کے شناختی کارڈ کی تصدیق شدہ نقول منسلک ہونی چاہیے۔

۳) مُجاز وکیل (پراکسی ہولڈر) کے اجلاس کے وقت اپنا اصل شناختی کارڈ یاپا سپورٹ ضرور پیش کریں۔ ادارے کی صورت میں نامزد فارم (پراکسی فارم) کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد یا مختار نامہ بمعہ نامزد کردہ شخص کے دستخطی نمونہ کے ساتھ کمپنی ہذامیں جمع کروائیں۔

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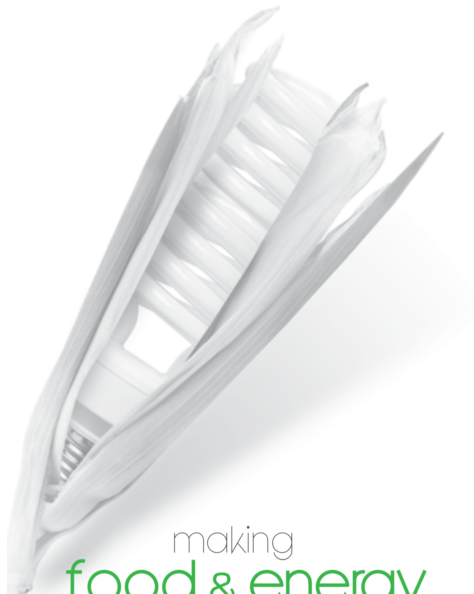

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