



# nurturing nature

Annual Report 2018



# About This Report

At Engro Foods we believe sustainable dairy is the way to the future. That is why we look at how our company can constantly improve from grass to glass not only in parts, but also in its entirety. We are one of the foremost experts in dairy nutrition in Pakistan owned by a cooperative of 19,000 farmers globally, working for the empowerment of local farming community on the agenda of safe dairy nutrition. We have inherited FrieslandCampina's R&D expertise and dairy legacy of 148 years - **no one knows dairy better than us.**

We are driven by the motto of **nourishing by nature**. This means we are committed to **providing better nutrition for Pakistan**. As the population crosses 300 million by 2050, we will be there to help feed the nation with affordable, safe and constantly improving dairy products. We are committed to **providing a good living for our farmers** so they can maximize their incomes by being a part of our ecosystem & contribute to the GDP. We are recognised nationally and internationally for the impact we have created through our dairy development programs at grass root level to empower the farmers. We will grow in a sustainable manner by working towards achieving climate neutral growth as we have a commitment to **now and for generations to come.**

Our purpose, our plan is to revolutionize the dairy landscape in Pakistan. This year's report takes its inspiration from the overriding vision of Engro Foods & FrieslandCampina to make a difference in the everyday lives of the people on either side of our business fence. It ventures to depict our role in contributing towards a healthier and happier today to ensure a healthier and happier tomorrow, through the quintessential element of relationships amongst living beings and the miracle of nature called "milk".



For the digital version of the report, please scan the QR code.

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COMPANY INFORMATION

# nurturing generations





## Company Information

### Board of Directors

Abdul Samad Dawood (Chairman)  
Abrar Hasan  
Ali Ahmed Khan (Chief Executive Officer)  
Eduardus Lambertus Holtzer  
Petra Attje Zinkweg  
Roeland Francois Van Neerbos  
Zouhair Abdul Khaliq

### Chief Financial Officer

Imran Husain

### Company Secretary

Muneeza Iftikar

### Banks

#### Conventional

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

#### Shariah Compliant

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

### Auditors

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

### Share Registrar

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

### Registered Office

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

# Notice of the Meeting

**NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of Engro Foods Limited will be held at Hotel Avari Towers, Karachi on Friday 26th April 2019, at 10 a.m. to transact the following business:**

## A. Ordinary Business

- (1) To receive and consider the Audited Accounts for the year ended December 31, 2018 and the Directors' and Auditors' Reports thereon.
- (2) To appoint Auditors and fix their remuneration.

## B. Special Business

- (1) To change the name of the Company from Engro Foods Limited to FrieslandCampina Engro Pakistan Limited as the current major shareholders intend to incorporate their names in the name of the Company;

To consider and if thought fit, pass the following resolutions for approval of alteration in the Memorandum and Articles of Association of the Company under the requirement of the laws of Pakistan.

**“RESOLVED** that the name of the Company shall be changed from Engro Foods Limited to FrieslandCampina Engro Pakistan Limited.”

**“RESOLVED FURTHER** that the Company Secretary be and is hereby singly authorized to fulfill all legal, corporate and procedural formalities for changing the name of the Company and alteration of the Company's Memorandum and Articles of Association.”

- (2) Amendments in the Memorandum and Articles of Association of the Company due to change of name of the Company:

- i. Clause I of the Memorandum of Association of the Company shall stand amended, restated and replaced with the following clause:

*“I. The name of the Company is “FrieslandCampina Engro Pakistan Limited.”*

- ii. Wherever the name of the name of the Company is mentioned as Engro Foods Limited in the Articles of Association of the Company shall stand amended, restated and replaced with the following proposed name:

*“FrieslandCampina Engro Pakistan Limited.”*

- (3) Changes in the Memorandum and Articles of Association of the Company due to enactment of the Companies Act, 2017 in place of the Companies Ordinance, 1984

### 3.1 Alteration in the Memorandum of Association of the Company

**RESOLVED** that the words “The Companies Ordinance, 1984” appearing in the beginning of the Memorandum of Association be replaced with “The Companies Act, 2017”

### 3.2 Alteration in the Articles of Association of the Company

1. The words “The Companies Ordinance, 1984” appearing in the beginning of the Articles be replaced with “The Companies Act, 2017”.

2. The definition of “The Ordinance” appearing in Article 2 shall be amended and replaced as follows:  
““The Act” means the Companies Act 2017, or any statutory modification or re-enactment thereof for the time being in force.”
3. The words “Section 2(1)(36) of the Ordinance” appearing in the definition of “Special Resolution” be replaced with “Section 2(1)(66) of the Act”.
4. The words “Section 2(1)(21) of the Ordinance” appearing in the definition of “Member” be replaced with “Section 118 of the Act”.
5. The words “Section 147 of the Ordinance” appearing in the definition of “Register” be replaced with “Section 119 of the Act”.
6. The words “Section 86 of the Ordinance” appearing in Article 7 be replaced with “Section 83 of the Act”.
7. The words “Section 96 of the Ordinance” appearing in Article 9 be replaced with “Section 89 of the Act”.
8. The words “Section 95 of the Ordinance” appearing in Article 10 be replaced with “Section 86 of the Act”.
9. The words “Section 82 of the Ordinance” appearing in Article 11 be replaced with “the Act”.
10. The words “within thirty [30] days” appearing in Article 21 be replaced with “within fifteen [15] days”.
11. The words “Section 80 of the Ordinance” appearing in Article 27 be replaced with “Section 79 of the Act”.
12. The words “the Ordinance” appearing in Article 30 be replaced with “the Act”.
13. The words “Section 158 of the Ordinance” appearing in Article 31 be replaced with “Section 132 of the Act”.
14. The words “eighteen months” appearing in Article 31 be replaced with “sixteen months”.
15. The words “Section 159 of the Ordinance” appearing in Article 32 be replaced with “Section 133 of the Act”.
16. The words “Section 158 and 159 of the Ordinance” appearing in Article 33 be replaced with “Section 132 and 133 of the Act”.
17. The words “Section 160(1)(b) of the Ordinance” appearing in Article 33 be replaced with “Section 134(3) of the Act”.
18. The words “Section 167 of the Ordinance” appearing in Article 41 be replaced with “Section 143 of the Act”.
19. The words “Section 168 of the Ordinance” appearing in Article 42 be replaced with “Section 145 of the Act”.
20. The words “Section 177 of the Ordinance” appearing in Article 60 be replaced with “Section 158 of the Act”.
21. The words “Section 181 of the Ordinance” appearing in Article 64 be replaced with “Section 163 of the Act”.
22. The words “Section 178 of the Ordinance” appearing in Article 64 be replaced with “Section 159 of the Act”.
23. The words “Section 196(2) of the Ordinance” appearing in Article 68 be replaced with “Section 183(2) of the Act”.
24. The words “Section 196(2) of the Ordinance” appearing in Article 71 be replaced with “Section 183(2) of the Act”.
25. The words “Section 214 of the Ordinance” appearing in Article 73 be replaced with “Section 205 of the Act”.
26. The words “Section 219 of the Ordinance” appearing in Article 75 be replaced with “Section 209 of the Act”.

27. The words "Section 187 of the Ordinance" appearing in Article 79 be replaced with "Section 153 of the Act".
28. The words "Section 196 of the Ordinance" appearing in Article 84 be replaced with "Section 183 of the Act".
29. The words "Section 199 to 201 of the Ordinance" appearing in Article 86 be replaced with "Section 187 to 189 of the Act".
30. The words "Section 202 of the Ordinance" appearing in Article 86 be replaced with "Section 190 of the Act".
31. The words "Section 249(2) of the Ordinance" appearing in Article 91 be replaced with "Section 241 of the Act".
32. The words "Section 251 of the Ordinance" appearing in Article 95 be replaced with "Section 243 of the Act".
33. The words "Section 230 of the Ordinance" appearing in Article 98 be replaced with "Section 220 of the Act".
34. The words "Section 233, 234 and 236 of the Ordinance" appearing in Article 101 be replaced with "Section 223 to 227 of the Act".
35. The words "Section 236 of the Ordinance" appearing in Article 103 be replaced with "Section 227 of the Act".
36. The words "Section 236 and 241 of the Ordinance" appearing in Article 103 be replaced with "Section 227 and 232 of the Act".
37. The words "Section 252 to 255 of the Ordinance" appearing in Article 105 be replaced with "Section 246 to 249 of the Act".
38. The words "the Ordinance" appearing anywhere in the Articles be replaced with "the Act".

FURTHER RESOLVED that the Company Secretary be and is hereby authorised to do all acts, deeds and things that may be required to carry out the purpose aforesaid and to give full effect to the above resolutions.

FURTHER RESOLVED that the Company Secretary is authorized to make any corrections/ modifications/ alterations as may be pointed out or directed by the Securities and Exchange Commission of Pakistan/ Registrar of Companies.

#### N.B.

- (1) The Share Transfer Books of the Company will be closed from Friday, April 19, 2019 to Friday, April 26, 2019 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO ASSOCIATES (PVT.) LTD, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, Karachi [PABX Nos. (92-21) 34380101-5 and email info. shares@famco.com.pk by the close of business (5:00 p.m) on Thursday, April 18, 2019 will be treated as being in time for the transferees and to attend and vote at the meeting.
- (2) A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.
- (3) Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the Company i.e. Messrs. FAMCO ASSOCIATES (PRIVATE) LIMITED, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, Karachi PABX Nos (+9221) 34380101-5 and email info.shares@famco.com.pk

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

\_\_\_\_\_  
Signature of member

#### (4) E-Voting

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

Karachi,  
February 07, 2019.



By order of the Board  
Company Secretary

#### STATEMENT UNDER SECTION 134 OF THE COMPANIES ACT 2017

- (1) To change the name of the Company from Engro Foods Limited to FrieslandCampina Engro Pakistan Limited as the current major shareholders intend to incorporate their names in the name of the Company;

The Company shall change the name of the Company, from Engro Foods Limited to FrieslandCampina Engro Pakistan Limited (the "Proposed Name") subject to approval of Securities and Exchange Commission of Pakistan ("SECP"). Such change in the name of the Company is to add the names of the major shareholders in the name of the Company.

After obtaining the altered incorporation certificate from SECP, the former name of the Company shall be used with the Proposed Name of the Company for a period of 90 days as per section 13 of the Companies Act 2017.

The Company shall authorize its Chief Executive Officer / Chief Financial Officer / Company Secretary singly to carry out the above stated arrangement, and to execute on behalf of and in the name of the Company all such documents as may be required from time to time;

- (2) Changes in the Memorandum and Articles of Association due to enactment of the Companies Act, 2017 in place of the Companies Ordinance, 1984

The alterations in the Memorandum and Articles of Association of the Company are being proposed to bring in line with the requirements of various S.R.Os/ Regulations/ Directions issued by the SECP and enactment of the Companies Act, 2017 to replace the Companies Ordinance, 1984.

None of the Directors of the Company have any personal interest in the aforesaid Special Resolutions except in their capacity as Shareholders or Directors of the Company.

CORPORATE GOVERNANCE

# nurturing leadership



## Directors' Profile

We are privileged, to have a visionary leadership on our board. Our directors brings varied experience of transformational successes to the table. FrieslandCampina executives brings the global dairy legacy of 148 years and Engro Foods leadership provides us with the strategic guidance and input to deliver faster and better decisions.

### Abdul Samad Dawood

Chairman

Mr. Dawood joined Engro Foods Limited (EFL) in 2009 and now serves as the Chairman of EFL. He sits on the Board of Dawood Lawrencepur Limited, Engro Fertilizer Limited, Reon (Pvt.) Limited and Tenaga Generasi Limited. He is also a Trustee on the Board of The Dawood Foundation.

He has served as CEO of Cyan Limited and Dawood Hercules Corporation Limited. He has also been a Director on the Boards of International Industries Limited, ABL Asset Management Company Limited, Sui-Northern Gas Pipeline Company Limited and World Wide Fund for Nature-Pakistan.

He is also a member of the Young Presidents' Organization. Mr. Dawood is a graduate in Economics from University College London, UK.



### Ali Ahmed Khan

Chief Executive Officer

Mr. Khan has a rich experience spanning over 25 years in top management positions with leading FMCGs. He has been credited with turning around businesses and leading them to industry leadership. He joined Engro Foods Limited in March 2017.

His prior assignments include leading Personal Care at Iffco in the UAE and Far East, as well as Reckitt Benckiser (Pakistan) Limited, as CEO.

He has also been associated with Pakistan Tobacco Company Limited as Marketing & Sales Director and with Pepsi-Cola International as Head of Marketing. Mr. Khan has an MBA from Institute of Business Administration, Karachi.





### Roeland Francois Van Neerbos

President Consumer Dairy, FrieslandCampina

In January 2017, Roeland Francois Van Neerbos joined FrieslandCampina as Chief Operating Officer Consumer Products Europe Middle East and Africa Business Group of Royal FrieslandCampina.

The Business Group EMEA consist of a vast geographic territory with distinctive markets in terms of standard of living, dairy consumption and sophistication of retail environment, offering room for a balance strategy between value-added growth and milk valorization.

As of January 2018, Roeland leads the new Business Group Consumer Dairy Global. Until Mid-2016 Roeland Francois Van Neerbos was Chief Executive Officer of Maxeda, a Do-It-Yourself retailer operating more than 350 stores with around 7,000 employees across the Benelux. Before that, he spent 8 years at Heinz as President Continental Europe and 4 years at Mattel as Senior Vice-President Iberia, EEMEA and Latin America based in Spain.

During the first 16 years of his career Roeland held various executive positions at Procter & Gamble in The Netherlands, Belgium, Yemen and Morocco. He studied Business Administration at the University of Groningen.



### Zouhair Abdul Khaliq

Partner at ICE Advisory LLP

Zouhair is an international business executive with experience in board level strategy, operations, M&A, startups, turnarounds, telecommunication, mobile financial services, micro-finance, mobile related services and real estate.

Zouhair is Managing Partner at ICE Advisory LLP and holds a portfolio of Advisory and Non-Executive Board positions. During his career he has worked with Orascom Telecom Holdings, the GSMA, Gemini Holdings (the Sawiris Family Office), Motorola UK, the Dhabi Group, Millicom International, the ICI Group and PWC.

He served as Managing Director, Mobile for Development, GSM Association working on development of eco-systems for mobile financial services, off-grid energy and mHealth. Zouhair as CEO of Mobilink in 2003-2008 led the growth of the Company from 1 million to 31 million customers building Mobilink in to a billion dollar company.

He has served on the Boards of mobile operations in Algeria, Tunisia, Egypt, Pakistan, Bangladesh and Jordan and on the Boards of the public sector at the Islamabad Stocks Exchange, the ICT R&D Fund and as Senior Advisor to the Better Than Cash Alliance and United Nations Capital Development Fund.

He has recently served as a Non-Executive Director on the Board of (Du Telecom) Emirates Integrated Telecom Investment Holdings Limited, Senior Advisor at Voltaire Capital in the UK, and the Advisory Board of Ding Ireland, a mobile top-up company. He is currently on the Advisory Board of Field Force LLC USA, a software analytics company. He is a member of the Board of Regents of Harris Manchester College, Oxford University in the UK, a member of the Institute of Chartered Accountants in England and Wales and an alumni of INSEAD, France.



### Petra Attje Zinkweg

Business Group HR Director Consumer Dairy,  
FrieslandCampina

Petra Attje Zinkweg is the Business Group HR Director Consumer Dairy of Royal FrieslandCampina N.V. Before that, she held a variety of Management positions at FrieslandCampina N.V. and Unilever.

She has extensive experience in the domains of Human Resource and Marketing. She holds a Masters degree in Sports Science from the Free University of Amsterdam. She joined the Board of Engro Foods in 2018.



### Eduardus Lambertus Holtzer

Finance Director Consumer Dairy,  
FrieslandCampina

Eduardus Lambertus Holtzer is Finance Director of FrieslandCampina Consumer Dairy and has been working for FrieslandCampina since 2012. Prior to that, he held several leadership positions at Unilever, a.o Vice President Finance at Unilever Spain and Director M&A at Unilever Corporate Center in the UK.

He holds a Master of Business Economics from the University of Brabant, from The Netherlands and a Postgraduate degree in Controlling/ Management Accounting at VU University of Amsterdam, Netherlands. He joined the Board of Engro Foods in 2018.



### Abrar Hasan

CEO National Foods Limited

Abrar Hasan is the Chief Executive Officer of National Foods Limited (NFL), the leading multi-category food company in Pakistan. Mr. Hasan is providing direction to the company by setting a clear vision for future growth to become a Rs. 50 billion company by the year 2020.

He has actively pursued new market opportunities and delivered successful strategies by focusing on continuous innovation, highest standards of quality and superior consumer value.

Being a staunch supporter of Corporate Social Responsibility he also initiated the Adult Literacy Programme in collaboration with the Citizens Foundation (TCF), which aims to equip rural women with basic literacy skills. In 2007, he spearheaded the development of a sustainability strategy of the company, which is today guiding all business functions across the board.

He has received numerous accolades, including Marketing Excellence Award 2008 from the Marketing Association of Pakistan (MAP) and the Best Workplace Award 2015.

He is member of the Board of Directors of various strategic forums like the Associated Textile Consultants, Cherat Packaging Ltd, Pakistan Business Council, and the Health Foundation. Mr. Hasan is a graduate of the Krannert School of Management at the Purdue University in Indiana, USA.



## Board Of Directors



Left to Right:

Zouhair Abdul Khaliq

Roeland Francois Van  
Neerbos

Ali Ahmed Khan  
Chief Executive Officer

Abdul Samad Dawood  
Chairman

Petra Attje Zinkweg

Eduardus Lambertus  
Holtzer

Abrar Hasan

LEADERSHIP MESSAGES

# nurturing minds



# Chairman's Message

Dear Shareholders,

It is a great privilege to present the review for the year 2018. The past two years have been immensely important for the company, with challenges and changes on the external as well as internal fronts. I would like to begin by congratulating the entire Engro Foods team for putting in an outstanding effort in the transformational journey. The results are encouraging as the company managed to arrest both industry and company volume decline and rapidly gain market share, in the second half of the year. RFC's ownership and strategic execution has proven to be a powerful partnership and has helped the organization benefit immensely from their unparalleled knowledge and expertise. This has enabled the company to strengthen its current market position and build the capabilities for long-term growth.

Engro Foods plays an extremely important role in the dairy industry. Every day, the company provides safe, clean and nutritious milk products by connecting rural farmers with urban consumers. Although the company, along with the other stakeholders, has done much to bring about formalization and transparency in the value chain, much more still needs to be done. Pakistan still has one of the lowest milk yields in the world. This provides a tremendous opportunity to work more closely with farmers to improve yield and make local dairy production globally competitive. The improved yield directly improves farmer incomes, and thus quality of life. Engro Foods has been working on several programs with this objective, which have also been recognized globally.

A similar opportunity lies on the consumer front. Today consuming loose milk has a high probability of having hazardous concentrations of bacteria and aflatoxins. This is not surprising, as over 90% of the milk consumed is not processed or quality tested. We therefore are motivated to ensure that we communicate the benefits of packaged milk to the public and ensure that mothers and families around the country have access to safe, high quality products to meet the nutritional needs for a healthy family.

We are encouraged that the new government has focused on agriculture productivity and nutrition as fundamental pillars for sustainable future growth. We look forward to continuing to partner with the government to nurture an environment that truly unlocks the immense potential of dairy to bring about a healthy and prosperous Pakistan.

In the end, I would like to thank the entire Engro Foods team for their effort, our shareholders for their support, our regulators for their guidance and mostly importantly, our customers, for their trust.



Abdul Samad Dawood  
Chairman





## Chief Executive Officer's Message

Dear Shareholders,

The year 2018 was a challenging one for us at Engro Foods. We started a transformation process at Engro Foods – a transformation that included organization design and personnel, culture, processes, brand and product portfolio, as well as our cost structure. This transformation, not yet complete, will position the company to benefit from the immense opportunity that Pakistan offers in the Dairy and Nutrition landscape. In our transformation, we have been assisted by the management and dairy expertise of FrieslandCampina, as well as advise and consultation of our experienced Board, for which I am grateful.

No such transformation is easy, and I would like to thank the employees of Engro Foods for putting in an outstanding effort on this journey. What has made it worthwhile is the results that we see starting to become evident in the second half of the year, as we arrested both industry and company volume decline, rapidly gaining market share, and assuming both thought leadership as well as volume leadership as we exited the year with momentum.

As we enter the new year, we still see many challenges for the industry as well as the company. We will continue to seek cooperation from the Government as well as the regulators in educating consumers on the superior benefits of packaged milk in terms of food safety and nutrition, and in helping us partner with farmers to improve their productivity and provide a route to market for their milk. We remain confident that the changes that we have brought about in the company, and that we plan for the future, position us for growth and success in partnership with our major stakeholders.

One major area of growth in the future will be through innovation. We already saw the fruits of that in the second half of 2018. With our improved sales and marketing focus, and with the support of FrieslandCampina's Research and Development teams, we feel that we are now well positioned to bring value added products to the Pakistan market.

I am more optimistic about the future of Engro Foods than ever before. We have a strong and capable team in place, partners who understand the industry through 140 years of international experience, and a large untapped market opportunity in terms of conversion from loose milk to packaged milk. With the support of our shareholders, I am confident that we will bring a 'white revolution' for the consumers of Pakistan.

Ali Ahmed Khan  
Chief Executive Officer

DIRECTORS' REPORT

# nurturing success



## Directors' Report

On behalf of the Board of Directors of Engro Foods Limited (a majority owned subsidiary of FrieslandCampina Pakistan Holdings B.V. – incorporated in the Netherlands), we are pleased to present the annual report and the audited financial information of the Company for the year ended December 31, 2018.

**32.4 bn** revenue generated in 2018

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**29 bn** revenue generated by Dairy and Beverages segment in 2018

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**3.4 bn** revenue generated by Ice cream and Frozen Desserts segment in 2018

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**40 mn** contributed in social investments in 2018





## Business Overview

In 2018, the dairy industry continued to face significant challenges from the regulatory and judicial authorities, arising primarily due to misalignment between federal and provincial food laws. These issues created an incorrect negative perception in the minds of consumers and as a result, the industry witnessed a decline in overall volumes compared to previous year. The sharp increase in commodity costs along with devaluation of Rupee and rising interest rates have also put pressure on overall industry profitability.

During the year, the Company reported a revenue of Rs. 32.4 billion as compared to a revenue of Rs. 34.6 billion last year. Gross margin declined marginally to 15.9% from 16.3% in 2017, primarily due to lower volumes. On an overall basis, the Company reported a net profit of Rs. 64 million in 2018 as compared to a net profit of Rs. 379 million in 2017 (EPS 2018: Rs. 0.08, 2017: Rs. 0.49).

2018 has also seen the company launch its innovations after the integration with FrieslandCampina in form of Olpers ProCal and Olpers Full Cream Milk Powder.

## Dairy and Beverages Segment

In 2018, the Dairy and Beverages segment reported a revenue of Rs. 29 billion vs Rs. 31.4 billion in the same period last year. During the year, the Company re-launched both its iconic brands, supported by extensive media, digital and trade activities. Tarang was launched in March with an improved recipe, delivering a creamier cup of tea. A revamped packaging design reinforced Tarang's credentials as the tea creaming expert of choice. The launch was complimented by a nationwide consumer promotion with Pakistan's largest tea brand Vital. Olpers' relaunch in April focused on the "Happy Subha" theme, leveraging on our heritage of 'nourishing by nature', while scaling up cues of naturalness and purity. The new refreshed packaging also reinforced this theme by scaling up of key visual elements and introduction of "our sourcing story". To accelerate conversion from loose milk, Olpers launched an aggressive price promotion for both its portioned and family packs from September, which has yielded positive results. Both campaigns have generated positive consumer impressions, with key brand health indicators and market shares for both brands moving in positive direction during the year.

# 3.4 bn

## revenue reported in ice cream & frozen dessert segment in 2018

2018 has also seen the Company launch its first innovations after the integration with FrieslandCampina. The calcium and protein enriched milk "Olpers Pro-Cal" was launched in October, while Pakistan's only Full Cream Milk Powder under the Olpers brand was launched with a strong media and trade thrust in November. These innovations have received a very positive response from both consumers and trade and will continue to be a key source of business growth in the future.

As a result of these actions, the segment has exited the year on a highly positive note, registering a growth of 13% in Q4'18 vs same period last year.

## Ice Cream and Frozen Desserts Segment

The Ice cream and Frozen Desserts segment reported a revenue of Rs. 3.4 billion for the year, registering a growth of 6% vs last year. This has come on the back of strong growth in the small cones and stick formats. Key innovations for the year including Chocolate Choc Bar, French Praline Tub, Kick and limited-edition Vanilla Caramel Crunch brick pack have also contributed well in driving the topline.



A key thrust for 2018 had been to expand the distribution reach for the business, for which the Company inducted freezers to expand its trade footprint across 240 towns. The segment recorded net profit of Rs. 141 million in 2018 compared to a loss of Rs. 24 million in 2017.

Ice Cream and Frozen Desserts segment recorded net profit of PKR 141 million in 2018 compared to a loss of PKR 24 million in 2017.

## Dairy Farm Segment

Nara Dairy Farm continues to be a rich and nutritious source of quality milk for our dairy segment. The segment reported net profit of Rs. 113 million in 2018 versus a profit Rs. 29 million in 2017. This was driven by improvement in milk productivity coupled with revaluation gain on biological assets due to currency devaluation.

## Sustainability at Engro Foods

### Purpose-driven enterprise

Providing the growing population of Pakistan with the right nutrients in a sustainable way is one of the challenges for the coming decades. By offering trustworthy, relevant and nourishing dairy products, Engro Foods along with FrieslandCampina contributes to food and nutrient security. Engro Foods purpose – 'nourishing by nature' – stands for better nutrition for Pakistan, a good living for our farmers, now and for generations to come.

### Cooperation with stakeholders

Preventing and combating non-communicable diseases (obesity, undernutrition and food-related diseases) is a shared responsibility of consumers, governments, and NGOs, as well as food producers and food suppliers. Engro Foods sees it as part of its responsibility to constantly contribute to addressing this challenge and to work together with these stakeholders worldwide.

## Social Investments

We understand the changing needs of our consumers and keep up our commitment to our stakeholders and empower our dairy farmers. In 2018, Engro Foods contributed Rs. 40 million under our social investments commitments for our farmer and surrounding communities.



# 13% growth

registered in Q4'18 vs Q4 2017 in dairy and beverage segment

Our social investments programs have been managed by Engro Foundation – together with partners who work in the areas of education, health, infrastructure, livelihoods and disaster management to provide socio-economic opportunities to a multitude of individuals in the communities we operate in. Moreover, we continued our strategy to work towards generating greater sustainable impact by focusing on business inclusiveness.

### Engro Foods School Adoption Programs

We started a school adoption program in 2011 near our production facilities to provide the opportunity of education to the children from under privileged backgrounds who had no access to education. This was an initiative to facilitate the surrounding communities to reduce inequality and create better opportunities. Engro Foods has been supporting six schools near our Plants. In 2018, we invested Rs. 5.3 million in two adopted schools near Engro Foods dairy farm in Nara Sindh and Rs. 7.1 million in the 4 schools near Sahiwal plant. Our employees conduct periodic community engagement sessions at these schools on the importance of environment, safe nutrition, cleanliness, health and safety to keep a close connect and address concerns of surrounding communities.

### Engro Foods Health Centre

Basic healthcare problem is one of the major dilemmas in under privileged communities. The mainstay of a healthy community is its mental and physical well-being. Engro Foods' efforts are directed towards empowering and developing our farmer and surrounding communities, which is in line with two of UNSDGs (United Nation Sustainable Development Goals). We invested Rs. 7.8 million in Engro Health Center near Engro Foods Sukkur plant. To date 8000+ patients from underprivileged sector have been treated at Engro Foods Health Centre.

### Dairy Development

We have a network of more than 1,300+ milk collection centers which collects milk and provides livelihood to 250,000+ farmers and milk suppliers across Pakistan. Through our numerous dairy development initiatives, Engro Foods directly contributes to the growth in dairy and livestock sector in Pakistan, which is around 11% of AGDP (Aggregate Gross Domestic Product) and accounts for 56.3% share in the agriculture sector.

As part of our regular dairy development programs, we have trained 71,900+ farmers in 2018 on livestock and silage management. In addition to this, to overcome the scarcity of fodder in farms affiliated with Engro Foods, our teams have assisted farmers in silage making and bales of 103,405 tons worth Rs. 545 million.

### Enhancing Dairy Skills through Specialized Training

Engro Foods is committed to create social progress through programs devoted to improving livelihoods and capacity building via skills training. In the dairy value chain that Engro Foods operates in, there is a severe skill shortage, which leads to less than optimal milk production. To address this skills shortage, Engro Foods has implemented a number of projects.

Enhancing Dairy Skills through Specialized Training is the most recent project among those. The project is co-funded by the European Union, the Federal Republic of Germany and the Royal Norwegian Embassy. Building on our dairy farming expertise, Engro Foods designed a training program to develop Farm Supervisors for 1,250 trainees. The training program utilizes a blended learning approach and includes classroom training, demonstrative training, workplace-based training and exposure trips. Trainees, who have completed six training modules, are placed on commercial farms, where they receive on the job training. Mentorship and support during the on the job training process is given to ensure that the trainee is achieving his/her learning objectives and getting a chance to practice his/her classroom learning.

### International Recognition

#### Engro Foods wins Commonwealth Company of the Year Award

The Commonwealth Head of Government Meeting (CHOGM) was held in London in April 2018, where Queen Elizabeth & UK Government hosted Presidents and Prime Ministers of 53 Commonwealth states along with 5000 delegates to promote bilateral trade and implement sustainable development goals amongst all the Commonwealth states. Engro Foods presented a case on project WELD – Women Empowerment through Livestock Development to the Commonwealth Business Women Network which won the international acclamation for Engro Foods as 'Commonwealth Company of the Year' recognizing the significant impact on women's economic empowerment at grass root level created by Engro Foods.

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### Our Human Resource

In 2018, our focus in terms of people management was on capability development of our employees, attracting top talent, competency realignment and sustainable engagement.

### Talent Acquisition

We understand that people of an organization make all the difference, hence we ensure that we attract, hire and retain the best talent in the market. Diversity has been a key enabler for long-term success. Only by building teams of people with different backgrounds, education, skills and experiences can we create sustainable value across the industry. As of December 2018, the female ratio was 6.28%.

### Learning & Development

Investment in skills and accelerating employees' professional and personal development are essential components of the our people agenda.

During the year, we introduced three core behaviors: Purpose Driven, Commercially Obsessed and Owner's Mindset. To ensure the embedment and applicability of these behaviors, four different learning modules were introduced on all levels across the organization. Employees at every level went through a series of customized experiential trainings, a total of 9,717 hours of behavioral value-based trainings, which revolved around understanding the values, their applicability and relatability in their daily routines.

Three core behaviours namely Purpose Driven, Commercially Obsessed & Owner's Mindset were embedded through a series of customised experiential trainings of 9,717 hours.

### COMPASS – Code of Conduct

Our commitment to the highest standards of integrity and transparency shapes our governance framework and processes, which are aligned to the industry's best practices. Every employee at Engro Foods is a part of the governance system and is required to adhere to clearly laid out policies and procedures defined by the code of conduct defines as Compass, followed globally by all operating companies of FrieslandCampina. This set of guidelines directs good business conduct and ethical behavior at all levels of the Company. Conducting our business in an ethical manner, in line with the expectations of all our stakeholders and the law of the land, is imperative for our organization. The Governance Principles primarily helps in establishing a system whereby a Company is directed and controlled by the Directors in accordance

with the best governance practices to safeguard the interests of the stakeholders. These principles emphasize upon openness and transparency in corporate affairs and the decision making process.

### Health, Safety and Environment

We strongly believe in maintaining the highest standards in Health, Safety and Environment (HSE) to ensure the well-being of the people who work with us as well as the surrounding communities, where we operate.

### Ensuring employee safety at the workplace

At Engro Foods our employees and contractors are expected to conform to our HSE management systems and processes which have been designed keeping in view international standards and best practices. Over the years we have



embarked on ambitious plans to achieve Occupational Safety and Health Administration (OSHA - USA) compliance through DuPont Alignment and have been successful in our endeavors.

A work-place safety program has been implemented, that actively seeks to reduce the potential risk of injuries within the work-place by conducting safety gap analysis. Since DuPont Safety Management is essentially a people-focused tool, we have also invested heavily in employee engagement by conducting trainings that spanned over the year, with a cumulative total of 23,850+ training hours.

To reaffirm our commitment to safety of our employees and draw maximum buy-in, Engro Foods hosted a series of engagement events including Safety Weeks & Safety Champions of the Month. In 2018, alignment with FrieslandCampina Global HSE Management System 'FOQUS SHE' was carried out and Engro Foods became the first Operational Company in FrieslandCampina that achieved "Satisfactory" result in its first assessment.

To further increase awareness of employees on serious injuries & threatening risks at work places, introduction of Seven 'Life Saving Rules' was one of the major value additions in 2018.

To make our factories complaint on ATEX (EU Directives for controlling explosive atmospheres), assessment of 'Powder Dust Explosion Hazard' was carried out along with action plan. Moving forward in 2019, Machine Safety Assessment is one of the key areas where we are committed to add value.

As a result of our efforts and focus on stringent and best in class HSE guidelines, the Total Recordable Injury Rate (TRIR) has declined significantly over the last six years. During the year, the TRIR of our employees and contractors was recorded at 0.05 with over 16.7 million man hours clocked in by our employees & visitors.

**During the year, the TRIR of our employees and contractors was recorded at 0.05 with over 16.7 million man hours clocked in by our employees & visitors.**

### Ensuring Responsible Environmental Practices

Engro Foods recognize the need to protect and preserve our planet by going the extra mile to minimize the environmental impact of our business operations and prevent unnecessary wastage of our natural resources. Our business strategies are also fully aligned with this vision. In an on-going effort to preserve our natural habitat, we have invested in installation of solar geysers at our Area Offices as well as encouraged our supply chain partners working as our Milk Collection Centers (MCCs) to shift to solar powered energy, minimizing the carbon footprint of the MCCs.

As part of our efforts to reduce greenhouse gas (GHG) emissions, we are actively promoting the use of Non CFC products at all our manufacturing units. We are procuring eco-friendly air conditioners with refrigerant gases that are not harmful for the ozone layer. At Engro Foods, we will continue to make concerted efforts to protect and preserve the planet for our future generations, whilst exercising effective controls

**23,850<sup>+</sup>**  
total employee training hours

to minimize potential environmental hazards. This is reflected in our endeavors to achieve ISO 14001 certifications for our plants in Sukkur and Sahiwal, and our Dairy Farm in Nara. Also, 20 area offices of Milk Procurement & Agri Services are also ISO 14001 certified. There is also a structured program in place to reduce water consumption on year on year basis.

**We have invested heavily in workplace safety program that actively seek to reduce the potential risk of injuries within workplace, in compliance with DuPont.**

The pilot project for paper reduction taken up by Engro Foods Head Office in Karachi resulted in paper reduction of 40%. Throughout the year, various sessions were carried out, including Earth Day and Earth Hour celebration, to promote awareness of environmental issues among our employees. We have been investing a lot at our production facilities to conserve water consumption. In last couple of years, we have invested a in the tune of Rs. 115 million in Water Conservations projects. All such drives have helped us save 0.11 liter of water for every liter of milk we have produced with absolute saving of 33.1 million liters of water in 2018.

### Accounting Standards

The accounting policies of the Company reflect the requirements of the Companies Act 2017 (the Act) and such approved International Financial Reporting Standards as have been notified under this Act as well as through the directives issued by the Securities and Exchange Commission of Pakistan.

### Employee Share Option Scheme

The Company operates a Employee Share Option Scheme. The detail of such scheme is explained in note 8 of the accounts annexed financial statements of the Company.

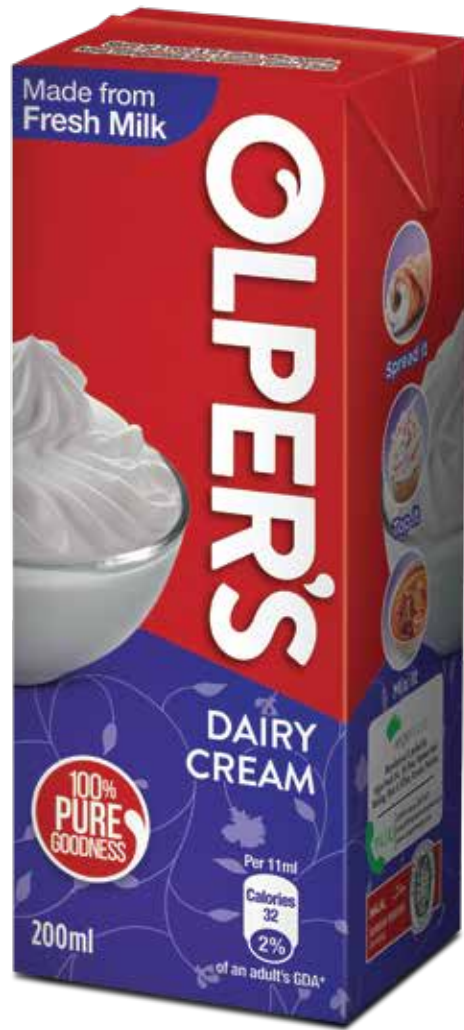
### Pension, Gratuity and Provident Fund

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

S. No.		DB Gratuity Fund (Rs. in million) 30-Jun-18
1	Net assets as per audited financial statements	512
2	Pakistan Investment Bonds	374
3	Term Finance Certificates	21
4	Shares	130
5	Bank Deposits	8
6	Receivables	1
7	Payables	(22)
	<b>Total</b>	<b>512</b>

The above mentioned plan is a funded scheme recognized by the tax authorities. The latest actuarial valuation of gratuity scheme was carried out at December 31, 2018 and the financial statements of these have been audited up to June 30, 2018.





### Auditors

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

### Pattern of Shareholding

Major shareholders of Engro Foods Limited are FrieslandCampina Pakistan Holdings B.V. (51%) and Engro Corporation Limited (40%). Other Shareholders are local institutions and the general public.

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, Executives and their spouses including minor children during 2018, is shown later.

## Internal Control Framework

### Responsibility

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive Officer.

### Framework

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

### Review

The Board meets quarterly to consider the Company's financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

### Internal Audit

Engro Foods has an independent Internal Audit function. The Board Audit Committee annually reviews the appropriateness of resources and authority of this function. The Head of Internal Audit functionally reports to the Audit Committee. The Board Audit Committee approves the audit plan, based on an annual risk assessment of the operating areas. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports on findings to the Board Audit Committee, Chief Executive Officer and the divisional management.

### Risk Management

Engro Foods has formal risk management framework to assess the risks faced in the context of the broader political and macroeconomic environment. The risk management system identifies strategic, regulatory, financial, operational, reputational, and sustainability risks related to Company's business activities. The risks are reviewed by management committee along with departmental objectives, targets and performance. Appropriate strategies are developed and

implemented to minimize the impact of the identified risks. The Company has formulated its risk management structure based on the global practice followed by FrieslandCampina, with the aim of driving the Company strength growth with managing risk associated with business adequately.

## Board of Directors

### Statement of Director Responsibilities

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

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

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

5. The system of internal control is sound in design and has been effectively implemented and monitored, including adequate internal financial controls.

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

7. There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

### Board Meetings and Attendance:

In 2018, the Board of Directors held 4 meetings to cover its complete cycle of activities. All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on business and full papers on matters where the Board is required to make a decision or give its approval. The Board deliberates and fixes remuneration for the independent non-executive Directors. The attendance record of the Directors is as follows:

Director's Name	Meetings Attended	Director's Name	Meetings Attended
Abdul Samad Dawood***	4	Ghias Khan**	1
Abrar Hasan*	2	Heidi Van der Kooij**	0
Ali Ahmed Khan	4	Jaska Marianne de Bakker**	0
Eduardus Lambertus Holtzer*	2	Johannes Petrus Fransiscus Laarakker**	1
Petra Attje Zinkweg*	2	Piet Johannes Hilarides**	0
Roeland Francois Van Neerbos*	2	Sabrina Dawood**	1
Zouhair Abdul Khaliq*	3	Wim Torfs**	1

\* Elected on April 26, 2018

\*\* Retired on April 26, 2018

\*\*\* Re-Elected on April 26, 2018

## Board Composition and Governance

As at December 31, 2018, the Board comprises of seven Directors (6 males, 1 female) including one Executive Director, two Independent Directors and four Non-Executive Directors. The Board has the collective responsibility for ensuring that the affairs of Engro Foods are managed competently and with integrity. Mr. Abdul Samad Dawood, a non-executive Director, is the Chairman of the Board, and Mr. Ali Ahmed Khan is the Chief Executive Officer. Biographical details of the Directors are given later in this report. A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval.

## Board Compensation Committee

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration and to approve all matters relating to the remunerations of the Executive Directors and members of the management committee. The Head of HR of Engro Foods attend the Board Compensation Committee Meeting by invitation. The committee comprises the following members:

Zouhair Abdul Khaliq	Chairman
Petra Attje Zinkweg	Member
Ali Ahmed Khan	Member

## Board Audit Committee

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The committee met 4 times during 2018. The committee comprises the following members:

Abrar Hasan	Chairman
Eduardus Lambertus Holtzer	Member
Zouhair Abdul Khaliq	Member

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

## Future Outlook

Driving conversion from loose milk will remain a key thrust to fuel category growth and the Company will continue to focus its efforts in this direction. At the same time Engro Foods will keep investing behind its brand equity to remain as the preferred choice for consumer's dairy needs. The Company will also work with Pakistan Dairy Association (PDA) on various category development initiatives to educate the consumers on the potential health hazards of loose milk consumption and reinforce the positive characteristics of packaged milk.

Engro Foods will continue to work with the regulatory authorities through relevant business platforms to harmonize the Federal and Provincial food laws. The Company will also focus its efforts in supporting the authorities to draft legislation on minimum pasteurization and rationalization of tax laws to create an even playing field for the processed dairy sector.

Leveraging FrieslandCampina's expertise and living the principle of "Nourishing by Nature", Engro Foods will carry on its innovation journey to provide affordable, value-added, trustworthy, healthy and safe choices of dairy products.

Every day, millions of consumers enjoy our products throughout Pakistan, hence the Company remains committed to highest standards in the field of food safety quality, sustainability and transparency throughout the entire production chain, i.e. "from grass to glass".



Abdul Samad Dawood  
Chairman

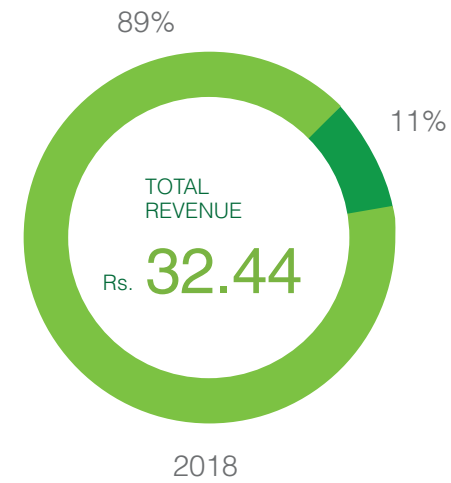


Ali Ahmed Khan  
Chief Executive Officer

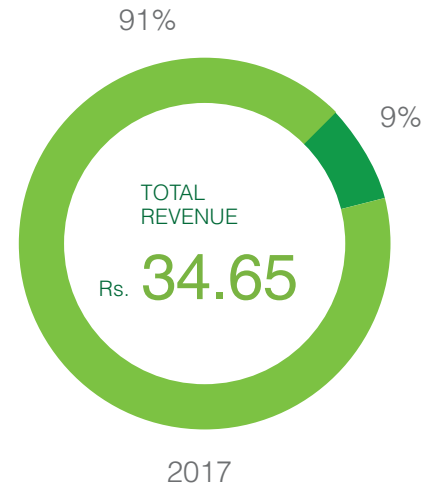
# Financial Review

Business Revenue (Rs. in billions)  
% Segment Share

- Dairy, Beverages & Others
- Ice cream

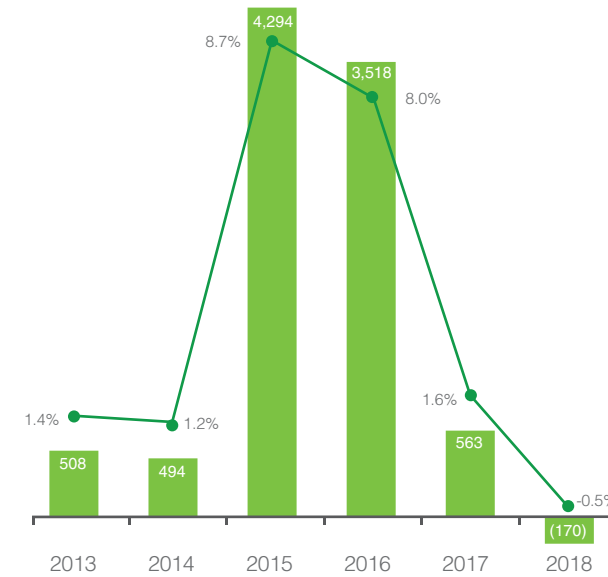


- Dairy, Beverages & Others
- Ice Cream



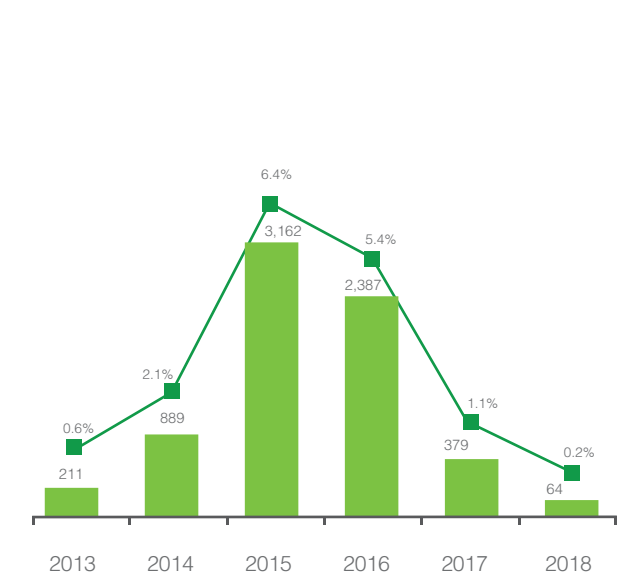
Profit / (Loss) Before Tax  
& % of Sales (Rs. in million)

- Profit / Loss Before Tax
- % of sales

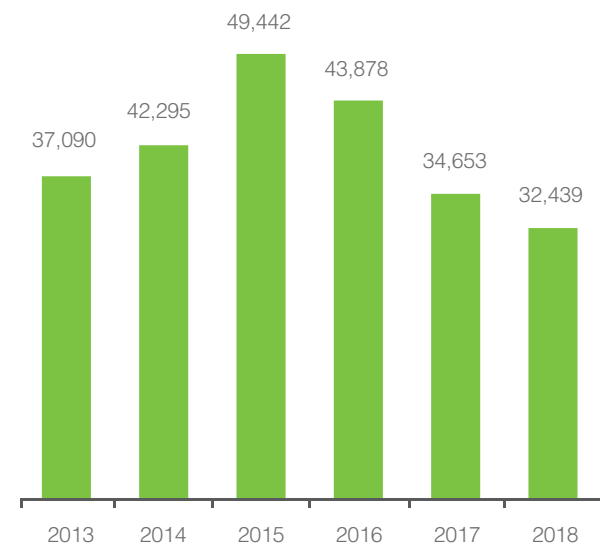


Profit After Tax  
& % of Sales (Rs. in million)

- Profit After Tax
- % of Sales

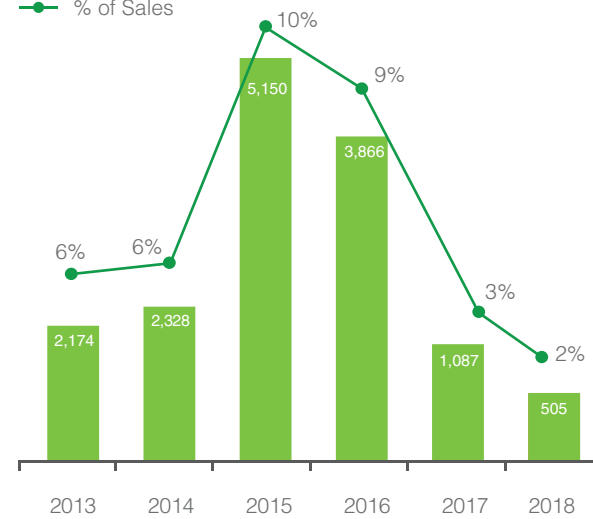


Sales (Rs. in million)



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

- Operating profit
- % of Sales



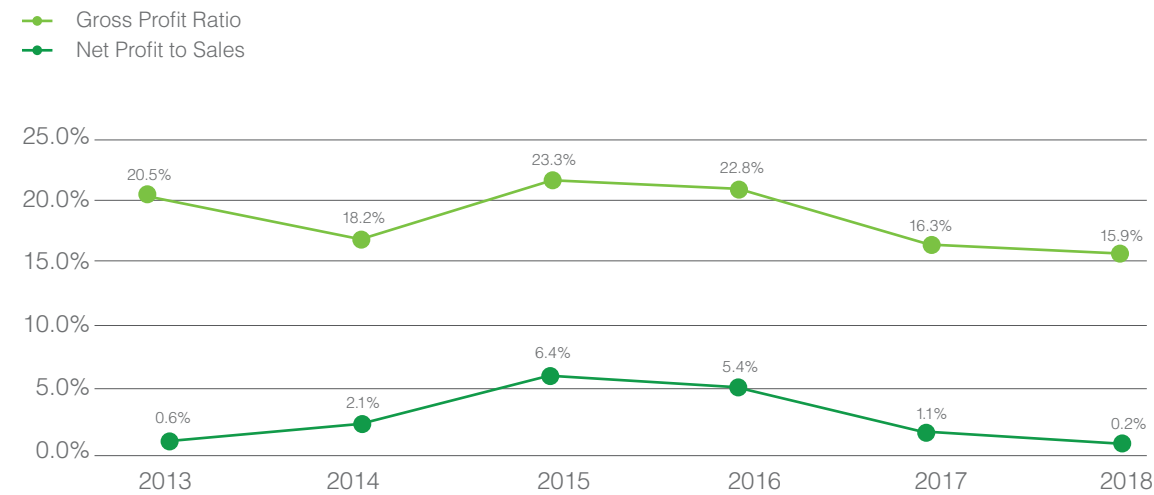
Actual Production &  
Production Capacity ('000 liters)

- Actual Production
- Production Capacity



# Financial Summary

## Profitability Ratios



## Statement of value addition & distribution

Wealth Generated	2018		2017	
	Rupees in million	%	Rupees in million	%
Total Revenue inclusive of sales-tax and other income	34,075	-	35,948	-
bought-in material and services	(25,484)	-	(26,932)	-
	8,591		9,016	
Wealth Distributed				
To employees Salaries, benefits and other costs	2,690	31.31%	2,634	29.21%
To Government Taxes, duties and development surcharge	3,145	36.60%	3,526	39.10%
To Society Donations towards education, health, environment and natural disaster	40	0.47%	22	0.24%
To Providers of Capital Mark up/interest expense on borrowed money	675	7.86%	524	5.82%
Retained for reinvestment and future growth, depreciation, amortization, retained profit	2,041	23.76%	2,310	25.63%
	8,591	100%	9,016	100%

2018 2017 2016 2015 2014 2013

(Rupees in million)

## Statement of Financial Position

Share capital	7,666	7,666	7,666	7,666	7,666	7,666
Share premium	865	865	865	865	865	865
Employee compensation reserve	218	298	434	595	400	407
Hedging Reserve	-	-	-	(1)	(28)	(10)
Remeasurement of post employment benefits - Remeasurement loss	(138)	(81)	(74)	(84)	(36)	(35)
Unappropriated profit	730	973	8,259	5,872	2,710	1,821
Shareholders' funds / Equity	9,341	9,721	17,151	14,913	11,578	10,715
Long term borrowings	4,000	4,121	500	2,196	5,477	7,127
Capital employed	13,341	13,842	17,651	17,109	17,055	17,842
Property, plant & equipment	11,819	12,559	13,121	13,860	15,022	14,505
Long term assets	71	84	94	134	109	93

## Statement of Profit or Loss

Sales	32,439	34,653	43,878	49,442	42,295	37,090
Gross profit	5,154	5,636	10,015	11,538	7,701	7,593
Operating profit	505	1,087	3,866	5,150	2,328	2,174
(Loss) / profit before tax	(170)	563	3,518	4,294	494	508
Profit after tax	64	379	2,387	3,162	889	211

## Statement of Cash Flows

Net cash flow from operating activities	1,231	4,516	5,122	4,517	786	2,356
Net cash flow from investing activities	(1,113)	(900)	(1,188)	(790)	(2,556)	(5,221)
Net cash flow from financing activities	(958)	(5,393)	(3,176)	(1,722)	(1,081)	547
Changes in cash & cash equivalents	(840)	(1,778)	758	2,005	(2,851)	(2,318)
Cash & cash equivalents – Year end	(1,976)	(1,136)	638	(121)	(2,135)	727

## Others

Market capitalisation	61,145	61,598	147,218	112,366	83,250	80,105
Numbers of shares issued	767	767	767	767	767	767

## Quantitative Data ('000 Litres)

Production Capacity						
Dairy & Beverages	642,540	662,516	748,000	748,000	730,000	657,000
Ice cream	43,623	40,800	39,000	39,000	39,000	39,000
Fresh Dairy	-	-	-	-	-	1,400
Actual Production						
Dairy & Beverages	281,903	320,344	482,958	552,532	472,735	422,818
Ice cream	18,254	17,467	19,518	19,364	16,726	14,500

# Financial Performance Indicators 2013 To 2018

Ratios	2018	2017	2016	2015	2014	2013
<b>Profitability Ratios:</b>						
Gross Profit Ratio	15.9%	16.3%	22.8%	23.3%	18.2%	20.5%
Net Profit to Sales	0.2%	1.1%	5.4%	6.4%	2.1%	0.6%
EBITDA Margin to Sales	7.7%	8.7%	13.5%	14.6%	8.7%	7.8%
Operating Leverage Ratio	8.38	3.42	2.22	11.69	2.42	12.13
Return on Equity	0.7%	3.9%	13.9%	21.2%	7.7%	2.0%
Return on Capital Employed	0.5%	2.4%	13.7%	18.5%	5.1%	1.2%
<b>Liquidity Ratios:</b>						
Current Ratio	1.1	1.2	1.9	1.5	1.3	1.7
Quick / Acid Test Ratio	0.7	0.7	1.1	1.0	0.7	0.9
Cash to Current Liabilities	0.0	0.0	0.1	0.0	0.0	0.1
Cash Flow from Operations to Sales	0.0	0.1	0.1	0.1	0.0	0.1
<b>Activity / Turnover Ratios:</b>						
No. of Days Inventory	37.9	40.3	36.8	32.6	35.8	40.7
No. of Days Receivables	3.2	1.3	0.8	0.8	1.1	1.5
No. of Days Payables	98.8	73.8	46.5	40.3	41.4	44.4
Operating Cycle	(57.7)	(32.2)	(8.8)	(6.9)	(4.5)	(2.2)
Inventory Turnover	9.6	9.1	9.9	11.2	10.2	9.0
Debtors Turnover	113.6	288.4	468.7	463.1	339.0	245.1
Creditors Turnover	3.7	4.9	7.9	9.1	8.8	8.2
Total Assets Turnover Ratio / Fixed Assets Turnover Ratio	1.4	1.6	1.8	1.9	1.6	1.5
<b>Investment / Market Ratios:</b>						
Earnings per Share (EPS) - basic & diluted (Rs.)	0.08	0.49	3.11	4.13	1.16	0.28
Price Earnings Ratio	996.50	163.90	61.72	35.49	93.57	373.00
Cash Dividend per share (Rs.)	-	0.40	10.00	-	-	-
Market value per share at the end of the year (Rs.)	79.72	80.31	191.94	146.50	108.54	104.44
Highest market value per share, during the year (Rs.)	107.34	211.00	192.19	179.46	126.25	163.45
Lowest market value per share, during the year (Rs.)	69.00	69.00	115.35	105.31	89.80	79.40
Breakup value per share (Rs.)	12.19	12.68	22.37	19.45	15.10	13.98
<b>Capital Structure Ratios:</b>						
Long-term Debt to Equity	30.0%	29.8%	2.8%	12.8%	32.1%	39.9%

# Key Shareholding and Shares Traded

Information of shareholding required under the reporting framework is as follows:

## 1. Associated Companies, Undertakings and Related Parties

Shareholder's name	No. of Shares Held
FrieslandCampina Pakistan Holding B.V.	390,963,999
Engro Corporation Limited	306,075,947

## 2. Directors, Chief Executive Officer and their spouse(s) and minor children

Shareholder's name	No. of Shares Held
Mr. Abdul Samad Dawood	501
Mr. Zouhair Abdul Khaliq	1
Mr. Abrar Hasan	500

3. Executives	18,503
4. Public Sector Companies and Corporations	-
5. Banks, Development Financial Institutions, Non Banking Financial Institutions	25,106,109
6. Insurance Companies	996,500

## 6. Modarabas and Mutual Funds

Shareholder's name	No. of Shares Held
First Equity Modaraba	6,200
CDC - Trustee Meezan Balanced Fund	3,800
CDC - Trustee First Dawood Mutual Fund	5,000
CDC - Trustee Unit Trust Of Pakistan	2,500
CDC - Trustee AKD Index Tracker Fund	16,674
CDC - Trustee Alhamra Islamic Asset Allocation Fund	700
CDC - Trustee Al Meezan Mutual Fund	800
CDC - Trustee Meezan Islamic Fund	17,721
Trust Modaraba	12,000
CDC - Trustee MCB DCF Income Fund	102,000
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	100
MC FSL Trustee JS - Income Fund	53,500
CDC - Trustee NIT-Equity Market Opportunity Fund	54,900
CDC - Trustee Nafa Savings Plus Fund - MT	40,000
CDC - Trustee KSE Meezan Index Fund	152,000
CDC - Trustee NIT Income Fund - MT	4,000



## Key Shareholding and Shares Traded

Shareholder's name	No. of Shares Held
CDC - Trustee National Investment (Unit) Trust	34,400
CDC - Trustee Nafa Income Opportunity Fund - MT	6,000
CDC - Trustee NIT Islamic Equity Fund	100,600
CDC - Trustee Nafa Income Fund - MT	15,000
MC FSL Trustee JS - Income Fund - MT	42,000
CDC - Trustee Faysal MTS Fund - MT	2,500
CDC - Trustee Meezan Asset Allocation Fund	700
CDC - Trustee Pakistan Income Fund - MT	1,500
CDC - Trustee UBL Income Opportunity Fund - MT	1,000
<b>Total</b>	<b>675,595</b>

### 7. Shareholders Holding five percent or more voting rights in the listed Company:

Shareholder's name	No. of Shares Held
Engro Corporation Limited	306,075,947
FrieslandCampina Pakistan Holding B.V.	390,963,999

### 8. Details of purchase/sale of shares by Directors, Executives\* and their spouse(s) / minor children during 2018.

Name	Date of Purchase / Sale	Shares Purchased	Shares Sold	Rate (Rs.)
Zeeshan ur Rub	27/02/2018		4,300	86.49

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

## Pattern of Shareholding as at December 31, 2018

No. of Shareholders	Shareholdings		Total Shares Held	No. of Shareholders	Shareholdings		Total Shares Held
	From	To			From	To	
921	1	100	51,958	2	165,001	170,000	333,900
3,855	101	500	1,732,295	2	170,001	175,000	345,500
1,639	501	1,000	1,540,840	2	180,001	185,000	369,000
1,922	1,001	5,000	5,085,698	4	195,001	200,000	795,500
447	5,001	10,000	3,553,787	2	250,000	255,000	500,000
142	10,001	15,000	1,820,451	2	270,001	275,000	548,000
95	15,001	20,000	1,732,720	2	295,001	300,000	596,000
64	20,001	25,000	1,516,001	2	305,001	310,000	617,500
44	25,001	30,000	1,238,152	1	315,001	320,000	315,500
22	30,001	35,000	729,636	1	330,000	335,000	330,000
18	35,001	40,000	695,260	2	345,001	350,000	695,500
14	40,001	45,000	607,000	1	355,001	360,000	357,474
27	45,001	50,000	1,319,508	2	370,000	375,000	741,600
11	50,001	55,000	594,500	1	425,001	430,000	427,900
6	55,001	60,000	344,700	1	435,001	440,000	435,500
9	60,001	65,000	567,400	1	450,000	455,000	450,000
8	65,001	70,000	545,600	1	465,001	470,000	467,100
8	70,001	75,000	586,500	1	550,001	555,000	553,900
5	75,001	80,000	397,000	1	565,000	570,000	565,000
3	80,001	85,000	244,600	1	730,000	735,000	730,000
3	85,001	90,000	262,500	1	900,000	905,000	900,000
2	90,001	95,000	187,500	1	1,045,001	1,050,000	1,046,500
11	95,001	100,000	1,095,000	1	1,205,001	1,210,000	1,206,200
5	100,001	105,000	515,400	1	1,635,000	1,640,000	1,635,000
2	105,001	110,000	216,500	1	6,330,001	6,335,000	6,330,300
2	110,001	115,000	227,800	1	17,380,001	17,385,000	17,380,509
5	115,001	120,000	590,640	1	135,775,001	135,780,000	135,775,939
8	120,001	125,000	990,800	1	170,300,001	170,305,000	170,300,008
5	130,000	135,000	666,000	1	390,960,001	390,965,000	390,963,499
6	150,000	155,000	905,000				
2	160,000	165,000	322,500	<b>9,352</b>			<b>766,596,075</b>

## Category of Shareholding as at December 31, 2018

S.No	Shareholders' Category	No. of Shareholders	No. of Shares	Percentage of Holding
1	Directors, Chief Executive Officer, and their spouse(s) and minor children.	3	1,002	0.00
2	Associated companies, undertakings and related parties.	4	697,039,946	90.93
3	Banks, Development Financial Institutions, Non Banking Financial Institutions.	8	25,106,109	3.28
4	Insurance Companies	7	996,500	0.13
5	Modarabas and Mutual Funds	25	675,595	0.90
6	Shareholders holding 10% or more shares	3	697,039,446	90.93
7	General Public: (individuals)			
	a. Local	9,171	34,562,422	4.51
	b. Foreign	-	-	-
8	Others	134	8,214,501	1.07



Abdul Samad Dawood  
Chairman



Ali Ahmed Khan  
Chief Executive Officer

## Shareholders Information

### Annual General Meeting

The annual shareholders meeting will be held at 10:00 a.m. on April 26, 2019 at Karachi Avari Towers Karachi.

Shareholders as of April 19, 2019 are encouraged to participate and vote.

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

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

### Ownership

On December 31, 2018 there were 9,352, shareholders on record of the Company's ordinary shares.

### Circulation of Annual Reports through CD/DVD/USB

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

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

### E-Dividend Mandate (Mandatory)

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

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

### Quarterly Results

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

- 1st quarter : April 26, 2019
- 2nd quarter: August 01, 2019
- 3rd quarter: October 17, 2019

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

### Change of Address

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

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

OUR BRANDS

nurturing  
growth



## Our Brands Portfolio

Our brands are woven into the lives of consumers across the nation.

Olper's, our flagship brand, is trusted by millions of Pakistani's to provide their families high quality nutrition and pure goodness. Tarang offers our tea-loving nation the perfect taste enhancement moments while Omore satisfies their sweet indulgences.

We strive to bring happiness to the daily lives of our consumers and our strength lies in their trust.

Our promise remains to provide better nutrition for Pakistan, now and for generations to come.



## Olper's Milk

### Full of Nutrition

Olper's was launched in 2006 as the flagship brand of Engro Foods Ltd and has grown to become a leading player in the UHT milk category in Pakistan. This phenomenal success is rooted in our commitment to providing high quality nutrition and pure goodness to families across Pakistan. The focus on this journey has been on collecting fresh and pure milk from farms across Pakistan on a daily basis and ensuring that every pack of milk conforms to the highest standards of safety and hygiene. Olper's Milk is free of preservatives, UHT treated and goes through a rigorous scrutiny of 28 different types of quality tests before reaching consumers.

Olper's stands as a favourite for mothers seeking pure and delicious nourishment for the health and wellbeing of their families. Olper's has been the pioneer in innovation for the UHT category with multiple pack formats and sizes bringing convenience and accessibility to consumers. Whether for drinking, making tea or desserts, Olper's is the ideal all-purpose milk that captures the major usages and consumption occasions for Milk in Pakistan.

## Olper's Full Cream Milk Powder

### Tall and Strong

In Pakistan, the powders category is the second-largest in the packaged dairy industry after liquid UHT. In late 2018, Olper's entered this category with the launch of Olper's Full Cream Milk Powder and aims to become a major player in this category as well.

The need to enter this category stems from our concern that most of the powder brands being marketed in Pakistan are non-dairy formulations meaning they are blended with vegetable fats. Pakistani mothers have been serving these powders to their children largely unaware that they are depriving their children the full benefits of wholesome Full Cream Milk.

Olper's Full Cream Milk Powder is made from Natural Milk and is high in Protein and further enriched with Calcium, Vitamins A & B2. These nutrients help children reach the right height and right weight for their age when consumed as part of a balanced diet and active lifestyle.

## Olper's ProCal+

### Low Fat Milk

Another innovation under the Olper's platform is Olper's ProCal+ which is high in both Protein and Calcium with less than 1% fat. Protein & Calcium together support the growth & maintenance of muscles and bones, helping to keep families strong & active!

2 servings of Olper's ProCal+ provide 30% of your daily protein needs & 80% of daily calcium needs.

## Olper's Cream

### 'O' so special

Olper's Cream is the ideal all-purpose cream providing natural nourishment for the breakfast occasion as a complement to paratha, bread, honey and fruits. Its richness and consistency makes it a great ingredient for desserts and savory cooking.

## Dairy Omung

### Rise upto a better life

Dairy Omung caters to the economy segment of Pakistani households in their quest for an unadulterated and hygienic offering for their families. Dairy Omung is a dairy drink that can be used in a multitude of consumption occasions ranging from plain drinking to tea-creaming and dessert-making.

## Omung Dobala

### Fuel to kick start the day

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

## Tarang

### The perfect complement to tea

Launched in 2007 as a tea-whitener brand, Tarang stands for the perfect match for tea, offering affordability and a blissful experience. It gives every cup of tea the perfect blend of colour, aroma and taste for a great tea experience. With its vivacious, light-hearted and glamorous personality, Tarang has since inception, utilized the song and dance platform to connect with consumers to add joy to their routine lives

## Omoré

### Ice-cream and frozen desserts

Omoré is a fun and exciting brand of ice-cream and frozen desserts that was launched in Pakistan in 2009 and has become a strong competitor to the market leader. The brand prides itself on novelty in a variety of formats (cups, sticks, cones and family packs) and has always been at the forefront of innovation.

Our focus on novelty has kept consumers excited with iconic launches like Omoré Traffic Light, Omoré Choc-O and Omoré Strawberry Cheese-cake. Consumers can always trust that Omoré will deliver something unique, year on year!



# Olper's Milk

## Full of Nutrition

Olper's was launched in 2006 as the flagship brand of Engro Foods Ltd and has grown to become a leading player in the UHT milk category in Pakistan. This phenomenal success is rooted in our commitment to providing high quality nutrition and pure goodness to families across Pakistan. The focus on this journey has been on collecting fresh and pure milk from farms across Pakistan on daily basis and ensuring that every pack of milk conforms to the highest standards of safety and hygiene. Olper's Milk is free of preservatives, UHT treated and goes through a rigorous scrutiny of 28 different types of quality tests before reaching consumers.

Today Olper's stands as a favourite for mothers that are seeking pure and delicious nourishment for the health and wellbeing of their families. Olper's has been the pioneer in innovation for the UHT category with multiple pack formats and sizes bringing convenience and accessibility to consumers. Whether for drinking, making tea or desserts, Olper's is the ideal all-purpose milk that captures the major usages and consumption occasions for Milk in Pakistan.

## Campaign

This year we launched a major thematic campaign on Olper's under the 'Celebrate Happy Mornings' theme, aimed at further strengthening the brand's equity and driving conversion from loose milk. The communication leveraged our heritage around the morning occasion while dialling up cues of "Purity" & "Nutrition" which are key drivers of consumer preference in the category.

The campaign introduced a fresh perspective on milk sourcing by showcasing how our well-cared-for cows and buffaloes provide more nourishing, delicious and creamy milk, enabling happy mornings for families across Pakistan. To re-enforce this new messaging, we also refreshed the packaging artwork design, to make the graphics more vibrant and introduce our sourcing story on the pack.

As a result of this campaign OLPER'S has significantly improved its brand saliency and imagery scores leading to significant growth in household usership and eventually gaining market share in the UHT category.



# #ManaoHappySubha



# Olper's Full Cream Milk Powder

## Tall and Strong

In Pakistan, the powders category is the second-largest in the packaged dairy industry after liquid UHT. In late 2018, Olper's entered this category with the launch of Olper's Full Cream Milk Powder and aims to become a major player in this category as well.

The need to enter this category stems from our concern that most of the powder brands being marketed in Pakistan are non-dairy formulations meaning they are blended with vegetable fats. Pakistani mothers have been serving these powders to their children largely unaware that they are depriving their children the full benefits of wholesome Full Cream Milk.

Olper's Full Cream Milk Powder is made from Natural Milk and is high in Protein and further enriched with Calcium, Vitamins A & B2. These nutrients help children reach the right height and right weight for their age when consumed as part of a balanced diet and active lifestyle.

## Campaign

Olper's Full Cream Milk Powder was launched with a 360-degree campaign highlighting our super claim of 'Made from Natural Milk', which differentiates this proposition from other powder brands in the market. The TV Campaign aimed at educating consumers about their right to know the reality of what they are buying when it comes to powdered brands.

Olper's Full Cream Milk Powder restores the right of mothers to a Full Cream Milk proposition that their children need for their holistic growth and development. The campaign has received excellent feedback from consumers and enabled Olper's to establish a significant footing in this category. We will continue to support this much needed innovation over the coming years to establish Olper's Full Cream Milk Powder as the right choice for school-going children.



# Full Cream Milk POWDER Made from NATURAL MILK



# Olper's ProCal+

## Low Fat Milk

Another innovation under the Olper's platform is Olper's ProCal+ which is high in Protein, high in Calcium and contains less than 1% fat. Olper's ProCal+ fits very well in the lifestyle of families looking for body strength to stay active the whole day since they are busy with lots of activities.

Both Protein and Calcium in our diet together help in the maintenance and growth of muscles and bones thereby improving body strength & energy balance.

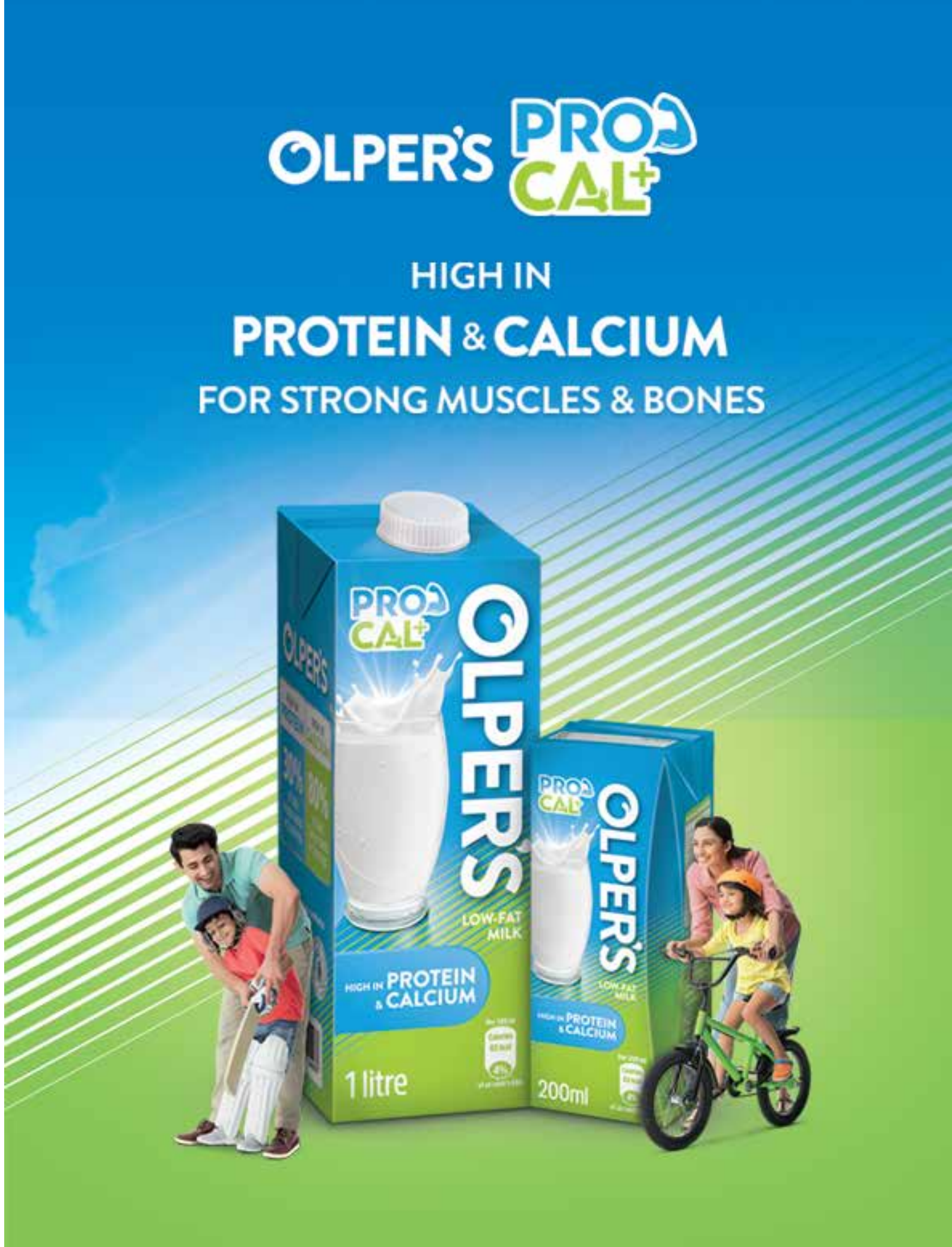
2 servings of Olper's ProCal+ provide 30% of our daily protein needs & 80% of our daily calcium needs.

Olper's ProCal+ is available in 1-litre family pack and single-serve 200ml with straw so that each member of the family can conveniently carry a healthy snack each day to school or work!

## Olper's ProCal+ Campaign

Olper's ProCal+ was launched with an announcer TVC that clearly outlined the attributes of the product, i.e. high in Protein, high in Calcium and how these translate into the functional benefits of strong muscles and bones for consumers. This was promoted on traditional as well as digital media to drive reach within the target audience.

In addition to the TVC, in-store activations were carried out wherein we tested consumers on their body composition in terms of muscle, bone and fat count and expanded upon the role of Olper's ProCal+ in fulfilling the dietary requirements for an active lifestyle.





# Tarang

## The Perfect Complement to Tea

Launched in 2007 as a tea-whitener brand, Tarang stands for the perfect match for tea, offering affordability and a blissful experience. It gives every cup of tea the perfect blend of colour, aroma and taste for a great tea experience. With its vivacious, light-hearted and glamorous personality, Tarang has since inception, utilized the song and dance platform to connect with consumers to add joy to their routine lives.

## Maza Aisa Ke Dil Dance Maaray

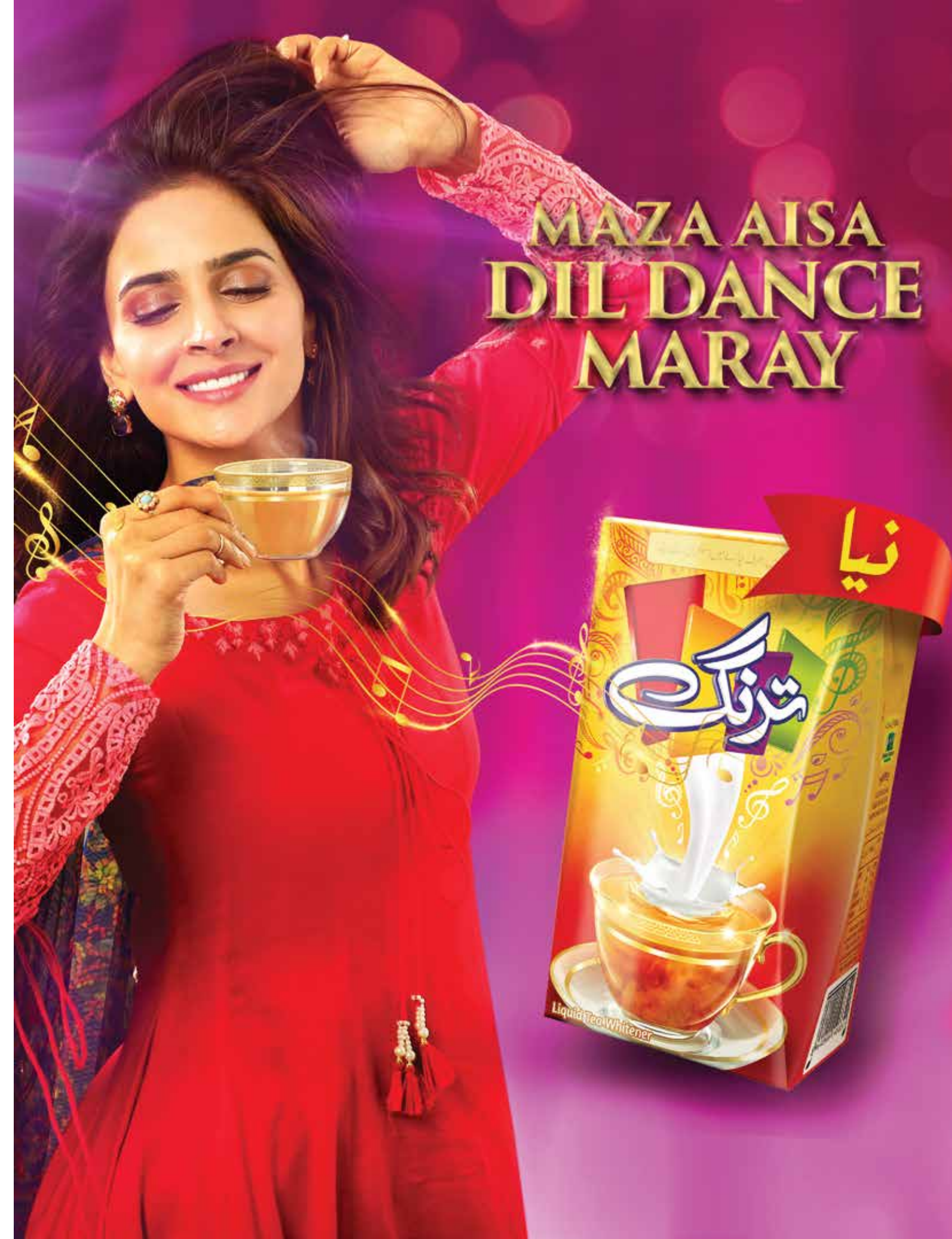
The campaign idea “Maza Aisa Ke Dil Dance Maaray - Tarang makes tea so delicious that it makes your heart want to dance” was developed to highlight the new product while retaining Tarang’s iconic song and dance platform which set it apart from competition.

“Maza Aisa Ke Dil Dance Maaray” was the creative phrase to signify the great new taste of Tarang and its impact of elevating the mood of every moment. The packaging design was also revamped using vibrant colors and uplifting musical notes enveloping the Tarang brand mark to symbolize the impact of a great cup of tea made with Tarang.

The TV ad explored a festive and light-hearted storyline where the irresistibility of tea made with Tarang’s great new taste was manifested with the urge to dance with joy after taking just a sip. Continuing with its high appeal brand world, a new generation of film celebrities - Saba Qamar, Sajjal Aly and Hareem Farooq – were purposefully selected to support the new great taste claim.

The campaign significantly outperformed industry norms and was successful in driving the key message that “Tarang makes great tea”.

The campaign message was amplified on TV, Radio, Digital and In-store. Tarang also co-partnered with Vital Tea for a co-branded tea sachet consumer promotion. The promotion was supplemented with multiple sampling activities across the country to generate trial of the new Tarang product.



# Omoré

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

Omoré, a brand of ice-creams and frozen desserts launched in 2009, has continued to touch the lives of millions of consumers across Pakistan, spreading little moments of joy all around. Omoré's rich portfolio has a wide assortment of products ensuring it has something for everyone, whether its premium ice-cream, fun frozen desserts or refreshing ice-lollies. Since inception, every year has witnessed Omoré launch innovative flavours and formats, with an unrelenting commitment to quality and taste. In line with its nature, Omoré launched exciting new products in 2018, bringing happiness to more people!

### Omoré Ka Bite Lo Zara!

Omoré kicked off 2018 with a signature campaign, "Omoré Ka Bite Lo Zara" (Have a bite of Omoré). The campaign played up appetizing and sensorial product shots of Omoré and its delicious ingredients, building impulse appetite appeal for the brand. With 2 different copies (one for evergreen flavours and the other for traditional ones), the brand assets were leveraged completely including that signature Omoré melody that has come to be so strongly associated with the brand!

### Omoré Innovations of 2018

#### Omoré Kick

Keeping in mind the FIFA World Cup in June 2018, Omoré launched a football shaped frozen dessert called Omoré Kick to build excitement around the sport! With a delightfully unique shape offered by no other player, Omoré was able to capitalize on the hype around the FIFA World Cup and get kids excited about sports!

#### Omoré Choc-O

Shapes have proven to be exciting and novel additions to the Omoré portfolio and 2018 saw the launch of Omoré Choc-O, a classic shape for the frozen dessert category! A doughnut-shaped, chocolate-coated treat turned out to be exactly what consumers wanted and has been a runaway success!

#### Omoré French Praline Tub

Omoré is a driving force in bringing the family together and in order to excite families after mealtimes, the Omoré French Praline tub was launched. An exotic flavor that is already considered a favourite in Pakistan, Omoré demonstrated consumer focus by launching a high-quality novel flavor to consumers.

#### Omoré Vanilla Caramel Crunch

For a festive Eid, two flavours are always better than one! Omoré launched a 2-in-1 Vanilla Caramel Crunch family pack to offer variety to consumers in an affordable way, making the Eid occasions sweeter for all our consumers!



# A Little HAPPINESS Every Day



OUR OPERATIONS

# nurturing opportunities

Nara Farm Milking Parlour.



# Our Sourcing Story

Since 2008, one of our key sources of milk comes from our own dairy farm near Sukkur called Nara Farm, which is one of the largest farms in Sindh. It is home to 5,829 Australian breed cows, which graze happily over 570 acres of land. We ensure that our animals remain healthy & happy with the provision of balanced nutrition and best dairy farming practices to ensure they give nutritious & healthy milk. Nara Farm has been certified from various ISO standards.

In addition to Nara Farms, Engro Foods works with 250,000+ dairy farmers through our extensive supply chain network of 1300 milk collection centers across Sindh & Punjab. We engage in farmer capacity building through our dairy development programs for the registered farmers in our supply chain. These farmers are trained throughout the year on best dairy farming practices and animal care, to date Engro Foods has trained over a million farmers on best dairy farming practices.

The milk collected from NARA farm & our supply chain network goes through 28 tests to ensure purity of safe dairy. It is then transferred to our processing plants in Sukkur & Sahiwal, where it goes through a unique Nutri-heat process. This process heats the milk at 140 degrees celsius for 2 seconds keeping the nutrition of the milk intact, which is compromised in case of boiling at home. After the Nutri-heat process, the milk is cooled down and aseptically packaged without adding any preservatives, in tetra pack or ecolean pack to offer our consumers 100% goodness of pure, safe & nutritious dairy.

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ISO 9001  
Quality Management System.

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ISO14001  
Environment Management System.

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ISO18001  
Occupational Health & Safety Management System.

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ISO22000  
Food Safety Management System.



# Our Processing Plants

## Sukkur

Sukkur Plant is the birth place of Engro Foods Limited. where the first liter of milk was processed in 2006 and it marked the start of a beautiful journey for the company. During the last decade, Sukkur has broken its own records by achieving ever highest efficiencies and quality standards with utmost focus on personnel safety. Its position plays a strategic role in serving the markets of Karachi, Balochistan and southern parts of Punjab unlike any other competitor with current production capacity of the plant at 732,000 Liters/day.



# Our Processing Plants

## Sahiwal

Sahiwal Plant is the heart of Engro Foods Limited. With its state of the art equipment, it constitutes the majority of milk processing with capacity of about 1.8 million liters per day, 145K liters per day Ice Cream production and 4 tons per hour Powder manufacturing capacity. This facility was commissioned in 2007, its 24/7 operations look after the dairy needs of the entire country throughout the year. Sahiwal Plant is a benchmark when it comes to HSE, Quality and efficiency standards for the entire dairy sector. Its young and energetic team is always focused on continuous improvement which will yield in better efficiencies in the years to follow.



SUSTAINABILITY

nurturing  
lives



## School Adoption Program

EFL is committed to serve the communities it operates in, hence we developed strong partnerships with organizations like TCF, Indus Resource Center & Care Foundation to raise education standards. In an attempt to ensure quality education to underprivileged children in and around our production facilities of Nara Farm and Sukkur Plant in Sindh and Sahiwal Plant in Punjab, EFL implemented a school adoption program, to date, we have adopted 6 schools which provide 1700+ children with education.

Our employees conduct periodic community engagement sessions at these schools on subjects such as the importance of environment, safe nutrition, cleanliness, health & safety. Our initiative makes us aligned with the UN Sustainable Development Goals of providing quality education, reducing inequalities and creating partnerships for sustainable goals.

06 schools

adopted for our farmers and surrounding communities.

1700+ children

of our farming families empowered with education.



nurturing generations





## Creating Agents of Change - Project WELD

WELD, was the flagship project of Engro Foods which started in 2011 in collaboration with USAID and was completed in 2013. The project aimed at maximising the dairy value chain by enhancing livestock management, milk collection and entrepreneurship skills of females from seven rural districts in upper Sindh and Punjab.

Under this program, EFL & USAID, with facilitation of MEDA Pakistan, partnered in a mission to strengthen the socio-economic fabric of its primary milk producing communities. The objective was to empower women to become "Agents of Change" within their communities.

Project WELD aimed to boost livestock production and enhance milk production by developing the technical know-how of livestock management skills of women entrepreneurs, and thus improving their earning potential. Under the WELD platform, EFL handpicked and trained 250 Female Village Milk Collectors (FVMC), and 322 Female Livestock Extension Workers (FLEW) who in turn

trained 18,682 milk producers in 533 villages. More than 65% of those who received training claimed that their animal production increased by 0.98 liters of milk per animal per day & the overall revenue generated of increased yield was recorded in excess of PKR 266 million.

These Agents of Change, to date, provide active advisory services to other female livestock owners and milk collectors in various fields of better animal husbandry practices, artificial insemination techniques, farm supervisory, basic health, nutrition & vaccination services, milk collection and livestock extension.

EFL was highly appreciated for project WELD on creating an extremely sophisticated mechanism to empower the rurally entrenched dairy value chain. This dairy value chain empowers more than 250,000+ dairy farmers on a daily basis. We also received an award as Commonwealth Company of the year 2018 in recognition of creating a large scale impact for providing sustainable livelihood to farmers.

**18000+** female farmers

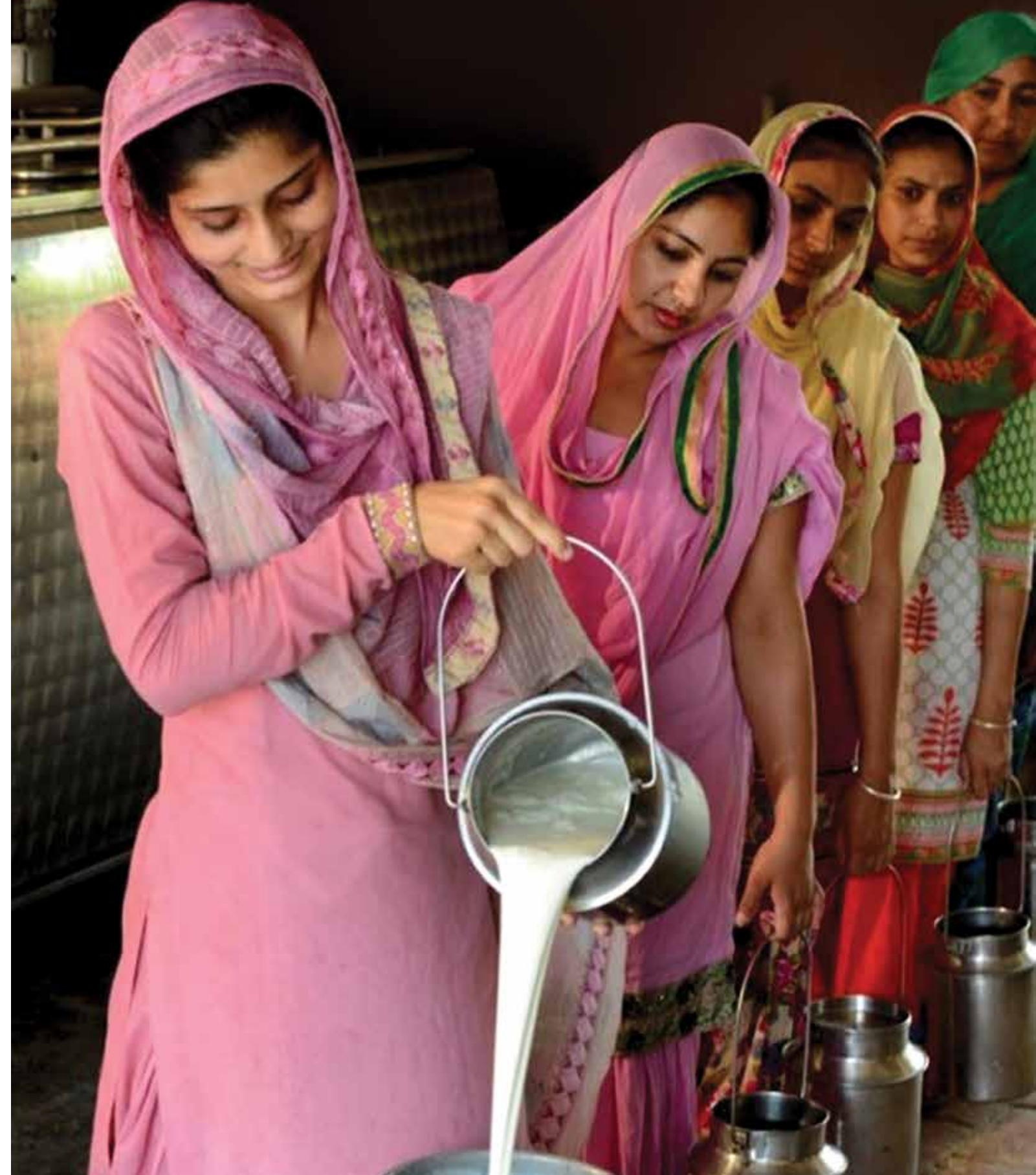
trained in 533 villages of Sindh & Punjab.

**PKR 266+** mn

worth of revenue generated through incremental yield.



## nurturing livelihoods



# Engro Foods Health Clinic

The mainstay of a healthy community is its mental and physical wellbeing. In an attempt to make a difference in the communities we operate in, where healthcare is one of the worst dilemmas, EFL continues to strive to equip its extended farming families with the basic healthcare solutions for healthier, happier and productive living.

In partnership with The Blessing Foundation Clinic in Sukkur, we serve the communities within the vicinity of EFL's Sukkur Plant who are living below the poverty line.

Our efforts are in line with three of the UN Sustainable Development Goals: good health and wellbeing, sustainable cities and communities; and entering into partnerships for mutually inclusive goals.

8,000+ patients

treated to date from our farmers and surrounding communities.

PKR 6.7+ mn

invested at Engro Health Clinic, Sukkur.



## nurturing hearts



## Enhancing Dairy Skills through Specialized Training Program

Pakistan is reported to be the 4th largest producer of milk globally. Almost 90% of the milk produced comes from the small farmer, who practices subsistence farming and has little knowledge of best dairy farming practices.

Gradually the market is moving towards more commercialized farming, but lack of skilled labor is proving to be a bottleneck. The dairy sector has a huge potential to provide employment opportunities especially in the rural areas. Engro Foods implemented a specialized training program under TVET SSP to address the skills shortage in dairy sector.

The beneficiaries have been trained under the project using the CVT method, out of 1260+ trainees 35% were women dairy farmers. Classroom trainings were conducted at 4 locations and workplace based trainings were executed at multiple farms across Sindh.

Currently more than 80% of the trainees are working at farms or have started their own micro-enterprises. The farmers and farm owners have been able to increase their productivity by adopting practices such as providing proper nutrition to the animals, improving animal hygiene, providing livestock free access to water, leveling farm ground, keeping the animals in shade and improving the milking process.

1,260+

beneficiaries trained on best dairy farming practices

22% increase

in farm productivity with trained workforce



## nurturing skills



## “Big Push for Rural Economy” Project

EFL along with the Punjab Skill Development Fund (PSDF), started the Big Push for Rural Economy project in 2017. The project set out to achieve a target of reaching 9,000 individuals across the Southern Punjab region. It covered over 60 villages in the region, namely Chishtian, Haroonabad, Faqeerwali, Lodhran, Bahawalpur, Muzaffargarh, Bahawalnagar and Dunyapur.

The project trained selected individuals as Livestock Extension Workers, Artificial Insemination Technicians, Farm Supervisors and Village Milk Collectors.

This initiative kicked off in February 2017 and came to a close in June 2018. In just over an year, Big Push project exceeded its target and trained

11000+ livestock workers, 200+ village milk collectors, 200+ extension workers, 96+ farm supervisors and 70+ Artificial Insemination (AI) technicians.

Eradicating poverty, providing equal opportunities for women and increasing the number of self-employed individuals in the economy are the core values and key objectives of EFL's dairy development programs. This project benefited Pakistan's economy by empowering villagers to become self-employed and adding value to the overall dairy sector. We are pleased with the results of the project, as it has helped increase the overall dairy production yield by 20% and empowered the farmers with sustainable livelihoods across Pakistan.

**11,000+** farmers  
trained in livestock management.

**20%** increase  
in the overall dairy  
production yield.



## nurturing dreams



# Strengthening Entrepreneurs and Dairy Stakeholders Network (SEaDS Net) Project

Helping women entrepreneurs and livestock owners who are the backbone of our value chain has always been a priority for EFL. Through SEaDS Net project EFL aims to eradicate most of the hindrances that small farm holders face in the process of improving quantity and quality of their milk yield.

SEaDS Net project is being implemented in Ranipur, which has great strategic importance for EFL and is co-financed by DEG from public funds of the German Federal Ministry for Economic Cooperation & Development. Through this project we have achieved great social impact, over 7000+ farmers have been trained and are now experiencing an increased yield of up to 2 litres per day with an

incremental annual income of US \$320. Additionally 50 female entrepreneurs are successfully running their micro-enterprises and earning an average of US \$1,343 annually.

This initiative has made our milk collection operations more efficient and cost effective. Improved quality means lower procurement costs and increased yield means increased capacity utilization of our MCC (Milk Collection Centre) network.

7,690<sup>+</sup> farmers

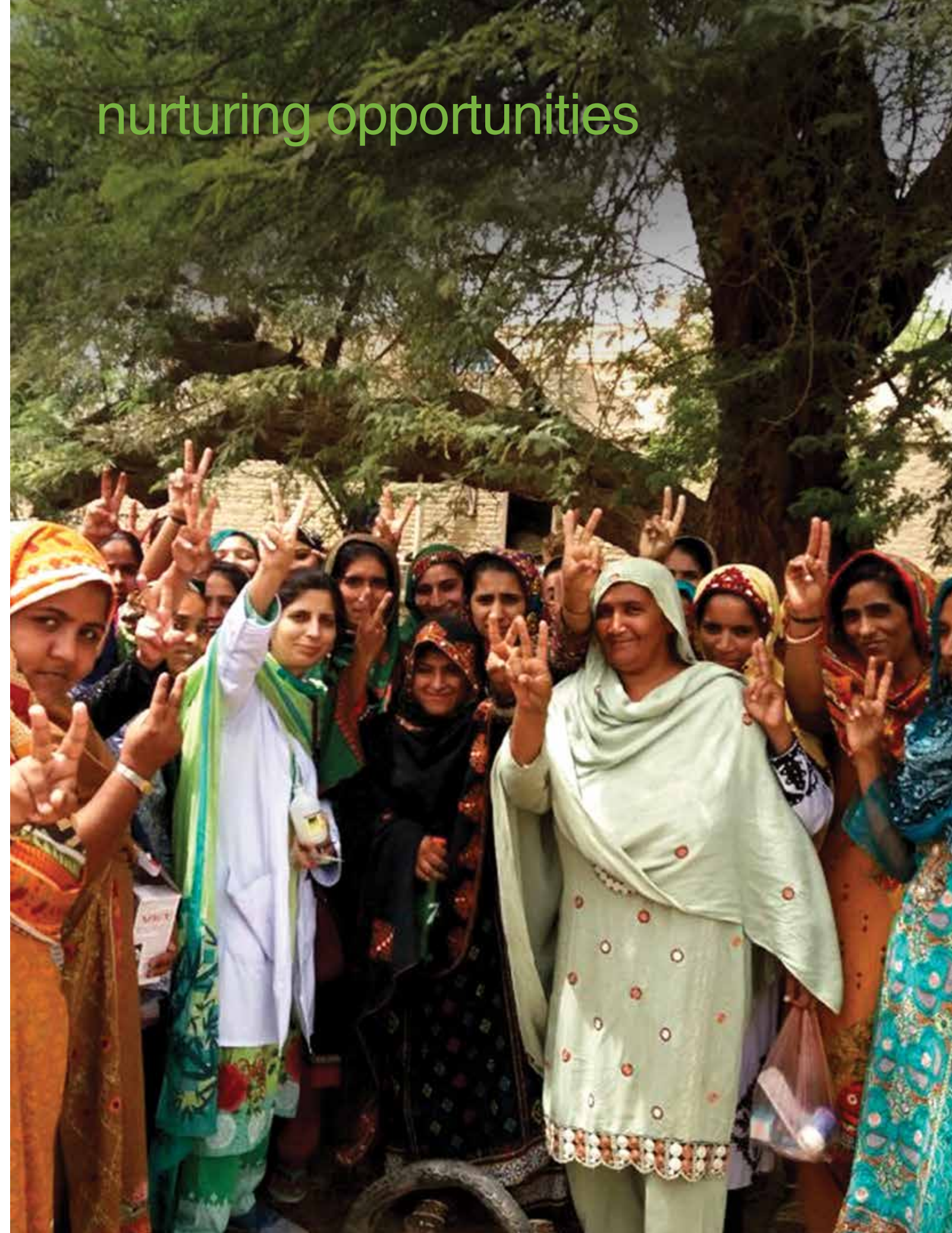
trained in better livestock management practices

218<sup>+</sup> training sessions

conducted with farmers



nurturing opportunities



# Commonwealth Company of the Year 2018 Award

EFL received the “ Commonwealth Company of the Year 2018 Award”, for empowering dairy women in Pakistan, from Commonwealth Business Women Network, during CHOGM (Commonwealth Head of Governments Meeting) in London in April 2018. Presidents, Prime Ministers, Head of States and 5000+ International delegates attended this event from 53 Commonwealth states. This event was hosted by the British Government to promote bilateral trade and implement sustainable development goals across Commonwealth countries.

Engro Foods was awarded for project WELD through which 18000+ women dairy farmers were reached for ensuring economic stability and sustainable livelihood. This award was an endorsement that EFL is completely aligned with our core purpose of providing better nutrition for Pakistan, a good living for our farmers, now and for generations to come.

5000<sup>+</sup>

International Delegates

including Presidents & Prime Ministers.

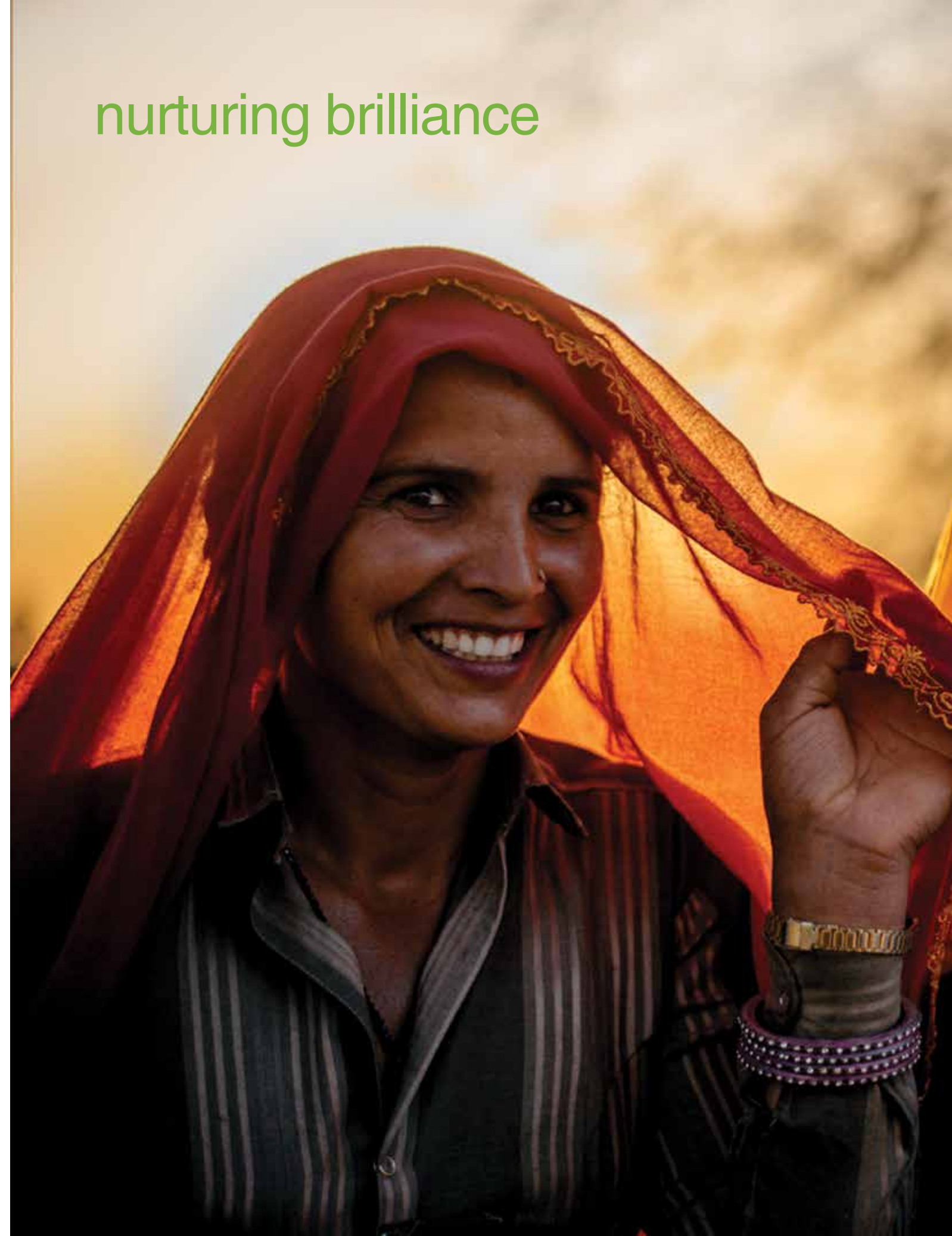
53

Commonwealth Countries

hosted at the CHOGM in London.



nurturing brilliance



FINANCIAL REPORT

# nurturing the future



## Independent Auditor's Review Report to the Members of Engro Foods Limited

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

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

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

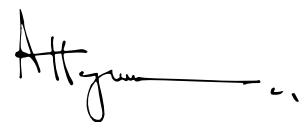
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph references where these are stated in the Statement of Compliance:

Sr. No.	Paragraph reference	Description
1	12	The chairperson of the Audit Committee and Board Remuneration Committee was not an independent director during the period January 1, 2018 to April 25, 2018.
2	14	No meeting of the Board Remuneration Committee was convened during the financial year ended December 31, 2018.



A. F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Date: March 21, 2019

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

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

- The total number of directors are seven (7) as per the following:
  - Male: Six (6)
  - Female: One (1)

- The composition of board is as follows:

Category	Name
Independent Directors	Abrar Hasan
	Zouhair Abdul Khaliq
Non-Executive Directors	Abdul Samad Dawood (Chairman)
	Roeland Francois Van Neerbos
	Eduardus Lambertus Holtzer
Executive Director	Petra Attje Zinkweg
	Ali Ahmed Khan (Chief Executive Officer – CEO)

- The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
- 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.
- 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.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.
- The meetings of the board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The Board has not arranged any Directors' Training program during the year ended December 31, 2018. Two directors have attended the Directors' Training program in prior years.
- The Board has approved appointment of Company Secretary including remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There has been no change in the position of Chief Financial Officer and Head of Internal Audit during the year.
- CFO and CEO duly endorsed the financial statements before approval of the Board.



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

Audit Committee	Board Remuneration Committee
Abrar Hasan (Chairman)	Zouhair Abdul Khaliq (Chairman)
Zouhair Abdul Khaliq	Petra Attje Zinkweg
Eduardus Lambertus Holtzer	Ali Ahmed Khan

The Audit Committee has been reconstituted and effective April 26, 2018, Mr. Abrar Hasan, an independent director, has been appointed Chairman of the Committee replacing Ms. Jaska de Bakker (a non-independent director) who was chairing the Audit Committee from January 1, 2018 to April 25, 2018.

Further, the Board Remuneration Committee has been reconstituted and effective April 26, 2018, Mr. Zohair Khaliq, an independent director, has been appointed Chairman of the Committee replacing Mr. Piet Johannes Hilarides (a non-independent director) who was chairing the Board Remuneration Committee from January 1, 2018 to April 25, 2018.

13. The terms of reference of the Audit Committee and Board Remuneration Committee have been formed, documented and advised to the Committee for compliance.

14. The frequency of meetings of the Committees was as follows:

- a. Audit Committee: Four quarterly meetings during the financial year ended December 31, 2018.
- b. Human Resource and Remuneration Committee: No meeting was convened during the financial year ended December 31, 2018.

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

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

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

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



Abdul Samad Dawood  
Chairman



Ali Ahmed Khan  
Chief Executive Officer

Karachi  
Date: February 07, 2019

## Independent Assurance Report to the Members on the Statement of Compliance with Employees Share Option Scheme

### Scope of our work

We have performed an independent reasonable assurance engagement of Engro Foods Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the Employees Share Option Scheme, as approved by the shareholders in their Extra Ordinary General Meeting held on March 22, 2013 and amended in their Annual General Meeting held on April 27, 2015 (the Scheme) and the Companies (Further Issue of Shares) Regulations, 2018 issued by the Securities and Exchange Commission of Pakistan vide SRO 1399(I)/2018 dated November 14, 2018 (the Regulations), for the year ended December 31, 2018.

### Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2018) is assessed, comprise of the aforementioned Scheme and the Regulations. Our engagement was carried out as required under Regulation No. 18 (3) (ii) of the Regulations.

### Responsibility of Company's Management

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

### Our Independence and Quality Control

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

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

### Responsibility of Independent Assurance Provider

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

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

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

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

#### Conclusion

Based on our reasonable assurance engagement, in our opinion, the Statement for the year ended December 31, 2018, reflects, in all material respects, the status of Company's compliance with the Scheme and the Regulations.



A.F.Ferguson & Co.,  
Chartered Accountants  
Karachi  
Date: March 21, 2019

Engagement Partner: Osama Kapadia

## Management Statement of Compliance with Employees Share Option Scheme

Engro Foods Limited (the Company) for the year ended December 31, 2018 has implemented its Employees Share Option Scheme (the Scheme) as approved by the shareholders in their Extra Ordinary General Meeting held on March 22, 2013. The amendments to the Scheme were approved by the shareholders in the Annual General Meeting held on April 27, 2015 and by the Securities and Exchange Commission of Pakistan on August 31, 2015. The Company for the year ended December 31, 2018 has complied, in all material respects, with the requirements of the Scheme and the Companies (Further Issue of Shares) Regulations, 2018 (the Regulations) issued by the Securities and Exchange Commission of Pakistan vide SRO 1399 (I)/2018 dated November 14, 2018, except that the Board Remuneration Committee, that was reconstituted by the Board of Directors on April 26, 2018, includes the Chief Executive Officer of the Company as one of its members, which is currently not in line with requirements of Regulation No. 13 (1) (vii) of the Regulations. However, it should be noted that the vesting period under the Scheme lapsed in April 2018 and the Chief Executive was not granted any options under the Scheme.



Abdul Samad Dawood  
Chairman



Ali Ahmed Khan  
Chief Executive Officer

Karachi  
Date: February 7, 2019

## Independent Auditor's Report

# To the Members of Engro Foods Limited Report on the Audit of the Financial Statements

### Opinion

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

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

### Basis for opinion

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

### Key audit matters

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

Following are the key audit matters

S.No.	Key audit matters	How the matter was addressed in our audit
(i)	<p><b>First time application of the Fourth Schedule to the Companies Act, 2017</b></p> <p>(Refer note 2.1.4 to the financial statements)</p> <p>The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of annexed financial statements.</p> <p>As part of this transition to the requirements, management performed a gap analysis to identify differences between the previous and the current Fourth Schedules and as a result certain amendments relating to presentation and disclosures were made in the annexed financial statements.</p> <p>In view of the various additional disclosures prepared and presented in the financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this a key audit matter.</p>	<p>We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>considered the management's process to identify the additional disclosures required in the financial statements;</li> <li>obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for sufficient audit evidence; and</li> <li>verified on test basis supporting evidence for the additional disclosures and ensured appropriateness of the disclosures made.</li> </ul>
(ii)	<p><b>Deferred tax asset relating to minimum turnover tax</b></p> <p>(Refer note 20 to the financial statements)</p> <p>As at December 31, 2018, included in the balance of deferred tax asset (net) is an amount of Rs. 630,341 thousand representing deferred tax asset recognized on account of minimum turnover tax.</p> <p>Recognition of deferred tax asset on account of minimum turnover tax requires management to estimate Company's tax liability in future tax years. This process relies on the assessment of the Company's profitability forecast, which in turn is based on assumptions concerning future economic conditions and business performance.</p> <p>As preparing of profitability forecasts and assessment of realisability of recognized deferred tax asset requires significant management judgement, we considered this a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>obtained understanding of management's process of preparation of profitability forecast, tax liability and deferred tax calculation;</li> <li>discussed with the management significant underlying assumptions used in preparing the profitability forecast and assessed the same for reasonableness;</li> <li>checked the appropriateness of tax rates applied in view of the local tax legislation;</li> <li>checked mathematical accuracy of the calculations; and</li> <li>reviewed and evaluated related disclosures in the financial statements.</li> </ul>

S.No.	Key audit matters	How the matter was addressed in our audit
(iii)	<p><b>The Company's exposure to income tax and sales tax matters</b></p> <p>(Refer notes 14 and 31.2 to the financial statements)</p> <p>The Company has contingent liabilities in respect of income tax and sales tax matters, which are pending adjudication before various taxation authorities and other legal forums.</p> <p>Contingencies require management to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provisions that may be required against such contingencies.</p> <p>Due to the significance of amounts involved, inherent uncertainty with respect to the outcome of certain matters, the time period such matters may take to resolve, and use of significant management judgement and estimates to assess the same including related financial impacts, we considered contingent liabilities relating to income tax and sales tax a key audit matter.</p>	<p>Our audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtained and reviewed details of the pending tax matters and discussed the same with the Company's management;</li> <li>obtained confirmations from the Company's external legal and tax counsels for their views on the status of each case and on the open tax assessments of the Company;</li> <li>reviewed correspondence of the Company with the relevant authorities including judgments or orders passed by competent authorities in relation to the issues involved or matters which have similarities with the issues involved;</li> <li>involved internal tax experts to assess and review management's conclusions on ongoing tax matters and to evaluate the consistency of such conclusions with the views of the management and external tax advisors engaged by the Company; and</li> <li>reviewed and evaluated related disclosures in the financial statements.</li> </ul>
(iv)	<p><b>Valuation of biological assets</b></p> <p>(Refer note 5 to the financial statements)</p> <p>As at December 31, 2018, the fair value of the Company's biological assets amounted to Rs. 1,208,264 thousand. This includes Rs. 1,207,391 thousand in respect of livestock.</p> <p>The value of biological assets is measured at fair value less estimated point-of-sale costs.</p> <p>Fair value of livestock is determined by an independent expert appointed by the Company on the basis</p>	<p>Our audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtained understanding of the management's controls over biological assets valuation, assessed the design and tested operating effectiveness of such controls on a test basis;</li> <li>reviewed management's experts report including process of valuation and evaluated results in the light of our knowledge of the business;</li> </ul>

S.No.	Key audit matters	How the matter was addressed in our audit
	<p>of best available estimates for livestock of similar attributes. The determined values are utilized by the management to arrive at fair value of herd as at December 31, 2018.</p> <p>Due to the level of judgment involved in determining fair values of livestock as well as the significance of biological assets to the Company's financial position, we considered this a key audit matter.</p>	<ul style="list-style-type: none"> <li>observed herd count as at December 31, 2018 and verified the source data provided to the management's expert on a test basis;</li> <li>reviewed calculations performed by management using inputs from management's expert's report to determine fair values of herd; and</li> <li>reviewed and evaluated related disclosures in the financial statements.</li> </ul>

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



A.F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Date: March 21, 2019

# Statement of Financial Position as at December 31, 2018

(Amounts in thousand)

Note	2018	2017	
	------(Rupees)-----		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	11,819,283	12,559,373
Biological assets	5	1,208,264	968,805
Intangibles	6	92,420	71,635
Long term advances and deposits	7	70,720	83,631
Deferred employee share option compensation expense	8	260	3,165
		<u>13,190,947</u>	<u>13,686,609</u>
<b>Current Assets</b>			
Stores, spares and loose tools	9	620,937	740,423
Stock-in-trade	10	3,020,190	2,645,994
Trade debts	11	400,313	170,639
Advances, deposits and prepayments	12	291,951	157,347
Other receivables	13	308,594	227,975
Sales tax recoverable	14	2,054,957	2,105,692
Taxes recoverable		2,776,347	2,391,766
Deferred employee share option compensation expense	8	3,565	23,417
Cash and bank balances	15	100,665	68,468
		<u>9,577,519</u>	<u>8,531,721</u>
<b>TOTAL ASSETS</b>		<u><u>22,768,466</u></u>	<u><u>22,218,330</u></u>

(Amounts in thousand)

## EQUITY AND LIABILITIES

### Equity

Note	2018	2017	
	------(Rupees)-----		
Share capital	16	7,665,961	7,665,961
Share premium		865,354	865,354
Employee share option compensation reserve	8	217,910	297,836
Remeasurement of post employment benefits - Remeasurement loss		(137,826)	(80,643)
Unappropriated profit		729,661	972,516
		<u>9,341,060</u>	<u>9,721,024</u>
<b>Non-Current Liabilities</b>			
Long term finances	18	4,000,000	4,000,000
Liabilities against assets subject to finance lease	19	-	121,344
Deferred taxation	20	616,413	1,287,314
		<u>4,616,413</u>	<u>5,408,658</u>
<b>Current Liabilities</b>			
Current portion of:			
- long term finances	18	-	500,000
- liabilities against assets subject to finance lease	19	121,506	151,956
Trade and other payables	21	6,427,662	5,125,725
Unclaimed dividend		9,351	9,024
Accrued interest / mark-up on:			
- long term finances		85,482	63,853
- short term finances		90,476	33,889
Short term finances	22	2,076,516	1,204,201
		<u>8,810,993</u>	<u>7,088,648</u>
Contingencies and Commitments	23		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>22,768,466</u></u>	<u><u>22,218,330</u></u>

The annexed notes 1 to 48 form an integral part of these financial statements.



Abdul Samad Dawood  
Chairman



Ali Ahmed Khan  
Chief Executive



Imran Husain  
Chief Financial Officer

## Statement of Profit or Loss for the year ended December 31, 2018

(Amounts in thousand except for earnings per share)

	Note	2018	2017
------(Rupees)-----			
Net sales	24	32,439,451	34,653,486
Cost of sales	25	(27,285,392)	(29,017,336)
<b>Gross profit</b>		<b>5,154,059</b>	<b>5,636,150</b>
Distribution and marketing expenses	26	(4,205,762)	(3,933,248)
Administrative expenses	27	(957,071)	(852,099)
Other operating expenses	28	(108,475)	(121,870)
Other income	29	622,269	358,541
<b>Operating profit</b>		<b>505,020</b>	<b>1,087,474</b>
Finance cost	30	(675,340)	(524,497)
<b>(Loss) / profit before taxation</b>		<b>(170,320)</b>	<b>562,977</b>
Taxation reversal / (charge)	31	234,103	(183,680)
<b>Profit for the year</b>		<b>63,783</b>	<b>379,297</b>
Earnings per share - basic and diluted	32	0.08	0.49

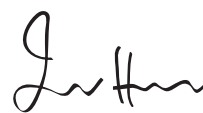
The annexed notes 1 to 48 form an integral part of these financial statements.



Abdul Samad Dawood  
Chairman



Ali Ahmed Khan  
Chief Executive



Imran Husain  
Chief Financial Officer

## Statement of Profit or Loss and other Comprehensive Income for the year ended December 31, 2018

(Amounts in thousand)

	Note	2018	2017
------(Rupees)-----			
Profit for the year		63,783	379,297
Other comprehensive income / (loss):			
Items that will not be reclassified to statement of profit or loss			
Remeasurement of post employment benefits obligation - Remeasurement loss	35.6	(80,540)	(9,550)
Less: Income tax relating to Remeasurement loss		23,357	2,865
Other comprehensive loss for the year, net of tax		(57,183)	(6,685)
<b>Total comprehensive income for the year</b>		<b>6,600</b>	<b>372,612</b>

The annexed notes 1 to 48 form an integral part of these financial statements.



Abdul Samad Dawood  
Chairman



Ali Ahmed Khan  
Chief Executive



Imran Husain  
Chief Financial Officer

# Statement of Changes in Equity for the year ended December 31, 2018

(Amounts in thousand)

Note	Share capital	Reserves				Total
		Capital (note 17)		Revenue (note 17)		
		Share premium	Employee share option compensation reserve	Remeasurement of post employment benefits - Remeasurement loss	Unappropriated profit	
------(Rupees)-----						
	7,665,961	865,354	433,982	(73,958)	8,259,180	17,150,519
Employee share option scheme	-	-	(136,146)	-	-	(136,146)
<b>Transaction with owners</b>						
Final dividend for the year ended December 31, 2016 at the rate of Rs. 10 per share	-	-	-	-	(7,665,961)	(7,665,961)
Profit for the year	-	-	-	-	379,297	379,297
Other comprehensive loss for the year	-	-	-	(6,685)	-	(6,685)
Total comprehensive income / (loss) for the year	-	-	-	(6,685)	379,297	372,612
Balance as at December 31, 2017 / January 1, 2018	7,665,961	865,354	297,836	(80,643)	972,516	9,721,024
Employee share option scheme	-	-	(79,926)	-	-	(79,926)
<b>Transaction with owners</b>						
Final dividend for the year ended December 31, 2017 at the rate of Re. 0.4 per share	-	-	-	-	(306,638)	(306,638)
Profit for the year	-	-	-	-	63,783	63,783
Other comprehensive loss for the year	-	-	-	(57,183)	-	(57,183)
Total comprehensive income / (loss) for the year	-	-	-	(57,183)	63,783	6,600
Balance as at December 31, 2018	7,665,961	865,354	217,910	(137,826)	729,661	9,341,060

The annexed notes 1 to 48 form an integral part of these financial statements.



Abdul Samad Dawood  
Chairman



Ali Ahmed Khan  
Chief Executive



Imran Husain  
Chief Financial Officer



Abdul Samad Dawood  
Chairman



Ali Ahmed Khan  
Chief Executive



Imran Husain  
Chief Financial Officer

# Statement of Cash Flows for the year ended December 31, 2018

(Amounts in thousand)

Note	2018	2017
------(Rupees)-----		
<b>Cash Flows from Operating Activities</b>		
Cash generated from operations	2,713,106	5,931,300
Finance costs paid on:		
- short term and long term finances	(582,571)	(453,027)
- obligations subject to finance lease	(14,553)	(5,293)
Taxes paid	(798,022)	(851,721)
Contribution to the retirement benefits paid	(100,061)	(115,940)
Long term advances and deposits - net	12,911	10,353
<b>Net cash generated from operating activities</b>	<b>1,230,810</b>	<b>4,515,672</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of:		
- property, plant and equipment	(1,272,401)	(1,154,779)
- intangibles	(67,328)	(25,998)
- biological assets	(584)	-
Proceeds from disposal of:		
- property, plant and equipment	129,642	140,453
- biological assets	97,848	139,670
<b>Net cash utilized in investing activities</b>	<b>(1,112,823)</b>	<b>(900,654)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long term finances	-	4,000,000
Repayments of long term finances	(500,000)	(1,700,022)
Dividend paid	(306,311)	(7,656,937)
Repayment of liabilities against assets subject to finance lease	(151,794)	(36,315)
<b>Net cash utilized in financing activities</b>	<b>(958,105)</b>	<b>(5,393,274)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(840,118)</b>	<b>(1,778,256)</b>
Cash and cash equivalents at beginning of the year	(1,135,733)	637,824
Effects of exchange rate changes on cash and cash equivalents	-	4,699
<b>Cash and cash equivalents at end of the year</b>	<b>(1,975,851)</b>	<b>(1,135,733)</b>

The annexed notes 1 to 48 form an integral part of these financial statements.



# Notes to the Financial Statements for the year ended December 31, 2018

(Amounts in thousand)

## 1. Legal Status and Operations

1.1 Engro Foods Limited (the Company), is a public listed company incorporated in Pakistan, under the repealed Companies Ordinance, 1984 (now the Companies Act 2017), and its shares are quoted on the Pakistan Stock Exchange. The Company is a subsidiary of FrieslandCampina Pakistan Holdings B.V. (the Holding Company) which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the Ultimate Parent Company) and its registered office is situated at 5th Floor, the Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi.

1.2 The business units of the Company include the following:

Business Unit	Geographical Location
Head Office	5th Floor, the Harbour Front Building, Plot No. HC-3, Block-4, Scheme No. 5, Clifton, Karachi
Sahiwal Plant	8 km Road Pakpattan Road, Sahiwal
Sukkur Plant	Near Sukkur Barrage, Rohri, District Sukkur
Dairy Farm	Near Qalmi Quran Taluka Salehpat, District Sukkur

Regional sales offices and milk collection centers are located across the country, the details of which are impracticable to disclose in these financial statements as required under Paragraph 1 (i) of Part I of the 4th Schedule to the Companies Act, 2017.

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

## 1.4 Summary of significant transaction and events

- During the year, the Company reported a revenue of Rs. 32,439,451 as compared to a revenue of Rs. 34,653,486 last year. Gross profit margin declined marginally to 15.9% from 16.3% in 2017, primarily due to lower volumes.

- In continuity with its commitment to maintain quality and technical standards, the Company has made considerable investments in property, plant & equipment including the investment in cold chain assets for its ice cream segment.

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

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

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

(Amounts in thousand)

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

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

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

### 2.1.4 Initial application of Standards, Amendments or Interpretations to existing Standard

#### a) Amendments to published standards and interpretations that became effective during the year

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

Amendment to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendment does not have a significant impact on these financial statements.

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

- The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including the Fourth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements which have been included. Additional disclosures, in this respect, include but are not limited to, particulars of operating assets (refer note 4.2), comparisons of tax provision (refer note 31.2.10), change in threshold for identification of executives (refer note 36), additional disclosure requirements for related parties (refer note 40) etc.

The other amendments to published standards that are mandatory for the financial year which began on January 1, 2018 are considered not to be relevant or to have any significant impact on the Company's financial reporting and operations and are therefore not disclosed in these financial statements.

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

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

IFRS 9 'Financial instruments' (effective for the Company's annual period beginning on January 1, 2019). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash

(Amounts in thousand)

flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The management expects that IFRS 9 will not have significant impact on the future financial statements of the Company.

- IFRS 15 'Revenue from contracts with customers' (effective for the Company's annual period beginning on January 1, 2019). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The management expects that IFRS 15 will not have significant impact on the future financial statements of the Company.
- IFRS 16 'Leases' (effective for the Company's annual period beginning on or after January 1, 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The impacts of adoption of IFRS 16 on the future financial statements of the company are being assessed at present.
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' (effective for the Company's annual period beginning on January 1, 2019). These amendments and consequential amendments to other IFRSs: (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and (iii) incorporate some of the guidance in IAS 1 about immaterial information. These amendments are not expected to have a significant impact on the Company's future financial statements.
- Amendment to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement' (effective for the Company's annual period beginning on January 1, 2019). This amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognize in statement of profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendment is not expected to have a significant impact on the Company's financial statements.
- IFRIC 23, 'Uncertainty over income tax treatments' (effective for the Company's annual period beginning on January 1, 2019). This interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The interpretation had clarified previously that IAS 12,

(Amounts in thousand)

not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. This interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. This interpretation applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of this interpretation.

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

## 2.2 Property, plant and equipment

### 2.2.1 Owned

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

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

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

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

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

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

### 2.2.2 Leased

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

(Amounts in thousand)

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

Operating lease / ljarah arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases / ljarah arrangements. Rentals due under operating lease / ljarah arrangements are recognized in the statement of profit or loss in the year in which they are due.

### 2.3 Biological assets

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

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

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

### 2.4 Intangibles - Computer software

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

Generally, costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as intangibles. Direct costs include the purchase cost of software and related employee and other overhead cost.

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

Computer software cost treated as intangibles are amortized from the date the software is put to use on straight-line basis over a period of 5 years. The carrying amount of the intangibles is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount in the statement of profit or loss. Reversal of impairment losses are also recognized in the statement of profit or loss.

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

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

(Amounts in thousand)

## 2.6 Financial instruments

### 2.6.1 Financial assets

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

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

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

#### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, in which case they are classified as non-current assets. The Company's loans and receivables comprise of 'long term deposits', 'trade debts', 'other receivables', 'advances and deposits' and 'cash and cash equivalents' in the statement of financial position.

#### c) Held to maturity

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

#### d) Available-for-sale

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

All financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. 'Loans and receivables' and 'held-to-maturity investments' are carried at amortized cost using the effective interest method.

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

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

(Amounts in thousand)

to receive payments is established.

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

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

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

#### 2.6.2 Financial liabilities

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

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

#### 2.6.3 Offsetting of financial assets and liabilities

A financial asset and a financial liability are off set and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 2.7 Stores, spares and loose tools

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

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

(Amounts in thousand)

#### 2.8 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw materials in transit which are stated at invoice value plus other charges paid thereon till the reporting date. Cost of finished goods comprises purchase cost and other manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale. Provision is made for slow moving stocks where considered necessary.

#### 2.9 Trade debts and other receivables

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

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

#### 2.10 Cash and cash equivalents

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

#### 2.11 Share capital

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

#### 2.12 Employees' share option scheme

The grant date fair value of equity settled share based payments to employees is initially recognized in the statement of financial position 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 statement of profit or loss, such employee compensation expense is reversed in the statement of profit or loss equal to the amortized portion with a corresponding effect to employee share option compensation reserve in the statement of financial position.

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

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

(Amounts in thousand)

During the year, the Securities and Exchange Commission of Pakistan vide SRO 1399 (I) / 2018 dated November 14, 2018 issued the Companies (Further Issue of Shares) Regulations, 2018 (the Regulations) which repealed 'Public Companies (Employees Stock Option Scheme) Rules, 2001' (the Rules). The Regulations require the Company to follow accounting treatment as required by International Financial Reporting Standards. The consequent change in policy does not have a material impact on these financial statements.

## 2.13 Staff retirement and other service benefits

### 2.13.1 Gratuity fund - Defined benefit plan

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

Provisions are made to cover the obligations under the Fund on the basis of actuarial valuation carried out annually by an independent expert, using the 'Projected Unit Credit Method'. All remeasurement gains and losses are recognized in 'Other Comprehensive Income' as they occur.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

### 2.13.2 Gratuity fund - Defined contribution plan

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

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

### 2.13.3 Provident fund

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

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

### 2.13.4 Compensated absences

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

## 2.14 Borrowings

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

(Amounts in thousand)

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

## 2.15 Finance lease

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

## 2.16 Trade and other payables

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

## 2.17 Provisions

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

## 2.18 Taxation

### 2.18.1 Current

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

### 2.18.2 Deferred

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

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

## 2.19 Foreign currency transactions and translation

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

(Amounts in thousand)

## 2.20 Derivatives financial instruments and hedging activities

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

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

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

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

### a) Fair value hedge

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

### b) Cash flow hedge

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

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

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

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

(Amounts in thousand)

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

## 2.21 Revenue recognition

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

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

## 2.22 Research and development costs

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

## 2.23 Borrowing costs

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

## 2.24 Dividend and appropriation to reserves

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

## 2.25 Segment reporting

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

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(Amounts in thousand)

a) Taxation

In making the estimates for current income taxes payable by the Company, the management considers the applicable laws and the decisions / judgments of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made, taking into account these judgments and the best estimates of future results of operations of the Company. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets may be utilized.

b) Property, plant and equipment and intangibles

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

c) Biological assets

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

d) Stock-in-trade

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

e) Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding effect on the provision.

f) Provision for staff retirement and other service benefits

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

g) Employees' share option scheme

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

4. Property, Plant and Equipment

Operating assets (note 4.1)  
Capital work-in-progress (note 4.5)  
Major spare parts and stand-by equipment (note 9)

	2018	2017
	------(Rupees)-----	
Operating assets (note 4.1)	11,003,808	11,879,426
Capital work-in-progress (note 4.5)	670,774	537,737
Major spare parts and stand-by equipment (note 9)	144,701	142,210
	<u>11,819,283</u>	<u>12,559,373</u>

(Amounts in thousand)

4.1 Operating assets

	Freehold land (note 4.7)	Buildings and civil works on freehold land (note 4.7)	Plant, machinery and related equipment (note 4.2)		Computer equipment (note 4.2)	Office equipment and furniture & fittings	Vehicles (note 4.2)		Total
			Owned	Leased			Owned	Leased	
------(Rupees)-----									
As at January 1, 2017									
Cost	408,580	3,959,817	16,656,897	34,595	252,072	367,714	762,388	1,389	22,443,452
Accumulated depreciation	-	(1,266,028)	(7,878,696)	(34,595)	(189,191)	(267,380)	(394,497)	(1,389)	(10,031,776)
Accumulated impairment	-	-	(176,312)	-	(44)	(82)	(862)	-	(177,300)
Net book value	<u>408,580</u>	<u>2,693,789</u>	<u>8,601,889</u>	<u>-</u>	<u>62,837</u>	<u>100,252</u>	<u>367,029</u>	<u>-</u>	<u>12,234,376</u>
Year ended December 31, 2017									
Opening net book value	408,580	2,693,789	8,601,889	-	62,837	100,252	367,029	-	12,234,376
Additions, including transfers (note 4.5)	-	149,978	1,021,876	309,615	34,851	18,369	95,487	-	1,630,176
Disposals (note 4.4)									
Cost	-	-	(466,224)	-	(18,853)	(8,211)	(111,000)	-	(604,288)
Accumulated depreciation	-	-	410,630	-	18,767	6,243	87,836	-	523,476
Accumulated impairment	-	-	193	-	-	-	-	-	193
Depreciation (note 4.3)	-	(208,072)	(1,474,683)	(15,903)	(31,465)	(36,939)	(123,718)	-	(1,890,780)
Impairment charge (notes 4.6, 25 and 26)	-	(788)	(11,415)	-	-	(1,524)	-	-	(13,727)
Write-off (note 28)									
Cost	-	(19,022)	(107,946)	(206)	(421)	(225)	(316)	-	(128,136)
Accumulated depreciation	-	18,234	96,662	206	386	212	285	-	115,985
Accumulated impairment	-	788	11,284	-	35	13	31	-	12,151
Closing net book value	<u>408,580</u>	<u>2,634,907</u>	<u>8,082,266</u>	<u>293,712</u>	<u>66,137</u>	<u>78,190</u>	<u>315,634</u>	<u>-</u>	<u>11,879,426</u>
As at December 31, 2017									
Cost	408,580	4,090,773	17,104,603	344,004	267,649	377,647	746,559	1,389	23,341,204
Accumulated depreciation	-	(1,455,866)	(8,846,087)	(50,292)	(201,503)	(297,864)	(430,094)	(1,389)	(11,283,095)
Accumulated impairment	-	-	(176,250)	-	(9)	(1,593)	(831)	-	(178,683)
Net book value	<u>408,580</u>	<u>2,634,907</u>	<u>8,082,266</u>	<u>293,712</u>	<u>66,137</u>	<u>78,190</u>	<u>315,634</u>	<u>-</u>	<u>11,879,426</u>
Year ended December 31, 2018									
Opening net book value	408,580	2,634,907	8,082,266	293,712	66,137	78,190	315,634	-	11,879,426
Additions, including transfers (note 4.5)	-	115,780	770,600	-	104,069	17,381	151,215	-	1,159,045
Disposals (note 4.4)									
Cost	-	-	(421,220)	(206)	(24,705)	(7,026)	(106,313)	-	(559,470)
Accumulated depreciation	-	-	360,996	206	24,234	6,673	80,972	-	473,081
Accumulated impairment	-	-	2,042	-	-	-	-	-	2,042
Depreciation (note 4.3)	-	(207,752)	(1,461,790)	(52,688)	(43,730)	(31,163)	(121,998)	-	(1,919,121)
Impairment charge / reversal (notes 4.6, 25 and 26)	-	(1,482)	(29,662)	-	-	84	-	-	(31,060)
Write-off (note 28)									
Cost	-	(16,562)	(21,235)	(20,415)	(384)	(550)	(1,197)	-	(60,343)
Accumulated depreciation	-	15,825	17,813	20,415	384	522	895	-	55,854
Accumulated impairment	-	632	3,420	-	-	-	302	-	4,354
Closing net book value	<u>408,580</u>	<u>2,541,348</u>	<u>7,303,230</u>	<u>241,024</u>	<u>126,005</u>	<u>64,111</u>	<u>319,510</u>	<u>-</u>	<u>11,003,808</u>
As at December 31, 2018									
Cost	408,580	4,189,991	17,432,748	323,383	346,629	387,452	790,264	1,389	23,880,436
Accumulated depreciation	-	(1,647,793)	(9,929,068)	(82,359)	(220,615)	(321,832)	(470,225)	(1,389)	(12,673,281)
Accumulated impairment	-	(850)	(200,450)	-	(9)	(1,509)	(529)	-	(203,347)
Net book value	<u>408,580</u>	<u>2,541,348</u>	<u>7,303,230</u>	<u>241,024</u>	<u>126,005</u>	<u>64,111</u>	<u>319,510</u>	<u>-</u>	<u>11,003,808</u>
Annual rate of depreciation (%)	-	5 to 33.3	8.33 to 25	20	20	20	25	25	

(Amounts in thousand)

4.2 Includes following assets held by third parties:

Description	2018		2017		Reason (note 4.2.1)
	Cost	Net Book Value	Cost	Net Book Value	
	------(Rupees)-----				
Plant, machinery and related equipment	226,340	84,480	227,862	74,716	Equipment mounted on transport contractors' vehicles
Plant, machinery and related equipemnt	1,022,230	435,584	858,733	257,715	Freezers held with third party for ice cream sales
Computer equipment	16,597	-	39,097	505	Computer equipment managed by a third party for disaster recovery
Vehicles	175,719	91,822	116,517	33,618	Trikes held with third party for ice cream sales
	<u>1,440,886</u>	<u>611,886</u>	<u>1,242,209</u>	<u>366,554</u>	

4.2.1 In view of the nature of items that are being held by large number of Company's business partners, the Company considers it impracticable to disclose particulars of assets not in the possession of the Company as required under Paragraph 12 of Part II of the Fourth Schedule to the Companies Act, 2017.

4.3 The depreciation charge has been allocated as follows:

	2018	2017
	------(Rupees)-----	
- Cost of sales (note 25)	1,718,045	1,687,263
- Distribution and marketing expenses (note 26)	187,091	184,738
- Administrative expense (note 27)	13,985	18,779
	<u>1,919,121</u>	<u>1,890,780</u>

(Amounts in thousand)

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

Description and method of disposal	Sold to	Cost	Accumulated depreciation/ Impairment	Net book value	Sale proceeds	Gain / (Loss)
		------(Rupees)-----				
<b>Vehicles</b>						
By Company policy to existing / separating executives	Salman Ali Khan	1,793	(907)	886	885	(1)
	Muhammad Atiq Chishty	1,694	(731)	963	1,222	259
	Imran Aslam Malik	1,673	(912)	761	1,123	362
	Muhammad Noman	1,721	(644)	1,077	1,227	150
	Umer Farooq Shahid	1,646	(1049)	597	740	143
	Waqar Ahmed	1,751	(920)	831	1,177	346
	Usman Saif	1,855	(903)	952	1,108	156
		<u>12,133</u>	<u>(6,066)</u>	<u>6,067</u>	<u>7,482</u>	<u>1,415</u>
By Company policy to existing / separating executives having net book value of less than Rs. 500		70,052	(57,654)	12,398	22,612	10,214
Insurance claim	EFU General Insurance Limited	1,643	(620)	1,023	1,243	220
Assets having net book value of less than Rs. 500		22,485	(16,632)	5,853	3,493	(2,360)
		<u>106,313</u>	<u>(80,972)</u>	<u>25,341</u>	<u>34,830</u>	<u>9,489</u>
<b>Plant, Machinery and related equipment - owned</b>						
Sold to Third Party under Company policy	M/s Popular Food Limited	209,440	(163,904)	45,536	63,907	18,371
Sold through bidding/auction	M/s Al Noor Trading	23,475	(22,654)	821	182	(639)
Assets having net book value of less than Rs. 500		188,305	(176,480)	11,825	28,834	17,009
		<u>421,220</u>	<u>(363,038)</u>	<u>58,182</u>	<u>92,923</u>	<u>34,741</u>
<b>Plant, Machinery and related equipment - leased</b>						
Assets having net book value of less than Rs.500		206	(206)	-	67	67
<b>Office equipment</b>						
Assets having net book value of less than Rs.500		7,026	(6,673)	353	886	533
<b>Computer equipment</b>						
Assets having net book value of less than Rs.500		24,705	(24,234)	471	936	465
		<u>559,470</u>	<u>(475,123)</u>	<u>84,347</u>	<u>129,642</u>	<u>45,295</u>
December 31, 2018		<u>604,288</u>	<u>(523,669)</u>	<u>80,619</u>	<u>140,453</u>	<u>59,834</u>
December 31, 2017						



(Amounts in thousand)

#### 4.5 Capital work-in-progress

	Building on freehold land	Plant, machinery and related equipment		IS and milk automation projects	Office equipment/ Furniture & Fitting/Computer equipment	Vehicles	Total
		Owned	Leased				
------(Rupees)-----							
<b>Year ended December 31, 2017</b>							
Balance as at January 1, 2017	44,928	607,019	-	30,922	11,633	37,909	732,411
Additions during the year	194,796	829,929	309,615	25,998	60,873	69,181	1,490,392
Transferred to:							
- operating assets (note 4.1)	(149,978)	(1,021,876)	(309,615)	-	(53,220)	(95,487)	(1,630,176)
- intangible assets (note 6)	-	-	-	(54,890)	-	-	(54,890)
<b>Balance as at December 31, 2017</b>	<b>89,746</b>	<b>415,072</b>	<b>-</b>	<b>2,030</b>	<b>19,286</b>	<b>11,603</b>	<b>537,737</b>
<b>Year ended December 31, 2018</b>							
Balance as at January 1, 2018	89,746	415,072	-	2,030	19,286	11,603	537,737
Additions during the year	90,853	776,634	-	67,328	137,849	267,065	1,339,729
Transferred to:							
- operating assets (note 4.1)	(115,780)	(770,600)	-	-	(121,450)	(151,215)	(1,159,045)
- intangible assets (note 6)	-	-	-	(47,647)	-	-	(47,647)
<b>Balance as at December 31, 2018</b>	<b>64,819</b>	<b>421,106</b>	<b>-</b>	<b>21,711</b>	<b>35,685</b>	<b>127,453</b>	<b>670,774</b>

4.6 During the year, the Company has recorded an impairment charge, net of reversal, amounting to Rs. 31,060 (2017: Rs. 13,727) against idle assets, determined on the basis of fair value of the assets less cost of disposal. The Company based on a review for impairment on the operating assets identified that the carrying values of certain operating assets in Dairy and Beverages segment exceed their estimated recoverable amounts. These assets were deemed as idle primarily due to discontinuation of certain SKUs to rationalize product portfolio of the Company. In addition, the Company identified that carrying value of certain previously impaired assets in Ice cream segment is lower than their estimated recoverable amounts. Accordingly, provision / reversal for impairment was recognized thereagainst. The recoverable amount of these assets amounted to Rs. 990 (2017: Rs. 62,896) determined on the basis of fair value less cost of disposal of underlying assets which is based on the historical experience of net recovery proceeds on similar nature of assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

4.7 The details of immovable fixed assets (i.e. land and buildings) are as follows:

Description of Location	Addresses	Total Area of Land in Square Yards
Production Plant	8 km Road Pakpattan Road, Sahiwal	484,431
Production Plant	Near Sukkur Barrage, Rohri, District Sukkur	148,104
Dairy Farm	Near Qalmi Quran Taluka Salehpat, District Sukkur	1,064,800

(Amounts in thousand)

#### 5. Biological Assets

Dairy livestock (note 5.1):

- mature
- immature

Provision for culling (notes 5.2 and 28)

Crops - feed stock

	2018	2017
	------(Rupees)-----	
Dairy livestock (note 5.1):		
- mature	680,571	649,345
- immature	556,820	349,171
	<u>1,237,391</u>	<u>998,516</u>
Provision for culling (notes 5.2 and 28)	(30,000)	(30,000)
	<u>1,207,391</u>	<u>968,516</u>
Crops - feed stock	873	289
	<u>1,208,264</u>	<u>968,805</u>

#### 5.1 Reconciliation of carrying amounts of livestock

Carrying amount at the beginning of the year

Add:

- Changes in fair value due to biological transformation:
  - Gain due to new births [inclusive of cost of feeding immature herd of Rs. 219,995 (2017: Rs. 193,970)]
  - Loss due to increase in age of livestock

Changes in fair value due to price changes:

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

Total gain (note 29)

Less:

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

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

	2018	2017
Carrying amount at the beginning of the year	968,516	912,085
Add:		
Changes in fair value due to biological transformation:		
- Gain due to new births [inclusive of cost of feeding immature herd of Rs. 219,995 (2017: Rs. 193,970)]	262,836	235,485
- Loss due to increase in age of livestock	(78,754)	(61,453)
	<u>184,082</u>	<u>174,032</u>
Changes in fair value due to price changes:		
- Gain due to currency devaluation	256,192	50,630
- (Loss) / gain due to (decrease) / increase in international market prices	(43,587)	5,632
	<u>212,605</u>	<u>56,262</u>
Total gain (note 29)	396,687	230,294
Less:		
- Decrease due to deaths / disposals	(127,812)	(143,863)
- Provision for culling (note 5.2)	(30,000)	(30,000)
Carrying amount at the end of the year, which approximates the fair value	<u>1,207,391</u>	<u>968,516</u>

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

5.3 As at December 31, 2018, the Company held 3,170 (2017: 3,179) mature assets able to produce milk and 2,580 (2017: 2,197) immature assets that are being raised to produce milk in the future. During the year, the Company produced approximately 20,872,330 (2017: 19,167,777) gross litres of milk from these biological assets with a fair value less estimated point-of-sale costs of Rs. 1,172,380 (2017: Rs. 1,085,612), determined at the time of milking.

5.4 As at December 31, 2018, the Company held 77 (2017: 135) immature male calves.

5.5 The valuation of dairy livestock as at December 31, 2018 has been carried out by an independent valuer. In this regard, the valuer examined the physical condition of the livestock, assessed the farm conditions and relied on the representations made by the Company as at December 31, 2018. Further, in the absence of an active market of the Company's dairy livestock in Pakistan, market and replacement values of similar live stock from active markets in USA, EU and Australia, have been used by the independent valuer as a basis of his valuation. Immature male calves have not been included in the fair valuation due to the insignificant value in use. The valuation is considered to be level 2 in the fair value hierarchy due to observable market data other than quoted prices in active markets.

(Amounts in thousand)

	2018	2017
	------(Rupees)-----	
<b>6. Intangibles – Computer Software</b>		
<b>Net carrying value</b>		
Balance at beginning of the year	71,635	44,378
Add: Additions at cost (note 4.5)	47,647	54,890
Less: Amortization charge for the year (notes 6.1 and 27)	(26,862)	(27,633)
Balance at end of the year	<u>92,420</u>	<u>71,635</u>
<b>Gross carrying value</b>		
Cost	439,413	391,766
Less: Accumulated amortization	(346,993)	(320,131)
Net book value	<u>92,420</u>	<u>71,635</u>

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

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

Advances to employees (notes 7.1, 7.2 and 7.3)  
Less: Recoverable within one year shown  
under current assets (note 12)

	27,210	43,089
	(11,967)	(15,902)
	<u>15,243</u>	<u>27,187</u>
Deposits	<u>55,477</u>	<u>56,444</u>
	<u>70,720</u>	<u>83,631</u>

7.1 Reconciliation of the carrying amount of advances to employees

Balance as at January 1  
Add: Disbursements  
Less:

- Repayments
- Amortization

Balance as at December 31

	43,089	67,931
	10,537	15,496
	(12,212)	(20,677)
	(14,204)	(19,661)
	<u>27,210</u>	<u>43,089</u>

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

7.3 These include advances to key management personnel amounting to Rs. 1,832 (2017: Rs. 1,850). The maximum aggregate amount due from them at the end of any month during the year was Rs. 4,430 (2017: Rs. 4,381).

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

(Amounts in thousand)

**8. Employees' Share Option Scheme**

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

Under the Scheme, options were 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, 1,037,500 previously granted share options lapsed due to resignation of some employees. Further, during the year, 1,162,500 vested share options, granted in 2013 and 2016, expired due to non-exercise by ex-employees within the exercise period.

The details of share options granted to date under the Scheme, which remained outstanding as at December 31, 2018 are as follows:

- number of options	7,975,000
- range of exercise price	Rs. 182.85 - Rs. 354.90
- weighted average remaining contractual life	3.39 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. 27.32 per option. The following weighted average assumptions have been used in calculating the fair values of the options:

Options granted and outstanding	Options granted in 2013	Options granted in 2015	Options granted in 2016	Options granted in 2017
- number of options	1,800,000	800,000	5,250,000	125,000
- share price	Rs. 133.58	Rs. 107.67	Rs. 156.85	Rs. 168.19
- exercise price	Rs. 191.89	Rs. 182.85	Rs. 230.76	Rs. 268.36
- expected volatility	32.54%	30.32%	34.86%	25.74%
- expected life	3 years	3.5 years	3.5 years	3.5 years
- annual risk free interest rate	9.42%	7.93%	6.15%	6.12%

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

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

As of December 31, 2018, 5,962,500 options remained ungranted which will lapse in option year 2019 with the expiry of the Scheme.

In respect of the Scheme, Employee share option compensation reserve and the related deferred expense amounting to Rs. 217,910 has been recognized, out of which Rs. 214,085 has been amortized to date, including reversal of Rs. 57,170 in current year owing to change in fair value of options granted and lapsed during the year, net of charge in respect of employees services received upto December 31, 2018.

**9. Stores, Spares and Loose Tools**

Stores  
Spares and loose tools, including in-transit (note 9.1)  
Less: Provision for slow moving spares and loose tools  
Less: Major spare parts and stand by equipment - shown under Property, plant and equipment (note 4)

	2018	2017
	------(Rupees)-----	
	90,353	103,760
	<u>795,791</u>	<u>839,322</u>
	886,144	943,082
	(120,506)	(60,449)
	<u>765,638</u>	<u>882,633</u>
	(144,701)	(142,210)
	<u>620,937</u>	<u>740,423</u>

(Amounts in thousand)

9.1 Stores, spares and loose tools amounting to Nil (2017: Rs. 8,347) have been written off against the provision during the year.

	2018	2017
	------(Rupees)-----	
<b>10. Stock-in-trade</b>		
Raw and packaging material (notes 10.1 and 10.4)	2,076,103	2,173,157
Work-in-process (note 10.2)	401,252	200,171
Finished goods (note 10.3)	592,694	322,775
	<u>3,070,049</u>	<u>2,696,103</u>
Less: Provision for expired / obsolete stock	(49,859)	(50,109)
	<u>3,020,190</u>	<u>2,645,994</u>

10.1 Includes Rs. 13,392 (2017: Rs. 15,055) in respect of raw and packaging material held by third parties.

10.2 Includes Rs. 118,619 (2017: Rs. 65,063) in respect of semi-finished stock held by third parties.

10.3 Include Rs. 20,086 (2017: Rs. 18,227) in respect of finished goods held by third parties and Rs. 559,985 (2017: Nil) in respect of finished goods stock carried at net realizable value.

10.4 Stock amounting to Rs. 48,651 (2017: Rs. 65,027) has been written off against provision during the year.

	2018	2017
	------(Rupees)-----	
<b>11. Trade Debts - Unsecured</b>		
Considered good (notes 11.1 and 11.2)	400,313	170,639
Considered doubtful (note 11.3)	45	364
	<u>400,358</u>	<u>171,003</u>
Less: Provision for impairment (note 11.3)	(45)	(364)
	<u>400,313</u>	<u>170,639</u>

11.1 As at December 31, 2018, trade debts aggregating to Rs. 1,366 (2017: Rs. 3,559) were past due but not impaired. These relate to various customers and have either been confirmed / acknowledged by the customer or cleared subsequent to the year end. These debts are less than 6 months old.

11.2 As at December 31, 2018, trade debts aggregating to Rs. 398,947 (2017: Rs.167,080) were neither past due nor impaired. The credit quality of these receivables can be assessed with reference to their historical performance with no defaults ever.

11.3 As at December 31, 2018, trade debts aggregating to Rs. 45 (2017: Rs. 364) were deemed to have been impaired and provided for. The movement in provision during the year is as follows:

	2018	2017
	------(Rupees)-----	
Balance as at January 1		
Reversal of provision / provision for impairment of trade debts (note 27)	364	228
Receivables written-off against provision	(319)	372
	<u>-</u>	<u>(236)</u>
Balance as at December 31	<u>45</u>	<u>364</u>

(Amounts in thousand)

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

Advances to employees (note 12.1)  
Add: Current portion of long term advances to employees (note 7)  
  
Advances to suppliers  
Deposits  
Prepayments

	2018	2017
	------(Rupees)-----	
	34,721	37,875
	<u>11,967</u>	<u>15,902</u>
	<u>46,688</u>	<u>53,777</u>
	177,310	60,922
	34,976	11,840
	<u>32,977</u>	<u>30,808</u>
	<u>291,951</u>	<u>157,347</u>

12.1 These include advance to a member of key management personnel (note 40) for house rent to be adjusted in next 12 months amounting to Rs. 2,250 (2017: Nil). The maximum aggregate amount of such advance at the end of any month during the year was Rs. 2,250 (2017: Nil).

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

**13. Other Receivables**

Receivable from related parties (note 13.1):  
- Engro Eximp Agriproduct (Private) Limited  
- FrieslandCampina Nederland B.V.  
- FrieslandCampina AMEA Pte Limited  
- Engro Corporation Limited  
- Engro Fertilizers Limited

Others

	2018	2017
	------(Rupees)-----	
	271	-
	595	24,811
	2,669	2,536
	-	1,556
	<u>-</u>	<u>237</u>
	<u>3,535</u>	<u>29,140</u>
	305,059	198,835
	<u>308,594</u>	<u>227,975</u>

13.1 The maximum aggregate amount due from related parties at the end of any month during the year was Rs. 28,168 (2017: Rs. 29,140).

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

(Amounts in thousand)

#### 14. Sales Tax Recoverable

- 14.1 On November 29, 2016, the Deputy Commissioner Inland Revenue after conducting sales tax audit for the year ended December 2013 raised sales tax demand amounting to Rs. 158,826 including penalty. The demand primarily arose on account of (i) mismatch of input tax claimed with suppliers output tax on FBR portal; (ii) alleged unlawful adjustment of input tax; and (iii) alleged non-withholding of sales tax on certain supplies. The Company has filed an appeal against the order before Commissioner Inland Revenue (Appeals) on December 29, 2016 and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly sales tax recoverable has not been reduced by the effect of aforementioned order.
- 14.2 The Deputy Commissioner Inland Revenue issued show cause notices for sales tax on tea whitener and dairy drink product i.e. 'Tarang' and 'Omung' respectively for year 2013 on October 17, 2017 and for years 2014, 2015 and 2016 on March 9, 2018 aggregating to Rs. 14,886,500 challenging the exemption / zero rating on these products. Against the show cause notices the Company has filed Constitutional Petitions before the High Court of Sindh for year 2013 on October 25, 2017 and for years 2014, 2015 and 2016 on March 15, 2018, and has obtained an interim injunction against adverse action by tax authorities on same day. Based on the opinion of its legal advisor, the Company is confident of a favourable outcome of this matter.

#### 15. Cash and Bank Balances

Cash at bank on:

- current accounts conventional [including foreign currency account of Rs. 16,289 (2017: Rs. 1,049)]
- current accounts - islamic
- savings accounts [including foreign currency account of Rs. 29,107 (2017: Rs. 17,402)]

	2018	2017
	17,951	2,187
	426	31,919
	82,288	34,362
	100,665	68,468

#### 16. Share Capital

Authorized capital

850,000,000 (2017: 850,000,000) Ordinary shares of Rs. 10 each

Issued, subscribed and paid-up capital

766,596,075 (2017: 766,596,075) Ordinary shares of Rs. 10 each fully paid in cash (note 16.1)

	2018	2017
	8,500,000	8,500,000
	7,665,961	7,665,961

- 16.1 As at December 31, 2018, FrieslandCampina Pakistan Holdings B.V. (the Holding Company) held 390,963,999 (2017: 390,963,999) ordinary shares of Rs. 10 each and Engro Corporation Limited held 306,075,947 (2017: 306,075,944) ordinary shares of Rs. 10 each.
- 16.2 Engro Corporation Limited has pledged 88,919,507 number of shares of the Company valued at par value for raising non-fund based financing facilities.
- 16.3 The Company has only one class of ordinary shares which do not carry any rights to a fixed income. The holders of the shares are entitled to receive dividends as declared from time to time and are also entitled to one vote per share at meetings of the Company. All shares rank pari passu with regards to the Company's residual assets. The Shareholders' Agreement executed between FrieslandCampina Pakistan Holding B.V. and Engro Corporation Limited (ECL) provides certain restricted matters that require prior ECL approval. These matters include but are not limited to loans to a third party over a prescribed limit (not included in the Business Plan), purchase / acquisition / sale / disposition of a business over a prescribed limit (not included in Business Plan) and creation of Board committees.

(Amounts in thousand)

#### 17. Reserves

Capital reserves

- Share premium (note 17.1)
- Employee share option compensation reserve

Revenue reserves

- Remeasurement of post employment benefits - Remeasurement loss
- Unappropriated profit

	2018	2017
	865,354	865,354
	217,910	297,836
	1,083,264	1,163,190
	(137,826)	(80,643)
	729,661	972,516
	591,835	891,873
	1,675,099	2,055,063

- 17.1 This reserve can be utilised by the Company only for the purpose specified in section 81 of the Companies Act, 2017.

#### 18. Long term finances, secured (Non-participatory)

Long term finances utilized under mark-up arrangements:

	Installments			2018	2017
	Number	Commencing from	Interest Rate		
Long term finances					
United Bank Limited	6 half yearly	May 12, 2016	6 months KIBOR + 0.65%	-	500,000
Bank Al-Habib Limited	6 half yearly	October 7, 2020	6 months KIBOR + 0.05%	2,000,000	2,000,000
Habib Bank Limited	6 half yearly	October 7, 2020	6 months KIBOR + 0.05%	2,000,000	2,000,000
				4,000,000	4,500,000
Less: Current portion shown under current liabilities				-	(500,000)
				4,000,000	4,000,000

- 18.1 The above finances and Ijarah arrangements (note 23.5) are secured by registered floating charges / mortgages over the present and future operating assets of the Company upto a maximum of Rs. 11,917,000 (2017: Rs. 11,917,000).

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

	2018	2017
	4,500,000	2,195,988
	-	4,034
	-	4,000,000
	(500,000)	(1,700,022)
	4,000,000	4,500,000

(Amounts in thousand)

#### 19. Liabilities against assets subject to finance lease

	2018	2017
	------(Rupees)-----	
Present value of minimum lease payments (notes 19.1 and 19.2)	121,506	273,300
Current portion presented under current liabilities	(121,506)	(151,956)
	<u>-</u>	<u>121,344</u>

19.1 These represent machinery acquired under finance lease arrangements. The leases are priced at 7.2% (2017: 7.2%) annually. Lease rentals are payable monthly within 2 years. The Company has the option to acquire these assets at the end of lease terms.

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

	2018	2017
	------(Rupees)-----	
Not later than one year	125,132	166,684
Later than one year but not later than two years	-	125,013
<b>Total future minimum lease payments</b>	<u>125,132</u>	<u>291,697</u>
Finance charge allocated to future periods	(3,626)	(18,397)
<b>Present value of future minimum lease payments</b>	<u>121,506</u>	<u>273,300</u>
Not later than one year	(121,506)	(151,956)
Later than one year but not later than two years	-	121,344

#### 20. Deferred taxation

Credit balances arising due to:

- Accelerated tax depreciation / amortization
- Gain on biological assets
- Others

	1,027,946	1,341,879
	302,066	290,555
	12,632	13,278
	<u>1,342,644</u>	<u>1,645,712</u>
Debit balances arising due to:		
- Provisions for stock-in-trade, stores & spares and receivables	(49,419)	(33,276)
- Minimum turnover tax (note 20.1)	(630,341)	(231,898)
- Share issuance cost, net to equity	(11,234)	(11,234)
- Obligation under finance lease	(35,237)	(81,990)
	<u>(726,231)</u>	<u>(358,398)</u>
	<u>616,413</u>	<u>1,287,314</u>

20.1 The Company has recognized deferred tax asset on Minimum turnover tax @ 1.25% of taxable turnover amounting to Rs. 630,341 (2017: Rs. 231,898) as the Company, based on its financial projections, expects to recoup it in the ensuing years. The Company carries out periodic assessments to determine if the Company would be able to set off these charges against the taxable profits of the Company for future years.

(Amounts in thousand)

#### 21. Trade and Other Payables

	2018	2017
	------(Rupees)-----	
Trade payables (note 21.1)	4,407,531	3,270,847
Accrued liabilities	1,523,713	1,119,623
Advances from customers (note 21.5)	182,037	192,268
Retention money	5,824	5,964
Suppliers' security deposits (note 21.3)	4,229	2,978
Customers' security deposit (note 21.4)	1,700	2,700
Withholding tax payable	12,916	19,349
Payable to provident fund	25,964	25,384
Payable to defined benefit gratuity fund (note 35.4)	224,640	141,634
Payable to defined contribution gratuity fund	3,270	890
Workers' profits participation fund (note 21.2)	(5,635)	(5,635)
Workers' welfare fund	18,260	326,346
Others	23,213	23,377
	<u>6,427,662</u>	<u>5,125,725</u>

21.1 Include amounts payable to following related parties:

- FrieslandCampina Nederland B.V.
- Dutch Lady Milk Industries Berhad
- Alaska Milk Corporation

	277,672	629,571
	55,275	-
	3,717	-
	<u>336,664</u>	<u>629,571</u>

21.2 Workers' profits participation fund

Balance as at January 1  
Add: Allocation for the year (note 28)

	(5,635)	(4,069)
	-	30,434
	<u>(5,635)</u>	<u>26,365</u>
	-	(32,000)
	<u>(5,635)</u>	<u>(5,635)</u>

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

21.3 These represent interest free security deposit received from suppliers in accordance with the terms of the supplier arrangements. These deposits have been utilised for the purpose of the Company's business.

21.4 These represent interest free security deposit received from customers in accordance with the terms of the customer arrangements. These deposits have been kept in separate bank accounts and not been utilized for the purpose of the Company's business.

21.5 These represent advances received by the Company from customers and distributors in respect of sale of goods. These deposits are in the nature of an advance payment for goods to be delivered to customers.

(Amounts in thousand)

## 22. Short term finances - secured

22.1 The facilities for short term running finance available from various banks, which represent the aggregate sale price of all mark-up arrangements, amounts to Rs. 8,000,000 (2017: Rs. 7,899,840). The unutilized balance against these facilities as at year end was Rs. 5,923,484 (2017: Rs. 6,695,639). The rates of mark-up on these finances are KIBOR based and range from 8.08% to 11.15% (2017: 6.15% to 7.28%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

22.2 The facilities for short term running finance available from shariah compliant islamic bank, which represent the aggregate sale price of musharaka arrangement, amounts to Rs. 300,000 (2017: Rs. 300,000). The unutilized balance against these facilities as at year end was Rs. 294,576 (2017: Rs. Nil). The rates of profit on these finances are at the rate of 10.91% (2017: 6.89%) per annum. These facilities are secured by way of hypothecation upon all the present and future current assets of the Company.

22.3 The facilities for opening letters of credit and bank guarantees as at December 31, 2018 amounts to Rs. 8,665,000 (2017: Rs. 8,615,160), of which the amount remaining unutilized as at year end was Rs. 4,558,874 (2017: Rs. 5,117,906).

## 23. Contingencies and commitments

23.1 The Company has provided bank guarantees to:

- Sui Southern Gas Company Limited amounting to Rs. 75,495 (2017: Rs. 75,395) under the contract for supply of gas;
- Sui Northern Gas Company Limited amounting to Rs. 34,350 (2017: Rs. 34,350) under the contract for supply of gas;
- Collector of Sales Tax, Large Tax Payers Unit (LTU), Karachi amounting to Rs. 154,278 (2017: Rs. 258,712) under Sales Tax Rules 2006, against refund claim of input sales tax. Against these guarantees, sales tax refunds amounting to Rs.86,844 (2017: Rs. 172,000) have been received to date;
- Parco Pearl Gas Co. (Private) Limited amounting to Rs. 1,000 (2017: Rs. 1,000) as collateral against supplies;
- The Government of Sindh, amounting to Rs. 212,887 (2017: Rs. 195,887), upon the order of the High Court of Sindh to furnish bank guarantees for 50% of the amount of Infrastructure cess of the goods entering or leaving the province through air or sea;

23.2 On January 18, 2017, the Company received an order from Competition Commission of Pakistan (CCP), imposing a penalty of Rs. 62,293 in respect of the Company's marketing activities relating to one of its products. The Company filed an appeal against the aforementioned order on February 08, 2017, which was decided by the CCP tribunal on January 16, 2019 in the Company's favor.

23.3 Commitments in respect of capital expenditure contracted for but not incurred as at December 31, 2018 amounts to Rs. 634,327 (2017: Rs. 653,596).

23.4 Commitments in respect of purchase of certain commodities as at December 31, 2018 amounts to Rs. 1,027,547 (2017: Rs. 990,089).

23.5 Commitments for rentals payable under the Ijarah agreements as at December 31, 2018 amounts to Rs. 20,810 (2017: Rs. 55,487) as follows:

	2018	2017
	------(Rupees)-----	
Not later than one year	20,810	34,677
Later than one year but not later than five years	-	20,810
	<u>20,810</u>	<u>55,487</u>

(Amounts in thousand)

23.6 Details of the other matters are given in note 14 and 31.2 to these financial statements.

## 24. Net Sales

Gross sales  
Less:  
- Sales tax  
- Trade and other discounts

	2018	2017
	------(Rupees)-----	
Gross sales	36,215,042	38,061,052
Less: Sales tax	(1,014,052)	(936,493)
Less: Trade and other discounts	(2,761,539)	(2,471,073)
	<u>32,439,451</u>	<u>34,653,486</u>

24.1 Includes export sales amounting to Rs. 564,958 (2017: Rs. 549,944).

## 25. Cost of Sales

Raw and packaging material consumed (note 25.1)  
Salaries, wages, and staff welfare (note 25.2)  
Fuel and power  
Repair and maintenance  
Freight inwards  
Depreciation (note 4.3)  
Impairment of operating assets (note 4.6)  
Travelling  
Communication and other office expenses  
Insurance  
Rent and utilities  
Research and business development  
Fee for technical assistance (note 25.3)  
Legal and professional  
Purchased services  
Provision against:  
- stock-in-trade  
- slow moving spares

Manufacturing cost

Add: Opening stock of work-in-process  
Less: Closing stock of work-in-process

Cost of goods manufactured

Add: Opening stock of finished goods manufactured  
Less: Closing stock of finished goods manufactured

Raw and packaging material consumed (note 25.1)	20,259,414	21,198,337
Salaries, wages, and staff welfare (note 25.2)	1,446,135	1,420,036
Fuel and power	992,163	840,959
Repair and maintenance	652,230	595,892
Freight inwards	506,391	442,898
Depreciation (note 4.3)	1,718,045	1,687,263
Impairment of operating assets (note 4.6)	27,616	10,890
Travelling	111,156	98,325
Communication and other office expenses	92,200	102,316
Insurance	85,740	125,009
Rent and utilities	366,160	454,230
Research and business development	4,228	4,268
Fee for technical assistance (note 25.3)	824,369	886,672
Legal and professional	8,220	14,889
Purchased services	553,867	478,699
Provision against:		
- stock-in-trade	48,401	67,048
- slow moving spares	60,057	17,423
Manufacturing cost	<u>27,756,392</u>	<u>28,445,154</u>
Add: Opening stock of work-in-process	200,171	429,762
Less: Closing stock of work-in-process	(401,252)	(200,171)
Cost of goods manufactured	<u>27,555,311</u>	<u>28,674,745</u>
Add: Opening stock of finished goods manufactured	322,775	665,366
Less: Closing stock of finished goods manufactured	(592,694)	(322,775)
	<u>27,285,392</u>	<u>29,017,336</u>

(Amounts in thousand)

	2018	2017
	------(Rupees)-----	
25.1 Raw and packaging material consumed		
Opening stock of raw and packaging material	2,173,157	2,668,770
Add: Purchases	21,334,740	21,738,227
Less:		
- Fair value of milk produced from biological assets (note 5.3)	(1,172,380)	(1,085,612)
- Closing stock of raw and packaging material	(2,076,103)	(2,123,048)
Raw and packaging material consumed	<u>20,259,414</u>	<u>21,198,337</u>

25.2 Includes Rs. 140,548 (2017: Rs. 133,331) in respect of staff retirement benefits referred to in notes 35 and 45.

25.3 This represents charge for technical assistance and royalty to FrieslandCampina Nederland B.V. (note 40.3).

## 26. Distribution and marketing expenses

	2018	2017
	------(Rupees)-----	
Salaries, wages, and staff welfare (note 26.1)	787,816	783,789
Advertising	1,665,790	1,372,070
Freight outward	1,225,231	1,232,276
Travelling	114,307	92,799
Communication and other office expenses	66,089	61,013
Depreciation (note 4.3)	187,091	184,738
Impairment of operating assets (note 4.6)	3,444	2,837
Fuel and power	5,375	4,612
Repairs and maintenance	62,757	78,988
Rent, rates and taxes	32,296	31,684
Insurance	14,465	15,794
Research and business development	2,036	2,153
Legal and professional	3,829	8,499
Ijarah rentals	35,224	61,967
Purchased services	12	29
	<u>4,205,762</u>	<u>3,933,248</u>

26.1 Include Rs. 78,629 (2017: Rs. 77,412) in respect of staff retirement benefits referred to in notes 35 and 45.

(Amounts in thousand)

## 27. Administrative Expenses

Salaries, wages and staff welfare (notes 27.1 and 27.2)	456,313	429,855
Training and development	43,241	1,416
Communication and other office expenses	90,707	64,230
Rent, rates and taxes	115,374	107,950
Travelling	47,579	35,894
Depreciation (note 4.3)	13,985	18,779
Amortization (note 6)	26,862	27,633
Fuel and power	2,476	10,167
Repairs and maintenance	11,111	25,309
Insurance	4,068	6,313
Research and business development	1	13
Legal and professional	72,010	59,849
Auditors' remuneration (note 27.3)	8,791	6,263
Software maintenance and license cost	18,862	12,338
(Reversal of) / provision for impairment of trade debts (note 11.3)	(319)	372
Purchased services	46,010	45,718
	<u>957,071</u>	<u>852,099</u>

27.1 Include Rs. 46,451 (2017: Rs. 39,602) in respect of staff retirement benefits referred to in notes 35 and 45.

27.2 Include reversal of Rs. 57,170 (2017: Rs. 53,786) in respect of employees' share option compensation expense.

## 27.3 Auditors' remuneration

Fee for:		
- audit of annual financial statements and group reporting	2,875	3,587
- review of half yearly financial information	565	550
- review of compliance with the Code of Corporate Governance	95	65
- audit of retirement benefit funds	-	85
- special certifications, taxation and other services	4,580	1,119
	<u>8,115</u>	<u>5,406</u>

Reimbursement of expenses and taxes

	676	857
	<u>8,791</u>	<u>6,263</u>

## 28. Other Operating Expenses

Workers' profits participation fund (note 21.2)	-	30,434
Workers' welfare fund	2,944	15,316
Donations (note 28.1)	40,185	21,575
Loss on death / disposals of biological assets	29,964	24,545
Exchange loss	5,247	-
Operating assets written off (note 4.1)	135	-
Provision for culling of biological assets (note 5)	30,000	30,000
	<u>108,475</u>	<u>121,870</u>

	2018	2017
	------(Rupees)-----	
27.3 Auditors' remuneration		
Fee for:		
- audit of annual financial statements and group reporting	2,875	3,587
- review of half yearly financial information	565	550
- review of compliance with the Code of Corporate Governance	95	65
- audit of retirement benefit funds	-	85
- special certifications, taxation and other services	4,580	1,119
	<u>8,115</u>	<u>5,406</u>
Reimbursement of expenses and taxes	676	857
	<u>8,791</u>	<u>6,263</u>

(Amounts in thousand)

28.1 Include donation to Engro Foundation, a related party, amounting to Rs. 40,000 (2017: Rs. 18,250). The directors including the Chief Executive and their spouses do not have any interest in the donee.

## 29. Other Income

### From financial assets

Interest on bank deposits / saving accounts

### From other than financial assets

Gain arising from changes in fair value of biological assets (note 5.1)

Gain on disposal of operating assets

Exchange gain

Scrap sales

Reversal of provision of workers' welfare fund

Others

	2018	2017
	------(Rupees)-----	
	1,688	6,200
	396,687	230,294
	45,295	59,834
	-	4,699
	21,028	27,535
	81,303	-
	76,268	29,979
	620,581	352,341
	622,269	358,541

## 30. Finance Cost

Mark-up on

- short-term finances - conventional

- short-term finances - islamic

- long-term finances

- Finance lease

Bank charges

	322,739	228,903
	4,509	433
	318,379	270,714
	14,553	5,293
	660,180	505,343
	15,160	19,154
	675,340	524,497

## 31. Taxation

Current

- for the year

- for prior year (note 31.1)

Deferred

	413,081	382,199
	23,717	119,991
	436,798	502,190
	(670,901)	(318,510)
	(234,103)	183,680

31.1 Prior year charge recorded during the year represents impact of 'Super Tax for rehabilitation of temporary displaced persons' at the rate of 3% on specified income for the tax year 2018 (i.e. for the financial year ended December 31, 2017) levied through the Finance Act, 2018.

(Amounts in thousand)

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

31.2.1 The Company in accordance with section 59 B (Group Relief) of the Income Tax Ordinance (ITO), 2001 has surrendered to Engro Corporation Limited (ECL), the associated company (then the holding company), its tax losses amounting to Rs. 4,288,134 out of the total tax losses of Rs. 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs. 1,500,847, being equivalent to tax benefit/effect thereof.

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

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

31.2.2 On January 29, 2009, the Deputy Commissioner Inland Revenue (DCIR) reduced tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007. The Company's appeal against the order of Commissioner Inland Revenue (CIR) on March 11, 2009 is currently in the process of being heard. However, the Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the balance of taxes recoverable has not been reduced by the effect of the aforementioned disallowance.

31.2.3 On October 31, 2013, CIR raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. On May 25, 2015, in response to the appeal filed against the audit proceedings on December 9, 2013, CIR Appeals issued an appellate order in favour of the Company holding the selection of case for audit to be illegal and without jurisdiction. The tax department has filed an appeal against the order with the Appellate Tribunal Inland Revenue (ATIR) on August 11, 2015, however, no hearing has been conducted to date. The Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

31.2.4 On May 20, 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. On January 26, 2017, CIR Appeals upheld the decision of ACIR in respect of provision for retirement benefits and marketing support reimbursements against appeal filed with CIR Appeals dated May 28, 2014. On August 30, 2017, the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.

31.2.5 On December 23, 2015, ACIR raised a demand of Rs. 73,962 for tax year 2014 by disallowing the loss on sales of raw milk considered as trading activity, depreciation on certain additions to property, plant and equipment and tax credit under 65B etc against which the Company filed an appeal with CIR Appeals dated January 22, 2016. During the year, CIR Appeals upheld the decision on December 6, 2018 of ACIR on all major items. The Company intends to file an appeal with ATIR against the disallowances confirmed by CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.



(Amounts in thousand)

- 31.2.6 On June 29, 2016, the DCIR raised a demand of Rs. 541,221 for tax year 2013 by disallowing the loss on sales of raw milk considered as trading activity, stock written-off, finance cost allocation against advance for purchase of Engro Foods Netherlands and certain other items, research and business expenses, adjustment of tax losses for tax year 2011 and minimum turnover tax credit for tax years 2008, 2010 and 2011 etc against which the Company filed an appeal on July 29, 2016 with CIR (Appeals). On January 26, 2017, CIR (Appeals) upheld the decision of DCIR in respect of minimum turnover tax credit and finance cost allocation. During the year, on May 29, 2018, the DCIR passed an appeal effect order based on the decision of CIR Appeals reducing the demand to Rs. 98,548. On May 15, 2017, the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.
- 31.2.7 On June 29, 2016, ACIR raised a demand of Rs. 59,772 for tax year 2010, primarily on account of disallowance of sales promotion and freight expenses against which the Company filed an appeal with CIR Appeals dated August 15, 2016. During the year, on November 23, 2018, CIR Appeals upheld the decision of ACIR in respect of loss on sale of raw milk and inventory writeoff while giving relief on all other matters. The Company intends to file an appeal with ATIR against the disallowances confirmed by CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.
- 31.2.8 On December 7, 2016, ACIR raised a demand of Rs. 34,134 for tax year 2011 by disallowing depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, sales promotion and advertisement and other expenses etc. On January 5, 2017, the Company has filed an appeal against the order and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.
- 31.2.9 On November 3, 2017, ACIR raised a demand of Rs. 511,801 for tax year 2016 by disallowing minimum turnover tax credit, expenses on account of Employee Share Option Scheme and Worker's Welfare Fund against which the Company filed an appeal with CIR Appeals dated November 23, 2017. During the year, on June 30, 2018, CIR Appeals upheld the decision of ACIR in respect of minimum turnover tax credit and Employee Share Option Scheme. On August 15, 2018, the Company has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable have not been reduced by the effect of the aforementioned disallowances.
- 31.2.10 In view of the management, sufficient tax provision has been made in the Company's statement of profit or loss. The Company is carrying tax provision amounting to Rs. 1,471,565 Rs. 1,315,633 and Rs. 405,916 for Tax Year 2016, 2017 and 2018 respectively viz-a-viz tax assessment amounting to Rs. 1,496,607 Rs. 1,146,410 and 361,632 for Tax Year 2016, 2017 and 2018 respectively, 2016, 2017 and 2018 respectively.

(Amounts in thousand)

### 31.3 Relationship between tax expense and accounting profit

(Loss) / Profit before taxation

Tax at the applicable tax rate of 29% (2017: 30%)

Tax effect of:

- reduction in future tax rates
- transaction taxed at different rates
- prior year charge
- tax credits for investment in operating assets
- others

	2018	2017
	------(Rupees)-----	
(Loss) / Profit before taxation	(170,320)	562,977
Tax at the applicable tax rate of 29% (2017: 30%)	(49,393)	168,893
Tax effect of:		
- reduction in future tax rates	(204,030)	-
- transaction taxed at different rates	28,442	(25,697)
- prior year charge	23,717	119,991
- tax credits for investment in operating assets	(34,355)	(80,483)
- others	1,516	976
	(184,710)	14,787
	(234,103)	183,680

### 32. Earnings Per Share - Basic and diluted

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

Profit for the year

Weighted average number of ordinary shares in issue during the year

	2018	2017
	------(Rupees)-----	
Profit for the year	63,783	379,297
	Number of shares in thousand	
Weighted average number of ordinary shares in issue during the year	766,596	766,596

(Amounts in thousand)

2018 2017  
------(Rupees)-----

### 33. Cash Generated from Operations

(Loss) / profit before taxation	(170,320)	562,977
Adjustment for non-cash charges and other items:		
- Depreciation	1,919,121	1,890,780
- Impairment of operating assets - net	31,060	13,727
- Exchange loss / (gain)	5,247	(4,699)
- Amortization of intangibles	26,862	27,633
- Amortization of deferred income	-	(522)
- Amortization of arrangement fees on long term finances	-	4,034
- Reversal of amortization of employee share option compensation reserve	(57,170)	(53,786)
- Loss on death / disposal of biological assets	29,964	24,545
- Operating assets written off	135	-
- Gain on disposal of operating assets	(45,295)	(59,834)
- Gain arising from changes in fair value of biological assets	(396,687)	(230,294)
- Provision for culling of biological assets	30,000	30,000
- Provision for staff retirement and other service benefits	102,528	108,248
- Provision for stock-in-trade	48,401	67,048
- Provision for slow moving spares	60,057	17,423
- (Reversal of provision) / provision for impairment of trade debts	(319)	372
- Finance cost	675,340	524,497
- Reversal of provision of workers' welfare fund	(81,303)	-
Working capital changes (note 33.1)	535,485	3,009,151
	<u>2,713,106</u>	<u>5,931,300</u>

### 33.1 Working capital changes

(Increase) / Decrease in current assets:		
- Stores, spares and loose tools	56,938	95,244
- Stock-in-trade	(422,597)	1,050,856
- Trade debts	(229,355)	(101,357)
- Advances, deposits and prepayments	(134,604)	(12,468)
- Other receivables	(80,619)	(113,314)
- Sales tax recoverable	50,735	630,557
	<u>(759,502)</u>	<u>1,549,518</u>
Increase in current liabilities:		
- Trade and other payables	1,294,987	1,459,633
	<u>535,485</u>	<u>3,009,151</u>

### 34 Cash and Cash Equivalents

Cash and bank balances (note 15)	100,665	68,468
Short term finances (note 22)	(2,076,516)	(1,204,201)
	<u>(1,975,851)</u>	<u>(1,135,733)</u>

(Amounts in thousand)

### 35. Staff retirement and other service benefits

35.1 As stated in notes 2.13.1 and 2.13.2, Engro Corporation Limited (ECL) operates and maintains an approved defined contribution gratuity scheme and an approved defined benefit funded gratuity scheme (the Fund) on behalf of the Company, for all its permanent employees subjected to minimum prescribed period of service.

35.2 During the year, an amount of Rs. 19,409 (2017: Rs. 8,251) has been charged in respect of defined contribution gratuity scheme maintained by Engro Corporation Limited.

35.3 Plan assets held in trust are governed by local regulations which mainly include Trust Act, 1882, repealed Companies Ordinance, 1984 (now Companies Act 2017), Income Tax Rules, 2002 and Rules under the Trust deed of the Fund. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies with the Board of Trustees. The latest actuarial valuation of the Fund was carried out as at December 31, 2018 using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

2018 2017  
------(Rupees)-----

### 35.4 Reconciliation for statement of financial position

Present value of defined benefit obligation (note 35.7)	(685,281)	(620,927)
Fair value of plan assets (note 35.8)	460,641	480,266
Deficit	<u>(224,640)</u>	<u>(140,661)</u>
Payable to group companies	-	(973)
Net liability at end of the year	<u>(224,640)</u>	<u>(141,634)</u>

### 35.5 Movement in net liability in the statement of financial position

Net liability at beginning of the year	(141,634)	(139,776)
Charge for the year (note 35.9)	(102,528)	(108,248)
Contribution made during the year to the Fund (note 35.8)	100,061	115,940
Remeasurements recognized in Other Comprehensive Income (OCI) (note 35.6)	(80,540)	(9,550)
Net liability at end of the year	<u>(224,640)</u>	<u>(141,634)</u>

### 35.6 Remeasurement recognized in other comprehensive income

Gain from changes in financial assumptions	1,410	8,521
Experience loss	(23,488)	(3,861)
Remeasurement of defined benefit obligation	<u>(22,078)</u>	<u>4,660</u>
Actual return on plan assets	6,368	29,865
Expected return on plan assets	(44,821)	(43,410)
Adjustment	<u>(20,981)</u>	<u>-</u>
Remeasurement of fair value of plan assets	(59,434)	(13,545)
Liability adjustment	972	(665)
	<u>(80,540)</u>	<u>(9,550)</u>

(Amounts in thousand)

	2018	2017
	------(Rupees)-----	
35.7 Movement in present value of defined benefit obligationst		
Present value of defined benefit obligations at beginning of the year	620,927	610,231
Current service cost	90,725	96,102
Interest cost	56,624	55,556
Liability in respect of transfers - inter Fund	198	(53,587)
Benefits paid during the year	(105,271)	(82,715)
Remeasurement on obligation (note 35.6)	22,078	(4,660)
Present value of defined benefit obligation at end of the year	<u>685,281</u>	<u>620,927</u>

35.7.1 Analysis of present value of defined benefit obligation

Vested benefits	685,281	620,927
Non-vested benefits	-	-
	<u>685,281</u>	<u>620,927</u>
Accumulated benefit obligation	284,353	291,356
Amounts attributed to future salary increases	400,928	329,571
	<u>685,281</u>	<u>620,927</u>

35.8 Movement in fair value of plan assets

Fair value of plan assets at beginning of the year	480,266	469,331
Expected return on plan assets	44,821	43,410
Contributions for the year	100,061	115,940
Assets in respect of transfers - inter Group	198	1,432
Assets in respect of transfers - inter Fund	-	(53,587)
Benefits paid during the year	(105,271)	(82,715)
Remeasurement (note 35.6)	(59,434)	(13,545)
Fair value of plan assets at end of the year	<u>460,641</u>	<u>480,266</u>

35.9 Cost charged to statement of profit or loss

Current service cost	90,725	96,102
Net interest cost	11,803	12,146
Cost for the year	<u>102,528</u>	<u>108,248</u>

35.10 Charge for the year has been allocated as follows:

Cost of sales	54,249	57,651
Distribution and marketing expenses	30,350	33,473
Administrative expenses	17,929	17,124
	<u>102,528</u>	<u>108,248</u>

(Amounts in thousand)

35.11 Principle actuarial assumptions used are as follows:

Financial assumptions

- Discount rate - per annum compound
- Expected rate of increase in salaries - per annum
  - First year
  - Long-term

Demographic assumptions

- Expected mortality rate
- Withdrawal rates / Rate of employees turnover

2018 2017

	13.75%	8.75%
	12.75%	7.75%
	12.75%	7.75%
	SLIC (2001-05) Moderate	SLIC (2001-05) Moderate

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	------(Rupees)-----		
Discount rate	1%	(615,278)	768,397
Expected rate of increase in salaries - long term	1%	768,397	(614,097)

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

(Amounts in thousand)

35.14 Plan assets comprise of following:

	2018				2017			
	Quoted	Un-Quoted	Total	(%)	Quoted	Un-Quoted	Total	(%)
	------(Rupees)-----				------(Rupees)-----			
<b>Equity Instruments</b>								
Quoted Shares	118,062	-	118,062	26%	122,512	-	122,512	26%
	118,062	-	118,062	26%	122,512	-	122,512	26%
<b>Debt Instruments</b>								
Government Bonds	-	329,145	329,145	72%	-	315,427	315,427	66%
Engro Rupiya Certificates	19,799	-	19,799	4%	19,152	-	19,152	4%
	19,799	329,145	348,944	76%	19,152	315,427	334,579	70%
Cash and cash equivalents	-	5,058	5,058	1%	-	16,307	16,307	3%
Others assets	-	1,897	1,897	0%	-	6,868	6,868	1%
Other liabilities	-	(13,320)	(13,320)	(3%)	-	-	-	-
<b>Total</b>	<b>137,861</b>	<b>322,780</b>	<b>460,641</b>	<b>100%</b>	<b>141,664</b>	<b>338,602</b>	<b>480,266</b>	<b>100%</b>

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

#### Asset Volatility

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

#### Inflation risk

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

#### Life expectancy / withdrawal rate

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

35.16 Expected contributions to the Fund for the year ending December 31, 2019 are Rs. 107,871.

35.17 The weighted average duration of the defined benefit obligation is 10.22 years.

(Amounts in thousand)

35.18 Historical information of staff retirement benefits:

	2018	2017	2016	2015	2014	2013
	------(Rupees)-----					
Present value of obligations	(685,281)	(620,927)	(610,231)	(526,803)	(382,274)	(312,434)
Fair value of plan assets	460,641	480,266	469,331	475,217	383,822	253,792
(Deficit) / Surplus	(224,640)	(140,661)	(140,900)	(51,586)	1,548	(58,642)

#### 36. Remuneration of Chief Executive, Directors and Executives

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

	2018			2017		
	Directors	Others	Executives	Directors	Others	Executives
	Chief Executive	Others	Executives	Chief Executive	Others	Executives
	------(Rupees)-----					
Managerial remuneration	44,200	-	1,068,156	63,238	-	878,683
Contribution for staff retirement benefits	5,667	-	143,542	3,746	-	119,686
Bonus paid	9,193	-	102,474	2,422	-	50,887
Fees	-	2,176	-	-	4,019	-
<b>Total</b>	<b>59,060</b>	<b>2,176</b>	<b>1,314,172</b>	<b>69,406</b>	<b>4,019</b>	<b>1,049,256</b>
Number of persons, including those who worked part of the year	1	11	268	3	9	245

36.1 Corresponding figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

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

36.3 Premium charged in respect of non-executive directors indemnity insurance amounts to Rs. 359 (2017: Rs. 509).

(Amounts in thousand)

2018 2017  
------(Rupees)-----

### 37. Financial Instruments by category

#### 37.1 Financial assets as per statement of financial position

##### - Loans and receivables at amortized cost

Long term deposits	55,477	56,444
Trade debts	400,313	170,639
Advances and deposits	42,451	22,394
Other receivables	308,594	227,975
Cash and bank balances	100,665	68,468
	<u>907,464</u>	<u>545,920</u>

#### 37.2 Financial liabilities as per statement of financial position

##### - Financial liabilities measured at amortized cost

Long term finances	4,000,000	4,500,000
Liabilities against assets subject to finance lease	121,506	273,300
Trade and other payables	5,966,210	4,425,489
Accrued interest / mark-up	175,958	97,742
Short term finances	2,076,516	1,204,201
	<u>12,340,190</u>	<u>10,500,732</u>

#### 37.3 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

### 38 Financial risk management objectives and policies

#### 38.1 Financial risk factors

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

##### a) Market risk

###### i) Currency risk

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

(Amounts in thousand)

At December 31, 2018, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, the effect on post-tax profit for the year would have been immaterial.

##### ii) Interest rate risk

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

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

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

At December 31, 2018, if interest rates on the Company's borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by Rs. 61,808 (2017: Rs. 55,959) mainly as a result of higher / lower interest exposure on variable rate borrowings.

##### iii) Other price risk

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

##### b) Credit risk

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

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

As at December 31, 2018, the Company has significant concentration of credit risk resulting from receivable from Ecolean AB and Tetra Pak amounting to Rs. 202,527 (2017: Rs. 180,565). The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings as follows:

(Amounts in thousand)

Banks / Investments	Rating Agency	2018	
		Short term	Long term
National Bank of Pakistan	PACRA	A1+	AAA
The Bank of Punjab	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AAA
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Askari Bank Limited	PACRA	A1+	AA+
BankIslami Pakistan Limited	PACRA	A1	A+
Habib Bank Limited	JCR-VIS	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Summit Bank Limited	JCR-VIS	BBB-	A-3
Telenor Microfinance Bank Limited	JCR-VIS	A-1	A+
Citibank N.A.	Moody's	P-1	A1
Industrial and Commercial Bank of China	Moody's	P-1	A1
Deutsche Bank AG	Moody's	P-2	Baa2

The Company is not materially exposed to credit risk on trade debts as the Company has the policy of receiving the sales value prior to or at the time of supply of the products and credit is only granted to few reputed customers with good credit standings, with whom the Company has written terms of arrangement.

### c) Liquidity risk

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

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

(Amounts in thousand)

	2018			2017		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	------(Rupees)-----					
Long term finances	-	4,000,000	4,000,000	500,000	4,000,000	4,500,000
Liabilities against assets subject to finance lease	121,506	-	121,506	151,956	121,344	273,300
Trade and other payables	5,966,210	-	5,966,210	4,425,489	-	4,425,489
Accrued interest / mark-up	175,958	-	175,958	97,742	-	97,742
Short term finances	2,076,516	-	2,076,516	1,204,201	-	1,204,201
	<u>8,340,190</u>	<u>4,000,000</u>	<u>12,340,190</u>	<u>6,379,388</u>	<u>4,121,344</u>	<u>10,500,732</u>

### 38.2 Fair value estimation

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

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

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

### 39. Capital Risk Management

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

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

The Company manages capital by maintaining gearing ratio at certain level. The ratio is calculated as long term debt divided by total capital. Total capital is calculated as 'equity' in the statement of financial position plus long term debt. The gearing ratio as at December 31 is as follows:

	2018	2017
	------(Rupees)-----	
Long term finances	4,000,000	4,000,000
Liabilities against assets subject to finance lease	-	121,344
Total long term debt	4,000,000	4,121,344
Total equity	9,341,060	9,721,024
Total capital	<u>13,341,060</u>	<u>13,842,368</u>
Debt to equity ratio	0.30	0.30

(Amounts in thousand)

40. Transactions and balances with related parties

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

Name of Related parties	Direct Shareholding	Relationship
FrieslandCampina Pakistan Holdings B.V.	51.00%	Holding Company/ Major Shareholders
Engro Corporation Limited	39.93%	Associated Company/ Major Shareholders
FrieslandCampina Nederland B.V.	N/A	Associated Undertaking
FrieslandCampina AMEA Pte Ltd	N/A	Associated Undertaking
Engro Fertilizer Limited	N/A	Associated Company
Engro Foundation	N/A	Associated Company
FrieslandCampina (Thailand) PCL	N/A	Associated Undertaking
Dutch Lady Milk Industries Berhad	N/A	Associated Undertaking
Engro Eximp AgriProduct (Private) Limited	N/A	Associated Company
The Pakistan Business Council	N/A	Common Directorship
Cherat Packaging Limited	N/A	Common Directorship
Pakistan Dairy Association	N/A	Common Directorship
Engro Foods Limited - Defined Benefit Gratuity Fund	N/A	Post Employment Benefits
Engro Corporation Limited-Provident Fund	N/A	Post Employment Benefits
Engro Corporation Limited-Defined Contribution Gratuity Fund	N/A	Post Employment Benefits
Mr. Wim Torfs	N/A	Director
Mr. Zouhair Khaliq	N/A	Director
Mr. Abrar Hasan	N/A	Director
Mr. Zahid Mahmud	N/A	Key Management Personnel
Mr. Ali Ahmed Khan	N/A	Key Management Personnel
Mr. Usman Zaheer	N/A	Key Management Personnel
Mr. Syed Saud Ahmed Pasha	N/A	Key Management Personnel
Mr. Imran Husain	N/A	Key Management Personnel
Mr. Imran Ahmed	N/A	Key Management Personnel
Mr. Usman Abid	N/A	Key Management Personnel
Mr. Haseeb Ur Rahman	N/A	Key Management Personnel

(Amounts in thousand)

40.2 Following are the names of associated companies, subsidiaries, joint ventures or holding company incorporated outside Pakistan with whom the Company had entered into transactions or had agreements and / or arrangements in place during the year:

Name of Company	Registered address and country of incorporation	Aggregate percentage of shareholding including through other companies	Basis of association	Name of Chief Executive Officer or Principal Officer
FrieslandCampina Pakistan (Holding) B.V.	Stationsplein 4, 3818 LE, Amersfoort, the Netherlands.	51%	Holding Company / Major shareholder	Hein Schumacher
FrieslandCampina Nederland B.V.	Stationsplein 4, 3818 LE, Amersfoort, the Netherlands.	N/A	Associated Undertaking	Hein Schumacher
FrieslandCampina (Thailand) PCL	388, 5th - 6th Floor, S.P. Building, Paholyothin Road, Samsen Nai, Phayathai, Bangkok, Thailand.	N/A	Associated Undertaking	Vipas Paovarojkit
Dutch Lady Milk Industries Berhad	Level 5, Quill 9, 112, Jalan Semangat, 46300 Petaling Jaya, Selangor Darul Ehsan; Malaysia.	N/A	Associated Undertaking	Tarang Gupta
Frieslandcampina AMEA Pte Limited	3 Temasek Avenue, #11-01 Centennial Tower, Singapore 039190; Singapore.	N/A	Associated Undertaking	Kelly Galesloot
Alaska Milk Corporation	6th Floor, Corinthian Plaza Bldg, 121 Paseo de Roxas, Makati City, Philippines.	N/A	Associated Undertaking	Marco Giuseppe Bertacca

These entities are in operation. Further, the independent auditor of the above entities has issued an unqualified opinion on the latest available financial statements.

(Amounts in thousand)

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

		2018	2017
		------(Rupees)-----	
Nature of relationship	Nature of transactions		
Holding Company	Dividend paid	156,386	3,909,640
	Reimbursement of expense paid on behalf of the Company	1,714	-
Associated companies / undertakings	Dividend paid	122,430	3,060,759
	Fee for technical assistance	824,369	886,672
	Arrangement for sharing of premises, utilities, personnel and assets	158,815	207,051
	Purchase of goods and services	686,542	196,508
	Reimbursement of expenses paid on behalf of the Company	146,919	19,760
	Donations	40,000	18,250
	Sale of goods	-	81
Contribution for staff retirement funds	Managed and operated by Engro Corporation Limited		
	- Provident fund	340,613	321,972
	- Gratuity funds	119,730	123,486
Key management personnel including the Chief Executive Officer but not other Directors	Managerial remuneration	183,923	174,061
	Contribution for staff retirement benefits	22,353	15,386
	Bonus payments	32,633	17,311
	Other benefits	359	509
Other Directors	Fee	2,176	4,019

40.4 The related party status of outstanding receivables and payables as at December 31, 2018 are included in respective notes to these financial statements.

(Amounts in thousand)

#### 41. Segment Information

41.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Board of Directors of the Company for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Company is organized into the following three operating segments:

- Dairy, beverages and others;
- Ice cream & frozen desserts; and
- Dairy farm.

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

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

The following information presents operating results information regarding operating segments for the year ended December 31, 2018 and asset information regarding operating segments as at December 31, 2018:



(Amounts in thousand)

	2018				2017			
	Dairy & Beverages	Ice cream & frozen desserts	Dairy farm	Total	Dairy & Beverages	Ice cream & frozen desserts	Dairy farm	Total
Results for the year								
Net sales	29,104,097	3,441,001	1,172,380	33,717,478	31,492,370	3,238,692	1,085,612	35,816,674
Inter-segment sales	(105,647)	-	(1,172,380)	(1,278,027)	(77,576)	-	(1,085,612)	(1,163,188)
	28,998,450	3,441,001	-	32,439,451	31,414,794	3,238,692	-	34,653,486
Depreciation, impairment and amortization	1,558,628	335,691	82,724	1,977,043	1,536,641	318,097	77,402	1,932,140
Finance cost	331,425	191,362	152,553	675,340	217,189	180,382	126,926	524,497
Net profit / (loss) after tax	(189,945)	140,927	112,801	63,783	375,049	(24,336)	28,584	379,297
Assets								
- Segment assets	13,001,179	1,898,962	2,490,148	17,390,289	13,226,462	1,819,511	2,157,578	17,203,551
- Un-allocated assets	-	-	-	5,378,177	-	-	-	5,014,779
	13,001,179	1,898,962	2,490,148	22,768,466	13,226,462	1,819,511	2,157,578	22,218,330

(Amounts in thousand)

#### 42. Seasonality

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

#### 43. Production Capacity

	Designed Annual Capacity (note 43.1)		Actual Production		Remarks
	2018	2017	2018	2017	
	------(Litres in thousand)-----				
Dairy and Beverages	642,540	662,516	281,903	320,344	Production planned as per market demand
Ice cream	43,623	40,800	18,254	17,467	

43.1 Represents capacity as at the reporting date.

#### 44. Number of Employees

	Number of employees as at		Average number of employees	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Management employees				
Factory	592	607	595	615
Non-factory	648	651	642	687
	1,240	1,258	1,237	1,302
Non-management employees				
Factory	183	195	187	195
Non-factory	-	-	-	-
	183	195	187	195
	1,423	1,453	1,424	1,497

#### 45. Retirement Contributory Funds

45.1 The contributory provident and gratuity funds are being maintained by Engro Corporation Limited which has made investments out of the funds in accordance with the provisions of section 218 of the Companies Act, 2017.

(Amounts in thousand)

#### 46. Supplementary Information

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

Rupees

Cost of Sales	408,732
Salaries, wages and staff welfare	19,078
Freight outward	35,526
Rent and utilities	1,046
Communication and other office expenses	4,937
Travelling	1,526
Legal charges	591
Bank charges	1,928
	<u>473,364</u>

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

#### 47. Corresponding figures

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

#### 48. Date of authorization for issue

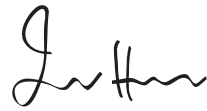
These financial statements were authorized for issue on February 7, 2019 by Board of Directors of the Company.



Abdul Samad Dawood  
Chairman



Ali Ahmed Khan  
Chief Executive



Imran Husain  
Chief Financial Officer

## Employee share option scheme 2013

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

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

During the year, 1,037,500 previously granted share options lapsed due to resignation of some employees. Further, during the year, 800,000 vested share options, granted in 2013 to a senior management employee and 362,500, granted in 2016 to other critical employees expired due to non-exercise by ex-employees within the exercise period. Till date 7,975,000 share options have been granted, out of which, 5,000,000 options have been granted to the following senior management personnel:

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

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

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

# Proxy form

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

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

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on the 26<sup>th</sup> day of April, 2019 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

**WITNESSES:**

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

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

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

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

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

## Standard request form circulation of annual audited accounts.

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

Dated: \_\_\_\_\_

Dear Sirs,

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

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

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

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

Yours truly,

\_\_\_\_\_  
Shareholder's Signature

Copy to:  
Ms. Muneeza Iftikar  
Company Secretary  
Engro Foods Ltd.  
5th Floor, The Harbour Front, Dolmen City  
HC-3, Block 4, Clifton, Karachi-75600.  
E-mail: muneeza.iftikar@frieslandcampina.com

## سالانہ آڈٹ اکاؤنٹس کی گردش

حصص رجسٹرار

اینگروفوڈز لمیٹڈ

فیکو ایسوسی ایٹس پرائیویٹ لمیٹڈ

8-F، نزد ہوٹل فاران

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

ای میل info.shahes@famco.com.pk

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

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

محترم گرامی

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

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

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

شکریہ

شیئر ہولڈر کے دستخط

نقل برائے: مس منیزہ افتخار، کمپنی سیکریٹری، اینگروفوڈز لمیٹڈ، پانچویں منزل، داہار برفرنٹ بلڈنگ،

ایچ سی 3، میرین ڈرائیو، بلاک 4۔ کلفٹن، کراچی، پاکستان۔

muneza.iftikar@engrofoods.com



## ڈائریکٹرز کی حاضری کا جدول ذیل میں درج ہے

ڈائریکٹر کا نام	اجلاس میں حاضری	ڈائریکٹر کا نام	اجلاس میں حاضری
عبدالصمد داؤد ***	4	غیاث خان **	1
ابرا حسن *	2	ہیدی وین ڈیکونج **	0
علی احمد خان	4	جیسکا ماریا نے ڈی بیکر **	0
ایڈورڈ لیمبرٹس ہولٹزر *	2	جوہانس پیٹرس فرانسسکس **	1
پیٹر ایڈجے زنگ وگ *	2	پیٹ جوہانس ہیلیر یڈس **	0
رو لینڈ فرینکس وین نیر بوس *	2	سبرینا داؤد **	1
زہیر عبدل خالق *	3	ویم ٹورفس **	1

\* 26 اپریل 2018 کو تقرر ہوئی

\*\* 26 اپریل 2018 کو مستعفی ہوئے

\*\*\* 26 اپریل 2018 کو دوبارہ تقرر ہوئی

## بورڈ کی ساخت اور دائرہ اختیار

### Board Composition and Governance

بتاریخ 31 دسمبر 2018 تک بورڈ کے سات ڈائریکٹرز (6 مرد 1 خاتون) بشمول ایک ایگزیکٹیو ڈائریکٹر، دو خود مختار ڈائریکٹرز اور چار غیر ایگزیکٹیو ڈائریکٹرز۔ بورڈ کی مشترکہ ذمہ داری ہوتی ہے کہ وہ اینگرو فوڈز کے معاملات کی مستعدی اور دیانت کے ساتھ انجام دہی کو یقینی بنائے۔ جناب عبدالصمد داؤد غیر ایگزیکٹیو ڈائریکٹر، بورڈ کے چیئرمین اور جناب علی احمد خان چیف ایگزیکٹیو آفیسر ہیں۔ ڈائریکٹرز کے بارے میں تفصیلات اس رپورٹ میں آگے درج ہیں۔ ڈائریکٹرز کے اجلاس کی تقویم سالانہ جاری کی جاتی ہے، جس میں معاملات برائے بحث و منظوری پیش کئے جاتے ہیں۔

## بورڈ آڈٹ کمیٹی

### Board Audit Committee

اپنی نظامت کی ذمہ داریوں کی تکمیل بنیادی طور پر حصص مالکان کو مالی اور غیر مالی معاملات کی اطلاعات کی فراہمی، داخلی اختیارات اور انڈیشوں کے انتظامات اور آڈٹ کے عمل پر نظر ثانی کے ضمن میں بورڈ آڈٹ کمیٹی، بورڈ کی ماتحتی میں کام انجام دیتی ہے۔ یہ انتظامیہ سے معلومات کے حصول اور بلا واسطہ خارجی پڑتال کنندگان یا مشیروں سے اپنے طور پر مناسب سمجھتے ہوئے مشاورت کرنے کے لیے با اختیار ہے۔ چیف فائننشل آفیسر مدعو کئے جانے پر باقاعدہ طور پر بورڈ آڈٹ کمیٹی کے اجلاس میں حسابات پیش کرنے کے لیے شریک ہوتا ہے۔ ہر اجلاس کے بعد کمیٹی کا سربراہ بورڈ کو معاملات سے آگاہ کرتا ہے۔ 2018 میں کمیٹی کا چار بار اجلاس ہوا۔

## کمیٹی میں درج ذیل اراکین شامل ہیں۔

ابرا حسن	چیئرمین
ایڈورڈس لمبرٹس ہولٹزر	رکن
زہیر عبدل خالق	رکن

کمیٹی کے سیکریٹری سلیم لالانی ہیں جو جی ایم ان ٹرل آڈٹ ہیں۔

## مستقبل کا منظر نامہ

### Future Outlook

ہم اپنے صارفین کو کھلے دودھ کی بجائے صحت کے اصولوں پر تیار کردہ دودھ استعمال کرنے کے فوائد سے متعلق بات چیت کے ذریعے معلومات فراہم کرتے ہوئے اپنے برانڈ پر تمام تر کاوشیں صرف کریں گے۔ اس کے ساتھ ساتھ اینگرو فوڈز اپنی برانڈ ایکویٹی پر سرمایہ کاری جاری رکھے گا تاکہ صارفین کی دودھ کی ضروریات پوری کرنے کے لیے پسندیدہ انتخاب کے طور پر اپنا مقام برقرار رکھ سکے۔ ادارہ صارفین میں کھلے دودھ سے ہونے والے ممکنہ نقصانات اور ڈبے کے دودھ کے فوائد اجاگر کرنے کے لیے پاکستان ڈیری ایسوسی ایشن کے ساتھ ملک کر کام کرے گا۔ ہم فوڈ کے وفاقی اور صوبائی قوانین کو ہم آہنگ کرنے کے لیے ریگولیٹری اداروں کے ساتھ فعال ہو کر کام کریں گے۔ پیپچر انڈسٹری کو کم سے کم کرنے کے قانون کے اطلاق کے لیے بھرپور کوشش کریں گے۔ ہم ڈیری کے شعبے کے لیے قانون سازی میں ضروری تبدیلیوں، ٹیکس، اور ریگولیٹری ڈیوٹی کے بوجھ میں کمی اور کاروبار کو سازگار مہیا کرنے پر اپنی توجہ مرکوز کریں گے۔

فرائز لینڈ کمپنی کے شریک کار کی حیثیت سے ہم بین الاقوامی منڈیوں میں فرائز لینڈ کمپنی کے تجربے کو مجرب بنائیں گے۔ اور غذائی کمی اور دودھ میں ملاوٹ کے خلاف جنگ میں اگلے محاذ پر رہتے ہوئے بہترین معیاری دودھ کی مصنوعات کی فراہمی کو یقینی بنائیں گے۔

پاکستان بھر میں روزانہ لاکھوں صارفین ہماری مصنوعات سے مستفیض ہوتے ہیں، اسی وجہ سے کمپنی اپنی تمام مصنوعات کی تیاری کے ابتدائی عمل سے لے کر اُسے پایہ تکمیل تک پہنچانے کے پورے عمل کے دوران آغاز سے اختتام تک "from grass to glass" کھانے کی حفاظت کے اعلیٰ ترین معیار، استحکام اور شفافیت کو برقرار رکھنے کے حوالے سے پرعزم ہے۔



علی احمد خان  
چیف ایگزیکٹیو آفیسر



عبدالصمد داؤد  
چیئرمین



## آڈیٹرز

### Auditors

موجودہ آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی کی ملازمت کی مدت ختم ہو چکی ہے۔

اور کمپنی کے قانونی آڈیٹرز کی حیثیت سے اپنی دوبارہ تقرری کے خواہشمند ہیں۔

کمپنی کے بورڈ آف ڈائریکٹرز نے میسرز اے ایف فرگوسن ایند کمپنی کی دوبارہ تقرری کے لیے بورڈ آڈٹ کمیٹی کی سفارش کی تصدیق کی ہے۔

## شیئرز ہولڈنگ کا اسلوب

### Pattern of Shareholding

اینگروفوڈز لمیٹڈ کے بڑے شیئرز ہولڈرز فریز لینڈ کمپنا پاکستان ہولڈنگز نجی۔وی۔

(51فیصد) اور اینگروکار پوریشن لمیٹڈ (40فیصد) ہیں۔ دیگر شیئرز ہولڈرز میں

مقامی ادارے اور عام افراد شامل ہیں۔

گوشوارہ برائے شیئرز ہولڈنگ کے عام اسلوب اور مخصوص درجات برائے شیئرز ہولڈنگ جن کی رپورٹنگ ڈھانچے کے تحت ضروری ہے، اور ڈائریکٹرز، ایگزیکٹیوز اور ان کے رفقاءئے حیات بشمول نابالغ اولاد کے شیئرز کے گوشوارے برائے خرید و فروخت دوران سال 2018 آگے درج کیئے گئے ہیں۔

## داخلی اختیار کا نظام

### Internal Control Framework

### زمرہ داری

### Responsibility

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

## نظام

### Framework

کمپنی مقرر کردہ طریقہ کار کو برقرار رکھتی ہے، جو شفافیت، اختیارات کی حدود، احتساب، واضح منصوبہ بندیوں اور طرز عمل پر مشتمل ہے۔ بورڈ مشترکہ لائحہ عمل اور کمپنی کے کاروباری مقاصد ترتیب دیتا ہے۔ زبیلی انتظامیہ ان مقاصد کو مالیاتی مقاصد کی تائید کے ساتھ ذیلی کاروباری حکمت عملیوں میں ضم کرتی ہیں۔

## نظر ثانی

### Review

کمپنی کی مالیاتی کارکردگی، مالیاتی اور انتظامی میزانیہ اور پیش بینی، کاروبار کی نشوونما اور ترقی کے منصوبوں، سرمائے کے اخراجات کی تجاویز، اور کارکردگی کے اہم زاویوں پر غور کرنے کے لیے بورڈ کا سہ ماہی اجلاس ہوتا ہے۔ بورڈ کی آڈٹ کمیٹی داخلی اختیارات کے طریقہ کار پر داخلی اور خارجی پڑتال کنندگان (آڈیٹرز) کی رپورٹ وصول کرتی ہے، اور داخلی اختیارات کی فعالی کے طریقے پر نظر ثانی کی جاتی ہے۔

## داخلی پڑتال

### Internal Audit

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

## خطرات سے بچاؤ

### Risk Management

اینگروفوڈز کے پاس سیاسی اور معاشی حالات سے پیدا ہونے والے خطرات کو بھانپنے کا رسمی طریقہ کار ہے۔ خطرات سے بچاؤ کا نظام کمپنی کی کاروباری سرگرمیوں میں حکمت عملی، مالیات، ساکھ، ریویولیریٹی اور آپریشنز جس میں بھی خطرات کے امکانات ہوں اُس کی تشخیص کرے۔ ان تشخیص کردہ خطرات پر مینجمنٹ کمیٹی مخصوص شعبوں کے مقاصد، ٹارگٹ اور کارکردگی کو مد نظر رکھتے ہوئے نظر ثانی کرتی ہے۔ پھر حکمت عملی طے کی جاتی ہے تاکہ تشخیص کردہ خطرات کے اثرات کو کم سے کم کیا جاسکے۔ کمپنی اپنے کاروبار کو مضبوط کرنے اور اُسے آگے بڑھانے کے لیے فریز لینڈ کمپنا کے خطرات کے بچاؤ کے نظام کے تحت کام کرتی ہے۔

## بورڈ آف ڈائریکٹرز

### Board of Directors

## ڈائریکٹرز کی ذمہ داریوں کا بیان

### Statement of Director Responsibilities

ڈائریکٹرز درج ذیل امور کے لیے ایس ای سی پی SECP کے انتظامی ضابطے سے مشترکہ اور مالیاتی رپورٹنگ کے نظام کی مطابقت کی تصدیق کرتے ہیں۔

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

## بورڈ کے اجلاس اور حاضری

### Board Meetings and Attendance

2018 میں بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد کئے گئے تاکہ کارکردگی کا دائرہ کار مکمل کیا جاسکے۔ بورڈ کے تمام اراکین کو بورڈ کے اجلاس کی تمام دستاویزات پیشگی فراہم کی گئیں۔ یہ عمومی طور پر کاروبار سے متعلق تفصیلی تجزیے اور ان تمام معاملات پر مبنی دستاویزات ہوتی ہیں جن پر بورڈ کا فیصلہ یا منظوری درکار ہوتی ہے۔ بورڈ خود مختار غیر ایگزیکٹیو ڈائریکٹرز کے مشاہرے پر مشاورت اور تقرری کرتا ہے۔

کام کرنے کے مقامات پر حفاظتی نظام نافذ کیا گیا جو کام کے مقامات پر ناگہانی حادثات کو کم سے کم کرنے کے لیے حفاظتی کمی کا تجزیہ کرتے ہوئے پوری طرح فعال ہے۔ کیوں کہ ڈیو پونٹ سیفٹی مینجمنٹ بنیادی طور پر افراد پر توجہ مرکوز رکھتا ہے، لہذا ہم نے ملازمین کی تربیت کے لیے اس سال 23,850 سے زائد گھنٹے مختص کئے۔ اپنے ملازمین کی حفاظت کے ضمن میں اپنے عزم کی تصدیق کے لیے اینگرو فوڈز حفاظتی ہفتے اور سیفٹی چیمپئن آف دی منٹھ جیسی تقریبات کا انعقاد بھی کروا تا رہتا ہے۔

2018 میں فریڈ لینڈ کیمپنا گلوبل ایچ ایس سی مینجمنٹ سسٹم کے ساتھ 'FOCUS SHE' کیا گیا، جس میں اینگرو فوڈز فریڈ لینڈ کیمپنا کی پہلی انتظامی کمپنی بن گئی جسے پہلے ہی امتحان میں تسلی بخش نتائج حاصل ہوئے۔ ملازمین میں کام کی جگہ پر لگنے والی خطرناک چوٹوں اور زندگی کو لاحق خطرات سے آگاہی کے لیے زندگی بچانے کے سات اصولوں کا تعارف بھی 2018 میں کیا گیا۔ مزید آگے بڑھتے ہوئے 2019 میں ہم مشینوں کے حفاظتی جائزے کی طرف بڑھیں گے۔

اپنی کاوشوں اور صحت، حفاظت اور ماحول کی سخت ہدایات کے نتیجے کے طور پر ٹوٹل ریکارڈ ایبل انجری ریٹ (TRIR) میں پچھلے چھ برسوں میں حیرت انگیز کمی واقع ہوئی ہے۔ دوران سال ہمارے ملازمین اور کسٹریکٹرز کا ریکارڈ ایبل انجری ریٹ 16.7 ملین گھنٹوں کے اوقات کار میں 0.05 رہا۔

## ذمہ دارانہ ماحولیاتی طریقہ کار کو یقینی بنانا

Ensuring Responsible Environmental Practices

اینگرو فوڈز کرہ عرض کے تحفظ کی اہمیت سے نہ صرف بخوبی واقف ہے بلکہ وہ اس معاملے میں ایک قدم آگے بڑھتے ہوئے کاروبار سے ماحول پر پڑنے والے اثرات کو کم کرنے اور قدرتی وسائل کے بے جا زیاں کو روکنے پر بھی کام کرتا ہے۔ ہمارے کاروبار کی حکمت عملی اسی نقطہ نظر سے ہم آہنگ ہے۔ اپنی بودوباش کی حفاظت کی جاری کوششوں کے تحت ہم نے اپنے ایریا آفسوں میں سٹشی توانائی سے

چلنے والے گیز رنصوب کرنے کے ساتھ ساتھ اپنے دودھ جمع کرنے کے مراکز پر اپنے اشتراکی تقسیم کاروں کی بھی سٹشی توانائی پر منتقلی کی حوصلہ افزائی کرتے ہیں تاکہ کاربن کے استعمال کو کم سے کم کیا جاسکے۔ گرین ہاؤس گیس اور اس کے اخراج کو کم کرنے کے لیے ہم اپنے تمام مینوفیکچرنگ یونٹس میں ان مصنوعات کے استعمال کو فروغ دے رہے ہیں جو CFC پر مشتمل نہ ہوں، ہم نے اوزون کی تہ کو نقصان پہنچانے والے غیر ماحولیاتی ایئر کنڈیشنرز اور ریفریجریٹرز کا استعمال بھی روک دیا ہے۔ اینگرو فوڈز میں ہم اپنے سیارے کو تحفظ فراہم کرنے اور آنے والی نسلوں کے لیے محفوظ رکھنے کی باہمی کوششیں جاری رکھیں گے، اور ماحولیاتی خطرات کو کم سے کم کرنے کے لیے موثر اقدامات کریں گے۔

اس کی جھلک سکھر اور ساہیوال میں ہماری فیکٹریوں اور نار میں ہمارے ڈیری فارم کے لیے ISO 14001 کی سند کے حصول کی کاوشوں میں نظر آتی ہے۔ ہمارے دودھ کے حصول کے لیے قائم کردہ بیس ایریا آفسز اور ایگری سروسز دفاتر بھی ISO 14001 سے سند یافتہ ہیں۔ سال بہ سال کی بنیاد پر پانی کے استعمال کو کم سے کم کرنے کا منصوبہ بھی قابل غور ہے۔ ہمارا ہیڈ آفس بمعہ ہمارے ساہیوال پلانٹ، سکھر پلانٹ، اور نار ڈیری فارم کے ایڈمنسٹریشن آفسز ڈبلیو ڈبلیو ایف پاکستان کے گرین آفس پروجیکٹ کے تحت " گرین آفسز " کی حیثیت سے سند یافتہ ہیں۔ کاغذ کے استعمال میں کمی کا ابتدائی منصوبہ اینگرو فوڈز نے اپنے کراچی آفس میں شروع کیا، جس کے نتیجے میں کاغذ کے استعمال میں چالیس فیصد کمی واقع ہوئی۔ اپنے ملازمین میں ماحولیاتی مسائل کے بارے میں آگہی کو فروغ دینے کے لیے سارا سال مختلف نوعیت کی تقریبات بشمول ارتھ ڈے اور ارتھ Earth Day and Earth Hour منائی جاتی ہے۔

ہم اپنی پیداواری سہولیات پر بہت سارا سرمایہ خرچ کرتے ہیں تاکہ پانی کے استعمال کو کم کر کے اُسے محفوظ کیا جاسکے، پچھلے چند سالوں میں ہم پانی محفوظ کرنے کے پروجیکٹ پر 115 ملین کی سرمایہ کار کر چکے ہیں۔ ان تمام کاوشوں کے نتیجے میں ہر ایک لیٹر دودھ کی پیداوار پر ہم 0.11 لیٹر پانی بچانے میں کامیاب ہوئے، اس حساب سے 2018 میں پانی کی مجموعی بچت 33.1 ملین لیٹر ہوئی۔

## اکاؤنٹنگ کے معیارات

Accounting Standards

کمپنی کی اکاؤنٹنگ کی حکمت عملی میں کمینیز ایکٹ 2017 اور دیگر منظور شدہ بین الاقوامی مالیاتی رپورٹنگ کے معیارات جو اس ایکٹ کے تحت آگاہ کردہ اور اس کے علاوہ سیکورٹی اینڈ ایڈجسٹمنٹ کمیشن آف پاکستان کے احکامات کی مطابقت نمایاں ہے۔

## ایمپلائئی شیئر آپشن اسکیم

Employee Share Option Scheme

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

## پینشن، گریجویٹی اور پراویڈنٹ فنڈ

Pension, Gratuity and Provident Fund

کمپنی کے ملازمین اینگرو کارپوریشن لمیٹڈ کے زیر نگرانی ریٹائرمنٹ فنڈ میں حصہ لیتے ہیں۔ کمپنی اپنے ملازمین کی ملازمت سے سبکدوشی کے بعد ہونے والے فنڈز کے منصوبے میں اپنی شراکت کرتی ہے۔ اس میں ڈی سی پراویڈنٹ پلان، ڈی سی گریجویٹی پلان، اور ڈی بی گریجویٹی پلان شامل ہے۔ ڈی بی گریجویٹی اسکیم کی سرمایہ کاری قدر پڑتا شدہ مالیاتی گوشوارہ کی تاریخ کے مطابق درج ذیل ہے۔

	ڈی بی گریجویٹی فنڈ (روپیے میں)
	30 جون 2018
1	پڑتا شدہ مالیاتی گوشوارہ کے مطابق خالص اثاثہ
2	پاکستان انویسٹمنٹ بانڈز (PIB)
3	ٹرم فنڈنگ سرٹیفکیٹ (TFC)
4	حصص
5	بینک ڈپازٹس (Bank Deposits)
6	واجب الوصول رقوم
7	واجب الادا رقوم
	<b>کل میزان</b>
	512

مندرجہ بالا منصوبہ ٹیکس حکام سے منظور شدہ سرمایہ کاری کا منصوبہ ہے۔ گریجویٹی منصوبہ کی 31st actuarial valuation دسمبر 2018 میں کی گئی اور ان کے مالیاتی گوشواروں کی پڑتا 30 جون 2018 تک کی گئی ہے۔

## اینگر و فوڈز ہیلتھ سینٹر

Engro Foods Health Centre

بنیادی صحت کے مسائل پسماندہ کمیونٹیز میں ایک بہت بڑا مسلہ ہے۔ صحت مند کمیونٹی کی اہم بنیاد جسمانی اور ذہنی تندرستی ہے۔ اینگرو فوڈز کی کاوشوں کی سمت اپنے کسانوں اور اُن کے اردگرد کی کمیونٹیز کو خود مختار اور ترقی کرتے ہوئے دیکھنا ہے، جو کہ اقوام متحدہ کے پائیدار ترقی کے دو مقاصد ہیں۔ ہم نے 7.8 بلین روپے اینگرو فوڈز سکھر پلانٹ کے قریب اینگرو ہیلتھ سینٹر پر خرچ کئے، اینگرو فوڈز ہیلتھ سینٹر میں اب تک آٹھ ہزار سے زائد پسماندہ علاقوں کے مریضوں کا علاج کیا جا چکا ہے۔

## ڈیری کی ترقی

Dairy Development

ہمارے تیرہ سو سے زائد دودھ جمع کرنے کے سینٹرز کا نیٹ ورک ہے، جو پورے پاکستان سے تقریباً ڈھائی لاکھ سے زائد کسانوں اور دودھ پہنچانے والوں سے دودھ جمع کر کے انھیں روزگار فراہم کرتا ہے۔ ہمارے بہت سارے ڈیری کی ترقی کے اقدامات سے پاکستان میں لائیو اسٹاک اور ڈیری کی ترقی میں اینگرو فوڈز کا حصہ براہ راست شامل ہو جاتا ہے، جو AGDP کا تقریباً %11 اور زراعت کے شعبہ میں اس کا حجم تقریباً %56.3 بنتا ہے۔

ہمارے مستقل ڈیری کے ترقیاتی پروگرامز کے ذریعے، ہم نے 2018 میں 71,900 سے زائد کسانوں کو جانوروں اور چارے کے متعلق تربیت فراہم کی۔ اس کے علاوہ اینگرو فوڈز سے منسلک کسانوں کو چارے کی قلت سے بچانے کے لیے ہماری ٹیموں نے کسانوں کو 103,405 ٹن چارہ اور گائٹھوں کو بنانے میں معاونت فراہم کی جس کی مالیت تقریباً 545 ملین روپے تھی۔

## مخصوص تربیت کے ذریعے ڈیری کی صلاحیت کو بڑھانا

Enhancing Dairy Skills through Specialized Training

اینگر و فوڈز معیشت کی ترقی کے ذریعے اچھے روزگار کے مواقع اور صلاحیتوں کی تعمیر کو بہتر بنانے کے لیے اپنے وقف کردہ پروگراموں سے سماجی ترقی کو فروغ دینے کے لیے برعزم ہے۔ ڈیری کی صنعت جس سے اینگرو فوڈز وابستہ ہے اس میں

مخصوص صلاحیتوں کی کمی ہے جس سے دودھ کی پیداوار میں کمی واقع ہوتی ہے ان ہی صلاحیتوں کی کمی کو پورا کرنے کے لیے اینگرو فوڈز نے کئی پروجیکٹس متعارف کروائے۔ مخصوص تربیت کے ذریعے ڈیری کی صلاحیت کو بڑھانا ان کے تازہ ترین پروجیکٹس میں سے ایک ہے۔ اس پروجیکٹ کے لیے یورپی یونین ،ریپبلک آف جرمنی اور رائل نوروےجین انجینیری نے بھی امداد فراہم کی۔ ڈیری فارمنگ کی مہارت حاصل کرنے کے لیے اینگرو فوڈز نے 1,250 فارم سپروائزر ٹرینی کے لیے تربیت کا پروگرام ترتیب دیا۔ یہ تربیتی پروگرام ایک مخلوط نقطہ نظر کے تحت ترتیب دیا گیا، جس میں کلاس روم میں پڑھائی کے ذریعے تربیت، کھیتوں میں تربیت، اور مختلف کام کی جگہوں پر لے جا کر تربیت دینا شامل ہے۔ ٹرینی جو چھ تربیتی ماڈیولز کو مکمل کر لیتے ہیں انھیں کمرشل فارم پر بھیج دیا جاتا ہے جہاں وہ نوکری کے ساتھ مزید تربیت حاصل کرتے ہیں۔ نوکری کے ساتھ تربیت کے دوران ٹرینیپر کو اساتذہ کی مدد بھی فراہم کی جاتی ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ وہ اپنی کلاس روم کی تربیت کی مشق بھی جاری رکھ سکیں۔

## بین الاقوامی سطح پر پزیرائی

International Recognition

اینگر و فوڈز نے کامن ویلتھ کا کمپنی آف دی ایبز کا ایوارڈ حاصل کیا۔ کامن ویلتھ ہیڈ آف گورنمنٹ کی میٹنگ اپریل 2018 لندن میں منعقد ہوئی، جہاں کوئین الزبتھ اور یورپی حکومت نے کامن ویلتھ کے 53 ممالک کے سربراہان اور 5000 فوڈ کی میزبانی کی، جس میں کامن ویلتھ کے ممالک کی پائدار ترقی اور باہمی تجارت کے فروغ کے مقصد کو پروان چڑھایا گیا۔ اینگرو فوڈز نے وہاں کامن ویلتھ بزنس وومن نیٹ ورک میں اپنا پروجیکٹ لائیو اسٹاک کی ترقی کے ذریعے عورتوں کی خود مختاری پیش کیا، جو بین الاقوامی سطح پر اینگرو فوڈز کے لیے ستائش کا باعث بنتے ہوئے اینگرو فوڈز کو کمپنی آف دائیئر بنا گیا۔

وومن نیٹ ورک میں اپنا پروجیکٹ لائیو اسٹاک کی ترقی کے ذریعے عورتوں کی خود مختاری پیش کیا، جو بین الاقوامی سطح پر اینگرو فوڈز کے لیے ستائش کا باعث بنتے ہوئے اینگرو فوڈز کو کمپنی آف دھا دیئر بنا گیا۔

## ہمارے انسانی وسائل

Our Human Resource

2018 اپنے لوگوں کی صلاحیتوں کو مزید مستحکم کرنے کے حوالے سے ہماری توجہ کا مرکز تھا، ملازمین کی استعداد کار میں اضافہ، اہلیت کی تشخیص اور دیرپا تعلق قائم کرنا۔

## مہارت کا حصول

Talent Acquisition

ہم یہ بات اچھی طرح جانتے ہیں کہ ادارے میں کام کرنے والے لوگوں کی وجہ سے ہی سب کچھ ہوتا ہے، اسی لیے اس بات کو یقینی بنایا جاتا ہے کہ مارکیٹ میں بہترین صلاحیت رکھنے والے لوگوں کو متاثر کریں، انھیں اپنے ساتھ منسلک کریں اور اپنے ساتھ ہی رکھیں۔ تنوع دیرپا کامیابی میں اہم اور کلیدی کردار ادا کرتا ہے۔ صرف مختلف پس منظر، تعلیم، مہارت اور تجربے کے حامل لوگوں کے ساتھ بنائی گئی ٹیموں کے ذریعے ہی اداروں میں دیرپا قدر و منزلت حاصل کی جاسکتی ہے۔ دسمبر 2018 تک ادارے میں خواتین کا تناسب %6.28 تھا۔

## تعلیم و ترقی

Learning & Development

ملازمین کی پیشہ ورانہ اور ذاتی صلاحیتوں میں اضافہ اور اُن کی رتی کے لیے سرمایہ کاری کرنا ہمارا اہم ترین ایجنڈا ہے۔ اس سال کے دوران ہم نے تین بنیادی رویے متعارف کروائے: مقصدیت، تجارتی لگاؤ، مالکانہ سوچ۔ ان رویوں کے اطلاق اور سرایت کو یقینی بنانے کے لیے ادارے کے تمام لیولز میں چار مختلف لرننگ ماڈیولز متعارف کروائے گئے، ہر سطح کے ملازمین کو اُن کی مرضی کے مطابق ایک تجرباتی تربیتے گزارا گیا، یہ ایک 9,717 گھنٹوں پر محیط بنیادی رویوں کو جانچنے کی تربیت تھی۔ جو روزمرہ زندگی میں اُن کی اقدار، موزونیت اور اہلیت کو سمجھنے کا احاطہ کرتی تھی۔

## کمپاس - ناطبہ اخلاق

COMPASS – Code of Conduct

ہمارا دیانت کا اعلیٰ معیار اور شفافیت کا وعدہ ہمارے انتظامی معاملات اور طریقہ کار کا عکاس ہے، جو کہ ادارے کی بہترین روایات سے ہم آہنگ ہے۔ اینگرو فوڈز کا ہر ملازم انتظامیہ کا حصہ ہے اور یہ سب پر لازم ہے کہ وہ کمپاس کے مقرر کردہ ضابطہ اخلاق کے تحت قوانین کی پاسداری کریں، کمپاس فریز لینڈ کمپنیا کا ضابطہ اخلاق ہے، ان رہ نما اصولوں سے ہماری کمپنی کو ہر سطح پر اچھے کاروبار اور اخلاقی سلوک کے سلسلے میں ہدایات ملتی ہیں، اخلاقیات کو مد نظر رکھنا، اپنے شراکت داروں کی توقعات پر پورا اُترنا اور ملکی قوانین کی پاسداری کرنا ہمارے ادارے کے لیے انتہائی اہم ہے۔ انتظامی اصول بنیادی طور پر ایک ایسا طریقہ کار ترتیب دینے میں مدد فراہم کرتے ہیں جن کی بدولت ڈائریکٹرز اپنی نگرانی میں اسٹیک ہولڈرز کے مفادات کے تحفظ کو یقینی بناتے ہیں۔ یہ اُصول کارپوریٹ معاملات اور فیصلہ سازی میں کشادگی اور شفافیت کو بھی یقینی بناتے ہیں۔

## صحت، حفاظت اور ماحولیات

Health, Safety and Environment

صحت، حفاظت اور ماحولیات کے اعلیٰ معیار کو برقرار رکھنے پر ہم پختہ یقین رکھتے ہیں، تاکہ ہمارے ساتھ کام کرنے والے لوگوں اور اطراف کی کمیونٹیز بہتر حالات میں زندگی گزاریں۔

## کام کرنے کی جگہوں پر ملازمین کی حفاظت کو یقینی بنانا

Ensuring employee safety at the workplace

اینگرو فوڈز میں ہم اپنے ملازمین اور کنٹریکٹرز سے توقع رکھتے ہیں کہ وہ صحت، حفاظت اور ماحول کے انتظامی نظام اور طریقہ کار کو یقینی بنائیں، جنھیں بین الاقوامی معیار اور بہترین طریقوں کو مد نظر رکھتے ہوئے ترتیب دیا گیا ہے، برسوں سے ہماری کوشش ہے کہ ڈیوپونٹ الائنمنٹ کے ذریعے پیشہ ورانہ حفاظت اور صحت کے نظام ( O S H A - U S A ) کو اپنائیں، اور ہم اپنے مقاصد میں کامیاب رہے۔

## ڈائریکٹرز رپورٹ

اینگروفوڈز لمیٹڈ ( فریز لینڈ کمپنا پاکستان ہولڈنگز بی۔وی۔کی اکثریت ملکیتی ماتحت کمپنی) کے بورڈ آف ڈائریکٹرز کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی معلومات برائے سال، جو 31 دسمبر 2018 کو اختتام پزیر ہوا، بصد مسرت پیش کر رہے ہیں۔

### کاروبار کا جائزہ

#### Business Overview

2018 میں ڈیری کی صنعت کو ریگولیٹری اور عدلیہ کے اداروں کی جانب سے مخصوص مسائل کا سامنا جاری رہا، جو بنیادی طور پر وفاق اور صوبوں کے مابین فوڈ قوانین (food law) میں غلط فہمی کے باعث پیدا ہوئے تھے۔ ان مسائل سے صارفین کے ذہنوں پر نامناسب منفی اثرات مرتب ہوئے، جس کے نتیجے میں صنعت کو مجموعی فروخت میں پچھلے سال کے مقابلے میں کافی گراوٹ کا سامنا کرنا پڑا۔ اجناس کی بڑھتی ہوئی قیمت کے ساتھ ساتھ روپے کی قدر میں کمی اور شرح سود میں تیزی سے اضافے نے صنعت کے مجموعی منافعے کو شدید متاثر کیا۔ اس سال کے دوران کمپنی نے 32.4 بلین ریونیو حاصل کیا جبکہ پچھلے سال 34.6 بلین ریونیو حاصل کیا گیا تھا۔ گروس مارجن 2017 کے %16.3 کے مقابلے میں اس سال کم ہو کر %15.9 رہا۔ جس کی بنیادی وجہ والیم کالم ہونا تھا۔ مجموعی بنیادوں پر کمپنی نے 2017 کے کل منافع 379 بلین روپے کے مقابلے میں 2018 میں 64 بلین روپے منافع ظاہر کیا (EPS 2018 0.08 روپے، 2017 0.49 روپے)

### ڈیری اور مشروبات کا شعبہ

#### Dairy and Beverages Segment

2018 میں ڈیری اور مشروبات کے شعبے نے 29 بلین روپے کار یونیو حاصل کیا جبکہ پچھلے سال اسی دوران یہ میں 31.4 بلین روپے کار یونیو حاصل کیا گیا تھا۔ اس سال کے دوران کمپنی نے میڈیا، ڈیجیٹل اور تجارتی سرگرمیوں کے بھرپور تعاون سے اپنے دونوں مشہور برانڈز کو پھر سے لانچ کیا۔ مارچ میں ترنگ کو چائے کے لیے پہلے سے بہتر کرمی دودھ کے طور پر پیش کیا گیا۔ ترنگ کی نظر ثانی شدہ پیکنگ کے ڈیزائن نے چائے کے لیے درکار موزوں کرم کے طور پر اس کی اہمیت کو مزید مستحکم کیا۔

ملک کے سب سے بڑے چائے کے برانڈ وائل کے ساتھ اس کے لانچ کو ملک بھر کے صارفین نے بے حد سراہا۔ فطرت کی طرف سے فروغ کے ورثہ کو مد نظر رکھتے ہوئے اولپرز کو اپریل میں "پپی صبح" کے تھیم کے تحت پھر سے لانچ کیا گیا۔ نئی اور تازہ پیکنگ نے اپنے بصری اثرات سے ہماری کہانی کو مزید مک پہنچائی۔ لوگوں کو کھلے دودھ سے اپنی طرف تیزی سے راغب کرنے کے لیے اولپرز کے فیملی پیک اور دوسرے پیک کو ستمبر میں بہترین قیمت کے ساتھ لانچ کیا گیا۔ جس کے بے حد مثبت اثرات مرتب ہوئے۔ دونوں اشتہاری مہمات نے صارفین پر اچھے اثرات پیدا کئے، اس سال کے دوران دونوں کلیدی برانڈز صحت کے معیار اور مارکیٹ شیئر دونوں ہی سمتوں میں مثبت انداز میں آگے بڑھتے رہے۔ 2018 میں کمپنی نے فریز لینڈ کمپنا کے ساتھ الضمام کے بعد اپنی پہلی ایجاد لانچ کی۔ نیلشیم اور پروٹین سے بھرپور دودھ "اولپرز وکال " اکتوبر میں لانچ کیا گیا، اس کے ساتھ پاکستان کا واحد فل کریم ملک پاؤڈر نومبر میں شدت کے ساتھ مارکیٹ میں متعارف کروایا گیا۔ ان دونوں جدتوں کو نہ صرف صارفین بلکہ تجارتی حلقوں کی جانب سے بھی پزیرائی حاصل ہوئی جو کہ مستقبل میں کاروبار کے فروغ میں کلیدی کردار ادا کرتی رہے گی۔ انھی کاموں کے نتیجے میں مثبت ہیجان خیزی کا گراف اونچا رہا، اور پچھلے سال کے مقابلے میں اس سال Q 4 ' 18 کی گرتھ % 13 رجسٹرڈ ہوئی۔

### آئسکریم اور منجمد میٹھوں کا شعبہ

#### Ice Cream and Frozen Desserts Segment

آئسکریم اور منجمد میٹھوں کے شعبہ میں اس سال 3.4 بلین ریونیو حاصل ہوا جو کہ پچھلے سال سے %6 زیادہ ہے۔ اس اضافہ کے محرکات میں ہماری چھوٹی کون اور اسٹک آئسکریم کے ساتھ اس سال چاکلیٹ چاک بار، فرنج پر لائن ٹیوب میں لائی جانے والی جدت اور محدود مدت کے لیے پیش کی جانے والی وینلا کیرمیل کرئج برک

پیک آئسکریم کو بھی قرار دیا جاسکتا ہے۔ سال 2018 میں تقسیم کے نظام کی توسیع نے دو سو چالیس قصبوں تک پہنچ کر انتہائی کلیدی کردار ادا کیا۔ اس شعبے نے اس سال 141 ملین خالص منافع حاصل کیا۔

### ڈیری فارم کا شعبہ

#### Dairy Farm Segment

ہمارے ڈیری شعبہ کے معیاری دودھ کے لیے نارا ڈیری فارم غذائیت سے بھرپور وسیلہ ہے۔ اس شعبہ نے پچھلے سال 2017 کے 28 ملین منافع کے مقابلے میں 2018 میں 113 ملین روپے خالص منافع حاصل کیا۔

### اینگروفوڈز کی استقامت (پائیداری)

#### Sustainability at Engro Foods

### بامقصد کاروبار

#### Purpose-driven Enterprise

پاکستان کی بڑھتی ہوئی آبادی کو صحیح غذائی اجزاء کی مستحکم بنیادوں پر فراہمی آنے والی دہائیوں میں ایک بڑا چیلنج ہے۔ ایسے میں اینگروفوڈز فریز لینڈ کمپنا کے ساتھ مل کر قابل اعتماد، غذائیت سے بھرپور ڈیری مصنوعات کی فراہمی کو یقینی بنانے کی ضمانت دیتا ہے۔ اینگروفوڈز کا مقصد - فطرت کی نشوونما - یعنی پاکستان کے لیے بہترین غذائیت، کسانوں کے لیے بہتر طرز زندگی، اور اب یہی سب کچھ آنے والی نسلوں کے لیے۔

### اسٹیک ہولڈرز کے ساتھ تعاون

#### Cooperation with Stakeholders

نان کمیونیکیشنل بیماریوں (موٹاپا، جسم میں غذائی توانائی کی کمی، یا مضر صحت غذا سے پیدا ہونے والی بیماریوں) سے بچاؤ اور روک تھام، صارفین، حکومت وقت، این جی اوز، کے ساتھ ساتھ غذائی اجناس کی پیداوار اور تقسیم کرنے والے سب کی مشترکہ ذمہ داری ہے۔ اینگروفوڈز اسے اپنی ذمہ داری کے طور پر دیکھتا ہے اور دنیا بھر میں پھیلے اپنے اسٹیک ہولڈرز کے ساتھ مل کر ان مسائل کے حل کے لیے مستقل کوشاں رہتا ہے۔

#### سماجی سرمایہ کاری

#### Social Investments

ہم اپنے صارفین کی بدلتی ہوئی ضروریات، اسٹیک ہولڈرز کی ترقی اور کسانوں کو خود مختار بنانے کے وعدوں سے اچھی طرح باخبر ہیں - 2018 میں اینگروفوڈز نے اپنے سماجی سرمایہ کاری کے وعدے کو پورا کرتے ہوئے 40 ملین روپے کسانوں اور ان کے آس پاس کی کمیونٹی کی بہبود و ترقی پر خرچ کئے۔

ہمارا سماجی سرمایہ کاری پروگرام اینگروفوڈ فاؤنڈیشن کے تحت دوسرے شراکت کاروں جو کہ تعلیم، صحت، آباد کاری، روزگار، آفات سے بچاؤ کے لیے انفرادی یا کمیونٹی کی بنیاد پر مدد فراہم کرتے ہیں ان کے ساتھ مل کر کام کرتا ہے۔ مزید براں ہم کاروبار کی جامعیت پر توجہ مرکوز رکھتے ہوئے ایسی حکمت عملی پر کام کرتے ہیں جو اپنے دیرپا اثرات مرتب کریں۔

### اینگروفوڈز کی اسکولوں کی سرپرستی کا پروگرام

#### Engro Foods School Adoption Programs

ہم نے سنہ 2011 میں اپنی پیداواری سہولیات کے قریب اسکولوں کی سرپرستی کے پروگرام کا آغاز کیا تا کہ پسماندہ علاقوں کے بچوں کو تعلیم تک رسائی کے بہتر مواقع فراہم کئے جاسکیں - یہ ایک ایسا قدم تھا جس سے آس پاس کی کمیونٹیز میں عدم مساوات کو کم اور بہتر مواقعوں کو بڑھایا جاسکے۔ اینگروفوڈز اپنے پلانٹس کے قریب 6 اسکولوں کی سرپرستی کر رہا ہے۔ 2018 میں ہم نے اینگروفوڈ ڈیری فارم کے قریب ناراسندھ میں دو اسکولوں پر 5.3 ملین روپے خرچ کئے، اور ساہیوال پلانٹ کے قریب ۱4 اسکولوں پر 7.1 ملین روپے مختص کئے۔ ان اسکولوں میں ہمارے ملازمین نے ان کمیونٹیز کے لیے متواتر صحت، صفائی، ماحولیات، غذائیت، اور حفاظت کی اہمیت اجاگر کرنے کے پروگرام کیئے۔



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