ANNUAL REPORT 2021

Dawood Hercules

WWF
GREEN OFFICE

TABLE OF CONTENTS

VISION

The leading investor &
wealth creator of value driven business.

COURAGE

We will keep raising the bar for ourselves. We will move out of our comfort zone and take on challenges. We will be agile, learning from our mistakes and embracing change positively. We will speak up when things are not right and play our part in making them better.

CURIOSITY

We will stay curious and keep seeking opportunities to learn and explore. We will apply this ability to develop our entrepreneurial thinking, increase global perspective, make sound decisions and continuously improve.

ACCOUNTABILITY

We will take ownership for execution, problem-solving, and achieving results. We will honour our commitments and comply with the law and policies. We will hold ourselves accountable.

INCLUSION

We will foster collaboration and teamwork. We will build a diverse and inclusive environment together where we all feel valued, respected, heard, and supported.

FAIRNESS

We will put people first and we will be fair and just in all our decisions and actions.

COMPANY INFORMATION

Board of Directors
Mr. Hussain Dawood - Chairman
Mr. Abdul Samad Dawood - Vice Chairman
Mr. Shahzada Dawood - Director
Ms.Sabrina Dawood - Director
Mr. Parvez Ghias - Director
Mr. Shabbir Hussain Hashmi - Director
Mr. Kamran Nishat - Director
Mr. Hasan Reza Ur Rahim - Director
Mr. Imran Sayeed - Director
Mr. Mohammad Shamoon Chaudry - Chief Executive Officer

Board Audit Committee
Mr. Shabbir Hussain Hashmi - Chairman
Mr. Kamran Nishat - Member
Mr. Hasan Reza Ur Rahim - Member

Human Resource & Remuneration Committee
Mr. Hasan Reza Ur Rahim - Chairman
Mr. Abdul Samad Dawood - Member
Ms. Sabrina Dawood - Member
Mr. Parvez Ghias - Member

Board Investment Committee
Mr. Abdul Samad Dawood - Chairman
Mr. Shabbir Hussain Hashmi - Member
Mr. Kamran Nishat - Member
Mr. Hasan Reza Ur Rahim - Member

Chief Financial Officer
Mr. Kamran Hanif Jangda

Company Secretary
Mr. Asim H. Akhund

Registered Office
Dawood Centre, M.T. Khan Road Karachi-75530
Tel: +92 (21) 35686001
Fax: +92 (21) 35644147
Email: shareholders@dawoodhercules.com
Website: www.dawoodhercules.com

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

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

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

Legal Advisors
Haidermota & Co.
(Barristers at law)
Plot No.101, Almurtaza Lane 1,
DHA Phase VIII, Karachi
Tel: +92 (021) 111 520 000, 35879097
Fax: +92 (21) 35862329, 35871054

Bankers
Allied Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Limited
United Bank Limited
MCB Islamic Bank Limited

COMMITTEES

Board Audit Committee:

The Board has set up an audit committee comprising of three directors. All of them are independent.

Mr. Shabbir Hussain Hashmi	Chairman
Mr. Kamran Nishat	Member
Mr. Hasan Reza Ur Rahim	Member

The Committee meets at least once in a quarter or as often as it considers necessary, to review and discuss all matters specified in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

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

Human Resource & Remuneration Committee:

The Human Resource & Remuneration Committee consists of four directors. Presently one of whom is an independant director and three are non-executive directors. The Chairman of the Committee is an Independent director.

Mr. Hasan Reza Ur Rahim	Chairman
Mr. Abdul Samad Dawood	Member
Ms. Sabrina Dawood	Member
Mr. Parvez Ghias	Member

The Chief Executive Officer attends the meetings by invitation.

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

The Head of HR acts as Secretary of the Committee.

Board Investment Committee:

The Board has set up a Board Investment Committee comprising of four directors. Presently, three of whom are independent directors and one is a non executive director. The Chairman of the Committee is a non-executive director.

Mr. Abdul Samad Dawood	Chairman
Mr. Shabbir Hussain Hashmi	Member
Mr. Kamran Nishat	Member
Mr. Hasan Reza Ur Rahim	Member

The Chief Financial Officer acts as Secretary of the Committee.

BOARD OF DIRECTORS

HUSSAIN DAWOOD

ABDUL SAMAD DAWOOD

SHAHZADA DAWOOD

SABRINA DAWOOD

PARVEZ GHIAS

SHABBIR HUSSAIN HASHMI

KAMRAN NISHAT

HASAN REZA UR RAHIM

IMRAN SAYEED

MOHAMMAD SHAMOON CHAUDRY

HUSSAIN DAWOOD

CHAIRMAN

Mr. Hussain Dawood joined the Board in 1974, and serves as the Chairman of Dawood Hercules Corporation since 2002. He is also Chairman of Engro Corporation. Under his stewardship, the Group has emerged as a partner of choice for international companies that are exploring investments in Pakistan.

Mr. Dawood is enthusiastic about human development based on Character and Good Manners (CGM) and the entire Group is now focused on continuously investing in the growth potential of both its people and businesses. This entails competency in leadership development, upskilling and reskilling, and international partnerships, contributing to the growth of Pakistan.

Mr. Dawood is the Chair of the Board of Trustees for The Dawood Foundation (TDF) which focuses on Education Inspiring Social Change. The Magnifiscience Centre, Pakistan's first interactive science museum, conceptualised and developed by TDF, was inaugurated by the President of Pakistan Dr. Arif Alvi on 13th November 2021. Mr. Dawood is the Founder & Chairman of the Board of Governors of the Karachi School of Business & Leadership (KSBL), a graduate management school focused on inspiring Effective Leaders. Within KSBL, the Engro Leadership Academy strives to embody the principles of CGM for all who pass through its doors. Mr. Dawood is also a member of the Board of Governors of the Islamabad Policy Research Institute.

Mr. Dawood has been leading the Group's engagement with the World Economic Forum since 1992.

Mr. Dawood holds an MBA from the Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK.

ABDUL SAMAD DAWOOD

VICE CHAIRMAN

Mr. Abdul Samad Dawood is the Vice Chair of the Board of Dawood Hercules Corporation. He has been a director of the Company since 2002 and has had a rich history of involvement in it, as a Board member and in an executive capacity. Prior to his current role, he was the Vice Chair of the Board of Engro Corporation, which remains one of Dawood Hercules Corporation's largest investments to date.

Mr. Dawood's rich and diverse experience of management and governance spans 20 years, with a special interest in mergers and acquisitions. He has led more than $4 billion worth of M&A deals, including the Dawood group's acquisition of HUBCO from National Power International Holdings B.V. in 2012 and the sale of DH Fertilizers to Fatima Fertilizer Company Ltd in 2015. He also played a leading role in the merger of Engro Foods into global dairy giant, Royal FrieslandCampina N.V., based on the convergence of their values, goals and abilities to address Pakistan's nutritional challenges; he has since served as the Chair of the Board of FrieslandCampina Engro Pakistan.

In addition to this, Mr. Dawood is an active director on the board of Pakistan Business Council, a pan-industry advocacy group that promotes easing of barriers to enable Pakistani businesses to compete in regional and global arenas. In line with his areas of interest, he is a director and trustee of Boards across varied industries including financial investments, energy, and education, some of which are the Dawood Foundation, KSBL, Cyan Ltd, Dawood Lawrencepur Ltd, and Reon Energy Limited.

In addition to governance, Mr. Dawood has served as Chief Executive Officer for Dawood Hercules Corporation Ltd and Cyan Ltd, and is an active member of the Young Presidents Organization.

Mr. Dawood is a graduate in Economics from University College London, UK and a certified director of corporate governance from the Pakistan Institute of Corporate Governance.

SHAHZADA DAWOOD

DIRECTOR

Mr. Shahzada Dawood joined the Board in May 1996. He has over two decades of experience in corporate governance and transformation of industries, including growth and innovation opportunities through mergers and acquisitions of diversified public-listed companies across textiles, fertilisers, foods, and energy. Mr. Dawood is a leading voice in the institutionalisation of key international networks and contacts.

He aspires to a sustainable future and believes in inclusive business models involving low-income communities building value chains along business interests. Mr. Dawood serves as Trustee on the Boards of both Engro Foundation and The Dawood Foundation.

In addition, he is a member of the Global Advisory Board for Prince Charles' Charity, Prince's Trust International. In December 2020, he also joined the Board of Trustees of the SETI Institute. Mr. Dawood serves as Director across Boards of various industries, including investment holdings like the Dawood Corporation (Private) Limited, Board of Dawood Lawrencepur Limited, Patek (Private) Limited, and currently serves as Vice Chairman of Engro Corporation.

Mr. Dawood holds an M.Sc. in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK.

SABRINA DAWOOD

DIRECTOR

Ms. Sabrina Dawood is the Chief Executive Officer of The Dawood Foundation (TDF), a philanthropic organisation promoting education and informal learning.

Under her leadership, initiatives commenced are TDF MagnifiScience Centre – a first of its kind interactive space that aims to spark scientific curiosity and enhance critical thinking, TDF Ghar – a 1930s house restored into a safe space for youth which preserves Karachi's heritage and culture, and the Nature Series – which creates awareness about Pakistan's environmental treasures, their impact on our ecosystem, and their sustainability challenges, among other initiatives.

Sabrina is Director on the Boards of the Engro Corporation Ltd., Engro Foundation, Dawood Hercules Corporation Limited, Dawood Lawrencepur Limited, Cyan Limited and Karachi Education Initiative (KEI). She is also a member of the Board of Governors of the National Management Foundation (NMF) of Lahore University of Management Sciences (LUMS) and the Board of the World Wildlife Fund (WWF) – Pakistan.

Sabrina serves as the Chair of the Hussain Dawood Pledge. The HD Pledge is a billion-rupee contribution of services, kind, and cash, to multiple organisations, for the mitigation and relief of COVID.

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

PARVEZ GHIAS

DIRECTOR

Mr. Parvez Ghias joined the Board in March 2010. Mr. Ghias is the Chief Executive Officer and Director at the Habib University Foundation (HUF) since January 2017. Before joining HUF, Mr. Ghias was the Chief Executive Officer of Indus Motor Company Limited from August 2005 to December 2016. He also serves as an Independent Director on the Board of Shell Pakistan Limited, Stylers International Private Limited and Ravi Autos Sundar (Private) Limited.

Mr. Ghias is a fellow of the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in Economics and Statistics.

SHABBIR HUSSAIN HASHMI

DIRECTOR

Mr. Shabbir Hashmi joined the Board in September 2015 and is the Chairman of its Audit Committee and a member of its Investment Committee. He is also serving on the Boards of Engro Powergen Qadirpur Limited, Cyan Limited, HBL Asset Management Limited, OJ Engineering Ltd. and FINCA Microfinance Bank Limited.

Mr. Hashmi also serves on the Board of Governors of The Help Care Society that operates K- 12 schools in Lahore for underprivileged children. His career spans for more than 35 years of project finance and private equity experience.

In his prior experience in corporate governance, Mr. Hashmi has held more than 24 Board directorships as a nominee of CDC/Actis and 12 directorships as an independent.

In executive roles, he has directed the Pakistan operations at Actis Capital, one of the largest private equity investors in the emerging market. Prior to Actis, he was responsible for a large regional portfolio of CDC Group Plc. for Pakistan and Bangladesh. He had a long stint with USAID and later briefly with the World Bank in Pakistan, with a focus on planning and development of the energy sector. Mr. Hashmi is an engineer from Dawood College of Engineering and Technology, Pakistan, and holds an MBA degree from J.F. Kennedy University, USA.

KAMRAN NISHAT

DIRECTOR

Mr. Kamran Nishat is currently the Managing Director & Chief Executive Officer of Muller & Phipps Pakistan (Private) Limited. He is also serving in the capacity of Chief Executive Officer at M&P Express Logistic (Private) Limited, M&P Logistic (Private) Limited, Logex (Private) Limited, Tech Sirat (Private) Limited, Veribest Brands Pakistan (Private) Limited and Tech Sirat Technology (Private) Limited. He holds the rich professional experience in different sectors for more than 35 years.

He is serving as the Independent Director at the Boards of Dawood Hercules Corporation Limited and Cyan Limited. He is serving as Director at the Board of AGP Limited and Briogene (Private) Limited. He is currently a member of Executive Committee and Chairman of Finance & Taxation subcommittee at the American Business Counsel. He has served as past president of American Business Counsel as well. Recently, he is serving his contributions at the National Skills University Islamabad as the member of the Advisory Council. In past, he served as the Member of Accounting and Auditing Standards Committee (South) of the Institute of Chartered Accountants of Pakistan (ICAP), Information Technology Committee (South) of the ICAP and Management Association of Pakistan. He is a Chartered Accountant and a fellow member of ICAP.

HASAN REZA UR RAHIM

DIRECTOR

Mr. Hasan Reza Ur Rahim is an accomplished professional who has over 35 years of domestic and international experience in the Banking and Financial Services industry. Currently serves on the Boards of Dawood Hercules Corporation Limited, Cyan Limited, Dawood Lawrencepur Limited, Atlas Insurance Limited and Hascol Petroleum Limited.

Previously, he was the Executive Director in-charge of the Chairman's Corporate Office of the Dawood Group ("DG") which consists of several listed and unlisted companies and is one of the largest entrepreneurial groups in Pakistan.

Furthermore, Mr. Rahim spent 15 years at JPMorgan where he held several senior positions both in Pakistan and abroad. His accomplishments include assisting in establishing and heading the Global Corporate Bank in Bahrain, Qatar and Saudi Arabia, was Senior Country Officer of Pakistan and and was an integral part of the Regional Corporate Finance team based in Singapore. He has originated, led and executed large complex M&A transactions and Privatizations totaling USD 5.0 billion, Sovereign Debt and Bond issues of over USD 2.0 billion in the Telecom, Airlines, Banking, Oil &Gas and Petrochemical industries.

Earlier in his career Mr. Rahim, also held senior positions with MashreqBank psc and ANZ Grindlays Bank plc. He has worked in several international locations that included Zurich, Singapore, Bahrain and Dubai. He received his bachelor's degree from the University of Delaware in USA.

IMRAN SAYEED

DIRECTOR

Mr. Imran Sayeed joined the Board in April 2018. He is part of the Entrepreneurship and Innovation faculty at the MIT Sloan School of Management.

Working with the MIT's Entrepreneurship Center, he has started and established entrepreneurial ecosystems in Central America and South Asia. Mr. Sayeed is the co-founder of Teach the World Foundation, a global literacy non-profit that is using technology to radically transform how children across the world learn to read, write and do math. He is also the founding global President of OPEN, the largest Pakistani entrepreneurship and leadership organisation in the world.

Previously, Mr. Sayeed started and headed the Digital practice for NTT Data. He came to NTT through its acquisition of Keane, where he led a 7,000-person technology consulting organisation. Prior to Keane, he was an entrepreneur for 13 years, having founded 2 successful software product and services companies including, Open Environment (grown to IPO), and later NetNumina (sold to Keane in 2005). He holds a patent on internet security technology that he jointly developed with Citibank. He was named by Computer World as one of the Premier 100 IT Leaders for 2013.

In governance roles in Pakistan, he currently serves on the Board of Inbox Business Technologies Limited, Karachi Education Initiative and Teach the World Foundation and previously as a Director on the Board of Engro Corporation Limited.

Mr. Sayeed attended Brown University for his undergraduate degree in engineering and Harvard University for his post-graduate work in business.

MOHAMMAD SHAMOON CHAUDRY

CHIEF EXECUTIVE OFFICER

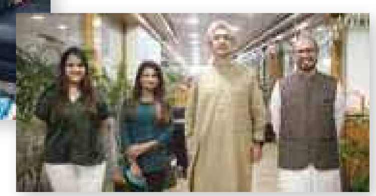
Mohammad Shamoon Chaudry is the Chief Executive Officer of Dawood Hercules Corporation since 1st January 2022. Mr. Chaudry joined the company as the CFO in 2018. He currently serves on the Boards of Dawood Hercules Corporation Limited, Dawood Lawrencepur Limited, Empiric AI (Private) Limited, Cyan Limited, Inbox Business Technologies Limited, and Pebbles (Private) Limited.

Mr. Chaudry has more than 27 years of progressive and diverse experience in the financial sector, including financial control and governance. Mr. Chaudry started his career in investment banking within Corporate Finance and Advisory in Pakistan. He then moved to New York selling listed equities to funds investing in emerging markets. Subsequently, shifting to development finance, helping Small and Medium Enterprises (SMEs). During this time, Mr. Chaudry worked at the government and policy level, industrial sector, and with individual enterprises. He was in the GCC region for twelve years, working primarily in Islamic investments, asset management, and financial control.

Mr. Chaudry has extensive experience managing private equity and real estate investments globally and notable expertise in structuring and developing investment products and asset management. Mr. Chaudry has successfully managed investments in the UK, USA, EU, South East Asia, and GCC region.

Mr. Chaudry was an adjunct faculty at LUMS and has a master's in Finance from London Business School and an MBA from Lahore University of Management Sciences (LUMS).

INDEPENDENCE DAY



A fun-filled Independence Day event took place, where we all gathered in colors of the flag and participated in singing competition, cake cutting ceremony, and several other fun activities.

OPERATING HIGHLIGHTS
SIX YEARS AT A GLANCE

Sr.#	PARTICULARS	UNIT	2016	2017	2018	2019	2020	2021
A)	**INCOME STATEMENT**							
1	Sales Value	Rs. in Million	157,208	128,592	171,568	225,765	248,950	**311,781**
2	Gross Profit	Rs. in Million	35,843	34,806	51,108	68,599	76,081	**99,391**
3	Operating Profit	Rs. in Million	85,939	31,289	53,572	62,096	71,555	**85,009**
4	EBITDA	Rs. in Million	98,280	41,523	61,368	74,685	88,620	**101,528**
5	Profit Before Taxation	Rs. in Million	82,543	28,354	47,365	47,068	52,859	**70,259**
6	Profit After Taxation	Rs. in Million	73,438	16,246	33,149	29,787	42,351	**50,735**
B)	**DIVIDEND**							
1	Cash Dividend	%	155	40	100	130	90	**95**
2	Stock Dividend	%	-	-	-	-	-	**-**
C)	**BALANCE SHEET**							
1	Fixed assets	Rs. in Million	136,257	162,265	209,364	258,927	267,623	**289,163**
2	Long term investments	Rs. in Million	40,688	32,196	31,590	37,274	32,350	**34,217**
3	Current Assets	Rs. in Million	113,944	134,240	176,182	223,416	242,123	**277,905**
4	Current Liabilities	Rs. in Million	55,436	65,312	80,600	152,896	151,623	**187,333**
5	Paid Up Capital	Rs. in Million	4,813	4,813	4,813	4,814	4,814	**4,813**
6	Reserves	Rs. in Million	48,872	50,504	62,073	59,208	62,489	**66,572**
7	Non Controlling Interest	Rs. in Million	119,278	122,148	134,857	144,024	164,360	**182,606**
8	No. of Ordinary Shares	Million	481.29	481.29	481.29	481.29	481.29	**481.29**
D)	**RATIO ANALYSIS**							
1	Gross Profit	%	22.80	27.07	29.79	30.38	30.56	**31.88**
2	Net Profit to Sales	%	46.71	12.63	19.32	13.33	17.12	**16.27**
3	Operating Profit Margin	%	54.67	24.33	31.22	27.50	28.74	**27.27**
4	EBITDA margin	%	62.52	32.29	35.77	33.08	35.60	**32.56**
5	Earnings Per Share	Rs.	53.12	7.19	29.60	11.75	15.76	**17.71**
6	Inventory Turnover	Time	9.79	7.89	7.95	8.46	9.13	**8.59**
7	Age of Inventory	Days	37.28	46.25	45.90	43.13	39.96	**42.49**
8	Debtors Turnover	Time	15.36	9.39	10.63	6.41	4.85	**5.65**
9	Average Collection Period	Days	23.76	38.85	34.33	56.95	75.19	**64.59**
10	Operating Cycle	Days	61.04	85.11	80.22	100.07	115.15	**107.08**
11	Total Assets Turnover	Time	0.54	0.39	0.41	0.43	0.46	**0.47**
12	Fixed Assets Turnover	Time	1.15	0.79	0.82	0.87	0.93	**1.08**
13	Break-up Value of Share	Rs.	111.54	114.93	138.97	133.02	139.84	**148.32**
14	Dividend Yield	%	10.74	3.58	9.00	8.43	7.40	**9.95**
15	Dividend Payout Ratio	%	10.16	11.85	14.52	20.80	10.16	**9.01**
16	Return on Equity	%	136.79	29.37	49.56	46.99	63.34	**71.07**
17	Debt Equity Ratio	Time	0.52	0.61	0.77	0.91	0.85	**0.64**
18	Current Ratio	Time	2.06	2.06	2.19	1.46	1.60	**1.48**
19	Quick Ratio	Time	1.86	1.86	1.97	1.33	1.48	**1.32**
20	Total Debt Ratio	Time	0.43	0.47	0.52	0.64	0.61	**0.62**
21	Interest Cover Ratio	Time	13.84	6.04	8.48	3.91	3.46	**5.07**
22	Dividend Cover Ratio	Time	9.84	8.44	6.89	4.81	9.84	**11.10**
23	Return on capital employed	%	136.79	29.37	49.56	46.99	63.34	**29.04**
24	Market Value per Share	Rs.	144.33	111.88	111.15	154.21	121.54	**95.52**
25	Market Capitalization	Rs. in Million	69,465	53,847	53,495	74,220	58,495	**45,972**
26	Price Earning Ratio	Times	2.72	15.56	3.76	13.12	7.71	**5.39**
E)	**PRODUCTION**							
1	Urea	Metric Tons	1,881,016	1,806,977	1,928,080	2,003,035	2,247,242	**2,104,722**
2	NPK	Metric Tons	94,610	109,059	132,970	134,784	140,552	**144,564**
3	PVC - Resin	Metric Tons	172,000	187,000	202,000	197,000	153,000	**243,000**
4	EDC	Metric Tons	106,000	107,000	107,000	110,000	79,000	**94,000**
5	Caustic Soda	Metric Tons	103,000	105,000	105,000	105,000	77,000	**92,000**
6	Caustic Flakes	Metric Tons	-	-	-	4,000	2,000	**8,000**
7	VCM	Metric Tons	174,000	180,000	195,000	184,000	148,000	**203,000**
8	Power	Mega watts	1,264,667	1,737,394	1,526,309	3,097,604	3,097,604	**5,076,068**
9	Dairy and bevrages	Thousand Litres	-	-	-	-	-	**-**
10	Milling/Drying unit of rice processing plant	Metric Tons	28,474	59,371	77,008	93,689	132,115	**148,839**
11	Ice Cream	Thousand Litres	-	-	-	-	-	
F)	**OTHERS**							
1	Employees	Nos.	2,037	2,071	2,343	2,658	2,799	**2,866**
2	Capital Expenditure	Rs. in Million	23,721	29,947	36,606	46,996	18,718	**20,521**

HORIZONTAL ANALYSIS

BALANCE SHEET

	Rs. in Million						Percentage Change					
Particulars	2016	2017	2018	2019	2020	**2021**	16 over 15	17 over 16	18 over 17	19 over 18	20 over 19	**21 over 20**
Share Capital and Reserves												
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,814	4,813	**4,813**	-	-	-	-	--	**-**
Revenue reserves	48,872	50,504	62,073	59,208	62,489	**66,572**	74%	3%	23%	-5%	6%	**7%**
Fair value reserve	-	-	-	-	-	**-**	-	-	-	-	-	**-**
Non-Controlling interest	119,278	122,148	134,857	144,024	164,360	**182,606**	99%	2%	10%	7%	14%	**11%**
Share holder's equity with FVR	172,963	177,465	201,743	208,046	231,662	**253,991**	86%	3%	14%	3%	11%	**10%**
Non Current Liabilities	72,918	94,411	139,270	212,698	217,755	**221,378**	47%	29%	48%	53%	2%	**2%**
Sub Total	245,881	271,876	341,013	420,744	449,417	**475,369**	72%	11%	25%	23%	7%	**6%**
Current Liabilities												
Current portion - long term loan	13,374	12,392	11,956	22,096	30,008	**23,110**	-41%	-7%	-4%	85%	36%	**-23%**
Current portion - Lease Liability	-	-	-	4,444	4,955	**6,132**	-	-	-	100%	12%	**24%**
Short term financing - secured	8,405	11,327	6,641	15,511	12,505	**29,765**	27%	35%	-41%	134%	-19%	**138%**
Trade and other payables	32,107	39,311	51,119	103,382	86,953	**96,365**	-7%	22%	30%	102%	-16%	**11%**
Markup payable on secured loans	1,238	1,553	2,363	3,457	1,434	**1,416**	-13%	25%	52%	46%	-59%	**-1%**
Provision for taxation	62	220	8,300	3,439	2,783	**9,549**	-	100%	3673%	-59%	-19%	**243%**
Others	250	509	221	566	13,075	**20,996**	-37%	104%	-57%	156%	2209%	**61%**
Sub Total	55,436	65,312	80,600	152,896	151,713	**187,333**	-16%	18%	23%	90%	-1%	**23%**
Total	301,317	337,188	421,613	573,640	601,130	**662,702**	45%	12%	25%	36%	5%	**10%**

	Rs. in Million						Percentage Change					
Particulars	2016	2017	2018	2019	2020	**2021**	15 over 14	16 over 15	17 over 16	18 over 17	19 over 18	**20 over 19**
Assets												
Property, plant and equipment (Incl intangibles and biological asset)	136,257	162,265	209,364	258,927	267,623	**289,163**	1%	19%	29%	24%	3%	**8%**
Right-of-use assets	-	-	-	4,927	7,054	**9,831**	-	-	-	100%	43%	**39%**
Net Investment in Lease	-	-	-	45,564	44,557	**45,204**	-	-	-	100%	-2%	**1%**
Long term investments	40,688	32,196	31,590	37,274	32,350	**34,217**	324%	-21%	-2%	18%	-13%	**6%**
Long term loans and advances	9,851	6,810	4,093	3,305	2,110	**2,616**	162%	-31%	-40%	-19%	-36%	**24%**
Others	577	1,677	384	228	5,241	**3,766**	-49%	191%	-77%	-41%	2199%	**-28%**
Sub Total	187,373	202,948	245,431	350,224	358,936	**384,797**	26%	8%	21%	43%	2%	**7%**
Current Assets												
Stores, spares and loose tools	7,148	7,639	7,688	7,637	9,069	**9,310**	-7%	7%	1%	-1%	19%	**3%**
Contract Asset	-	-	-	5,313	5,715	**5,453**	-	-	-	100%	8%	**-5%**
Current proportion of Investment in Lease	-	-	-	2,544	3,255	**4,005**	-	-	-	100%	28%	**23%**
Stock in trade	10,704	13,066	17,228	19,913	17,938	**31,513**	-24%	22%	32%	16%	-10%	**76%**
Trade debts	13,734	13,641	18,630	51,817	50,750	**59,598**	104%	-1%	37%	178%	-2%	**17%**
Loans, advances, deposit, prepayments and other receivables including Accrued Income	11,445	13,601	16,987	23,042	23,215	**31,256**	19%	19%	25%	36%	1%	**35%**
Others	-	-	-	-	-	**-**	-	-	-	-	-	**-**
Short term investments	64,726	69,895	103,533	90,594	107,344	**95,903**	361%	8%	48%	-12%	18%	**-11%**
Investment - Held for sale	-	6,611	-	1,326	67	**-**	-	-	-100%	100%	-95%	**-100%**
Cash and bank balances	6,187	9,787	12,116	21,230	24,838	**40,867**	21%	58%	24%	75%	17%	**65%**
Sub Total	113,944	134,240	176,182	223,416	242,194	**277,905**	91%	18%	31%	27%	8%	**15%**
Total Assets Employed	301,317	337,188	421,613	573,640	601,130	**662,702**	45%	12%	25%	36%	5%	**10%**

VERTICAL ANALYSIS

BALANCE SHEET

Particulars	2016	2017	2018	2019	2020	2021	2016	2017	2018	2019	2020	2021
	Rs. in Million						Percentage					
Share Capital and Reserves												
Issued, subscribed and paid up capital	4,813	4,813	4,813	4,813	4,813	**4,813**	2%	1%	1%	1%	1%	**1%**
Revenue reserves	48,872	50,504	62,073	59,208	62,489	**66,572**	16%	15%	15%	10%	10%	**10%**
Non-Controlling interest	119,278	122,148	134,857	144,024	164,360	**182,606**	40%	36%	32%	25%	27%	**28%**
Share holder's Equity with FVR	172,963	177,465	201,743	208,045	231,662	**253,991**	57%	53%	48%	36%	39%	**38%**
Non Current Liabilities	72,918	94,411	139,270	212,698	217,755	**221,378**	24%	28%	33%	37%	36%	**33%**
Sub Total	245,881	271,876	341,013	420,743	449,417	**475,369**	82%	81%	81%	73%	75%	**72%**
Current Liabilities												
Current portion - long term loan	13,374	12,392	11,956	22,096	30,008	**23,110**	4%	4%	3%	4%	5%	**3%**
Current portion - Lease Liability	-	-	-	4,444	4,955	**6,132**	-	-	-	1%	1%	**1%**
Short term financing - secured	8,405	11,327	6,641	15,511	12,505	**29,765**	3%	3%	2%	3%	2%	**4%**
Trade and other payables	32,107	39,311	51,119	103,382	86,953	**96,365**	11%	12%	12%	18%	14%	**15%**
Markup payable on secured loans	1,238	1,553	2,363	3,457	1,434	**1,416**	0.41%	0.46%	1%	1%	0.24%	**0.21%**
Provision for taxation	62	220	8,300	3,439	2,783	**9,549**	0.02%	0.07%	2%	1%	0.46%	**1%**
Others	250	509	221	566	13,075	**20,996**	0.08%	0.15%	0.05%	0.10%	2%	**3%**
Sub Total	55,436	65,312	80,600	152,896	151,713	**187,333**	18%	19%	19%	27%	25%	**28%**
Total	301,317	337,188	421,613	573,639	601,130	**662,702**	100%	100%	100%	100%	100%	**100%**

Particulars	2016	2017	2018	2019	2020	2021	2016	2017	2018	2019	2020	2021
	Rs. in Million						Percentage					
Assets												
Property, plant and equipment (Incl intangibles and biological asset)	136,257	162,265	209,364	258,927	267,623	**289,163**	45%	48%	50%	45%	45%	**44%**
Long term investments	40,688	32,196	31,590	37,274	32,350	**34,217**	14%	10%	7%	6%	5%	**5%**
Right-of-use assets	-	-	-	-	7,054	**9,831**	-	-	-	1%	1%	**1%**
Net Investment in Lease	-	-	-	-	44,557	**45,204**	-	-	-	8%	7%	**7%**
Long term loans and advances	9,851	6,810	4,093	3,305	2,110	**2,616**	3%	2%	1%	1%	0%	**0%**
Others	577	1,677	384	228	5,241	**3,766**	0%	0%	0%	0%	1%	**1%**
Sub Total	187,373	202,948	245,431	350,224	358,936	**384,797**	62%	60%	58%	61%	60%	**58%**
Current Assets												
Stores, spares and loose tools	7,148	7,639	7,688	7,637	9,069	**9,310**	2%	2%	2%	1%	2%	**1%**
Contract Asset	-	-	-	-	5,715	**5,453**	-	-	-	1%	1%	**1%**
Current proportion of Investment in Lease	-	-	-	-	3,255	**4,005**	-	-	-	-	1%	**1%**
Stock in trade	10,704	13,066	17,228	19,913	17,938	**31,513**	4%	4%	4%	3%	3%	**5%**
Trade debts	13,734	13,641	18,630	51,817	50,750	**59,598**	5%	4%	4%	9%	8%	**9%**
Loans, advances, deposit, prepayments and other receivables including advance income tax	11,445	13,601	16,987	23,042	23,215	**31,256**	4%	4%	4%	4%	4%	**5%**
Others	-	-	-	-	-	**-**	-	-	-	-	-	**-**
Short term investments	64,726	69,895	103,533	90,594	107,344	**95,903**	21%	21%	25%	16%	18%	**14%**
Investment - Held for sale	-	6,611	-	1,326	67	**-**	-	1.96%	-	0.23%	0.01%	**0.00%**
Cash and bank balances	6,187	9,787	12,116	21,230	24,838	**40,867**	2%	3%	3%	4%	4%	**6%**
Sub Total	113,944	134,240	176,182	223,416	242,194	**277,905**	38%	40%	42%	39%	40%	**42%**
Total Assets Employed	301,317	337,188	421,613	573,639	601,130	**662,702**	100%	100%	100%	100%	100%	**100%**

HORIZONTAL ANALYSIS

PROFIT AND LOSS

Particulars	Rs. in Million 2016	2017	2018	2019	2020	2021	Percentage Change 16 over 15	17 over 16	18 over 17	19 over 18	20 over 19	21 over 20
Net sales	157,208	128,592	171,568	225,765	248,883	**311,781**	-14%	-18%	33%	32%	10%	**25%**
Cost of sales	121,365	93,786	120,460	157,167	172,940	**212,390**	-11%	-23%	28%	30%	10%	**23%**
Gross profit	35,843	34,806	51,108	68,599	75,943	**99,391**	-21%	-3%	47%	34%	11%	**31%**
Selling and distribution expenses	12,053	7,850	8,488	8,103	7,845	**7,819**	12%	-35%	8%	-5%	-3%	**0%**
Administrative expenses	4,352	4,282	6,605	7,671	9,265	**9,995**	-16%	-2%	54%	16%	21%	**8%**
Other operating expenses	2,351	2,570	4,427	7,400	5,381	**9,234**	-27%	9%	72%	67%	-27%	**72%**
Other income	68,852	11,185	21,984	16,672	19,347	**12,666**	544%	-84%	97%	-24%	16%	**-35%**
Operating profit	85,939	31,289	53,572	62,096	72,799	**85,009**	134%	-64%	71%	16%	17%	**17%**
Finance cost	6,431	5,624	6,336	16,176	21,495	**17,419**	-28%	-13%	13%	155%	33%	**-19%**
Loss Allowance on Subsidy Rec by Gop					1,239	**558**					100%	**-55%**
Share of profit of associates & Joint Ventures	3,035	2,689	129	1,148	2,796	**3,227**	16%	-11%	-95%	790%	144%	**15%**
Profit before taxation	82,543	28,355	47,365	47,068	52,861	**70,259**	172%	-66%	67%	-1%	12%	**33%**
Taxation	9,105	12,108	14,216	16,982	10,232	**19,554**	1%	33%	17%	19%	-40%	**91%**
Proft / (loss) from discontinued Operation	-	-	-	-300	-279	**29**						
Profit after taxation	73,438	16,247	33,149	29,787	42,351	**50,735**	244%	-78%	104%	-10%	42%	**20%**

VERTICAL ANALYSIS

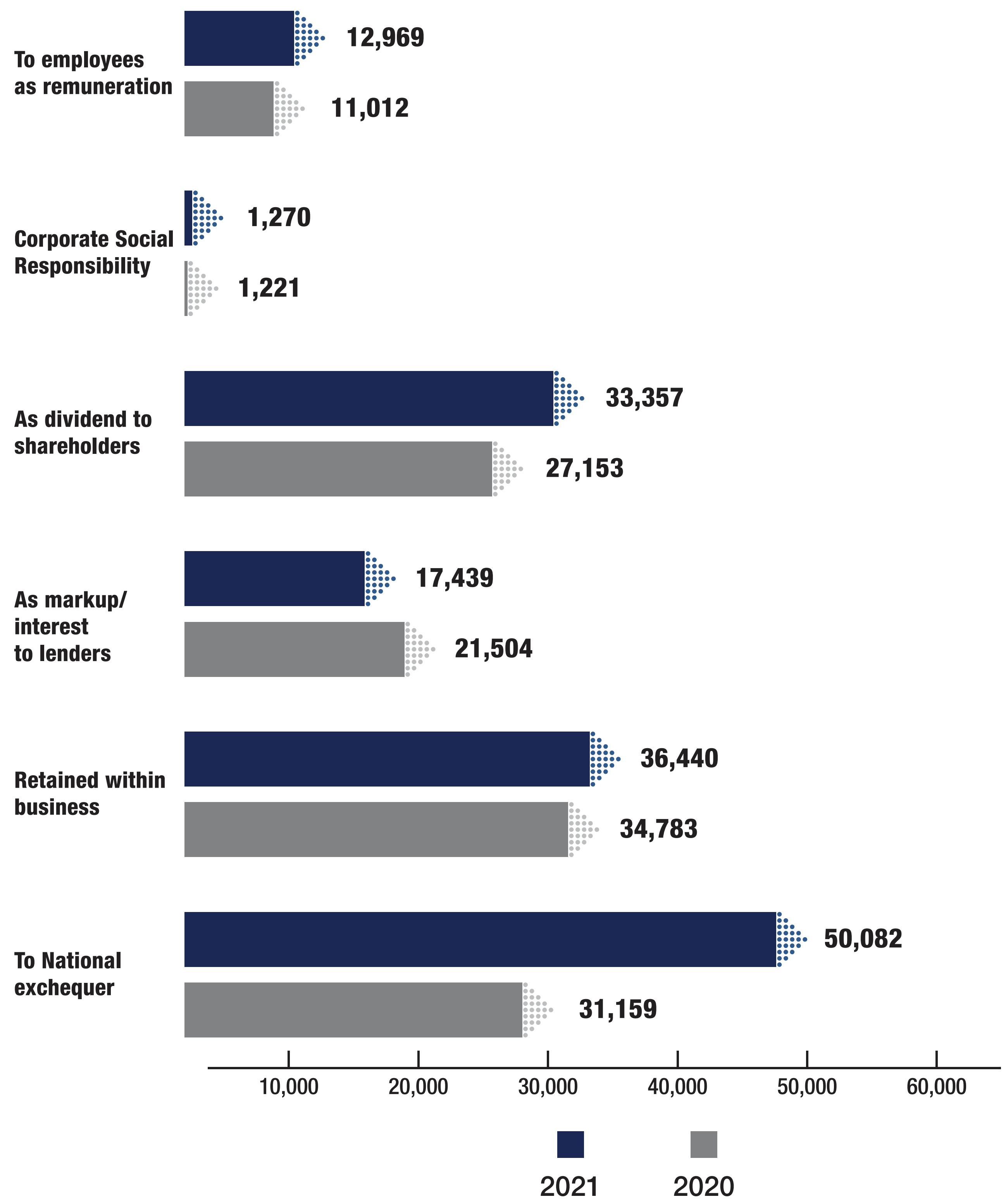
PROFIT AND LOSS

Particulars	Rs. in Million 2016	2017	2018	2019	2020	2021	Percentage 2016	2017	2018	2019	2020	2021
Net sales	157,208	128,592	171,568	225,765	248,883	**311,781**	100%	100%	100%	100%	100%	**100%**
Cost of sales	121,365	93,786	120,460	157,167	172,940	**212,390**	77%	73%	70%	70%	69%	**68%**
Gross profit	35,843	34,806	51,108	68,599	75,943	**99,391**	23%	27%	30%	30%	31%	**32%**
Selling and distribution expenses	12,053	7,850	8,488	8,103	7,845	**7,819**	8%	6%	5%	4%	3%	**3%**
Administrative expenses	4,352	4,282	6,605	7,671	9,265	**9,995**	3%	3%	4%	3%	4%	**3%**
Other operating expenses	2,351	2,570	4,427	7,400	5,381	**9,234**	1%	2%	3%	3%	2%	**3%**
Other income	68,852	11,185	21,984	16,672	19,347	**12,666**	44%	9%	13%	7%	8%	**4%**
Operating profit	85,939	31,289	53,572	62,096	72,799	**85,009**	55%	24%	31%	28%	29%	**27%**
Finance cost	6,431	5,624	6,336	16,176	21,495	**17,419**	4%	4%	4%	7%	9%	**6%**
Loss Allowance on Subsidy Rec by Gop					1,239	**558**						
Share of profit of associates	3,035	2,689	129	1,148	2,796	**3,227**	2%	2%	-	1%	1%	**1%**
Profit before taxation	82,543	28,355	47,365	47,068	52,861	**70,259**	53%	22%	28%	21%	21%	**23%**
Taxation	9,105	12,108	14,216	16,982	10,232	**19,554**	6%	9%	8%	8%	4%	**6%**
Proft / (loss) from discontinued Operation	-	-	-	-300	-279	**29**	-	-	-	-	-	**-**
Profit after taxation	73,438	16,247	33,149	29,787	42,351	**50,735**	47%	13%	19%	13%	17%	**16%**

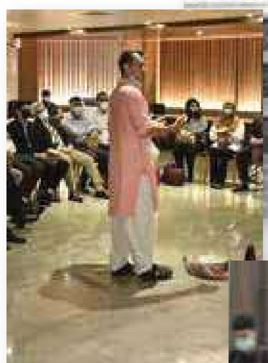
STATEMENT OF VALUE ADDITION
CONSOLIDATED

	2021 PKR 'million'	2021 %age	2020 PKR 'million'	2020 %age
Wealth generated				
Total gross revenue & other income	354,061		291,550	
Brought in materials and services	(202,392)		(164,719)	
Total value addition	151,670		126,831	
Wealth distribution				
To employees (Salaries, wages & benefits)	12,969	9%	11,012	9%
To government (Income Tax, sales tax & wwf)	50,082	33%	31,159	25%
To Society				
Donation toward eductaion,health, environment and natural disaster	1,270	0.8%	1,221	1.0%
To providers of capital:				
Dividend to Shareholders	33,357	22%	27,153	21%
Markup/interest expenses on borrowed money	17,439	12%	21,504	17%
Retained for investment and future growth, depreciation and retained profits	36,550	24%	34,783	27%
Total value distribution	151,670		126,831	

CONSOLIDATED FINANCIALS
(Amounts in million)



SUSTAINABLE DEVELOPMENT IMPACT SUMMIT 2021



With the purpose of encouraging openness and enhancing global perspective, we hosted The Sustainable Development Impact Summit at Karachi School of Business and Leadership (KSBL). The event was organised keeping in mind the theme of the Summit: Shaping an Equitable, Inclusive, and Sustainable Recovery.

NOTICE OF 54th ANNUAL GENERAL MEETING

Notice is hereby given that 54th Annual General Meeting (AGM) of the shareholders of Dawood Hercules Corporation Limited (the "Company") will be held on Tuesday, April 26, 2022 at 11:30 AM at The TDF Business Hub, Ground Floor, Dawood Center, M.T. Khan Road, Karachi to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Unconsolidated and Consolidated Financial Statements of the Company for the year ended December 31, 2021 together with the Auditors' and Directors' Reports thereon and the Review Report of the Chairman.

2. To appoint Auditors and to fix their remuneration. The members are hereby notified that the Board and the Audit Committee have recommended the reappointment of A. F. Ferguson & Co. (Chartered Accountants), as auditors of the Company.

By Order of the Board

Place: Karachi,
Dated: March 01, 2022

Asim H. Akhund
Company Secretary

Notes:

1. Participation in the AGM proceeding via the video conference facility:

In the wake of prevailing situation due to the current wave of COVID-19/OMICRON, the Company intends to convene this AGM with minimal physical interaction with shareholders while ensuring compliance with quorum requirements and requests the members to consolidate their attendance and voting at the AGM through proxies. The Company, therefore, has made arrangement for participation in the AGM via video link.

Accordingly, those members who desire online participation in the AGM are requested to register themselves by sending an email at company.secretary@dawoodhercules.com. The members registering to connect through video-link facility are required to mention their Name, Folio Number, valid email address, CNIC / Passport number and Number of Shares held in their name in the email with subject 'Registration for DH Corp AGM'. Video link and login credentials will be shared with those members whose emails, containing all the required particulars, are received at the given email address at least 48 hours before the time of AGM. Shareholders can also provide their comments and questions for the agenda items of the AGM on the same email address.

2. Placement of Financial Statements

The Company has placed the Annual Report which includes inter alia notice of meeting, Audited Annual Financial Statements together with Chairman's Review Report, Directors' and Auditors' Report thereon for the year ended December 31, 2021 on its website: www.dawoodhercules.com

3. Closure of Share Transfer Books:

The Share Transfer Books of the Company will remain closed from April 20, 2022 to April 26, 2022 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar, FAMCO Associates (Private) Limited, 8-F, near Hotel Faran, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, (PABX No 021-34380101-5) and email info.shares@famco.com.pk, by close of business on April 19, 2022, will be considered in time to attend and vote at the AGM.

4. Participation in the Annual General Meeting:

All members, entitled to attend and vote at the meeting, are entitled to appoint another person in writing as their proxy to attend and vote on their behalf. A proxy need not be a member of the Company. A corporate entity, being member, may appoint any person, regardless of whether they are a member or not, through resolution of its Board of Directors.

In case of corporate entities, a resolution of the board of directors / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted to the Company.

Proxy Form in English and Urdu languages is attached.

The proxy holders are required to produce their original valid CNICs or original passports at the time of the meeting.

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

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

A) For Attending the Meeting

a. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her original valid CNIC or the original passport at the abovementioned email address at least 48 hours before the AGM.

b. In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the nominee shall be shared on the above mentioned email address at least 48 hours before the AGM (unless it has been provided earlier).

B) For Appointing Proxies

a. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per above requirements.

b. Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

c. The proxy shall produce original valid CNIC or original passport at the above mentioned email address at least 48 hours before the meeting.

d. In case of corporate entity, the board of directors' resolution / power of attorney with specimen signature shall be submitted on the email address mentioned above at least 48 hours before the meeting (unless it has been provided earlier) along with proxy form to the Company.

e. Proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the form.

5. Computerized National Identity Card (CNIC) / National Tax Number (NTN):

All those individual members holding physical shares who have not yet provided their CNIC No. are once again reminded to immediately submit the copy of their CNIC to Company's Share Registrar, FAMCO Associates (Private) Limited, 8-F, near Hotel Faran, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi. Members while sending CNIC must quote their respective folio numbers. The corporate members having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate entities having physical shares should send a copy of their NTN certificates to Company's Share Registrar. The corporate members while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.

6. Withholding Tax on Dividend

Pursuant to the Finance Act, 2020, effective July 01, 2021, the rate of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001, from payment of dividend to a NON-FILER of income tax return is prescribed as 30% and for FILER of tax returns as 15%. List of filer is available at Federal Board of Revenue's (FBR) website: http://www.fbr.gov.pk. Members are therefore advised to update their tax FILER status latest by April 19, 2022.

Further, according to clarification received from FBR, withholding tax will be determined separately n 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

		Principal Shareholder		Joint Holder(s)	
Folio/CDC A/c No.	Total No. of Shares	Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar by the close of business on April 19, 2022; otherwise, it will be assumed that the shares are equally held by Principal shareholder and Joint holder(s).

The Corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or Share Registrar. The shareholders while sending NTN or NTN Certificates, as the case may be, must quote company name and their respective folio numbers.

The information received within the above specified time would enable the Company to deduct income tax at the applicable rates from the payment of dividend if announced by the Company.

Members seeking exemption from deduction of income tax or deduction at a reduced rate under the relevant provisions of the Income Tax Ordinance, 2001, are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be, latest by April 19, 2022.

For any query/problem/information, the investors may contact the Share Registrar at info.shares@famco.com.pk.

7. Payment of Cash Dividend Electronically

Under Section 242 of the Companies Act, 2017, listed companies are required to pay declared cash dividends only through electronic mode directly into the bank accounts designated by the entitled shareholders.

Accordingly, the shareholders of the Company are requested to provide the following information for payment of cash dividend to be declared by the Company through electronic mode directly in the bank account designated by you.

Name of Shareholder	
Folio Number	
CNIC Number	
Title of Bank Account	
Account Number	
IBAN Number	
Bank's Name	
Branch Name and Address	
Cell Number of Shareholder	
Landline number of Shareholder	
Email of Shareholder	
Signature of Member	

Note: Signature must match specimen signature registered with the Company

The shareholders are also required to intimate the changes, if any in the above-mentioned information to the Company and the Share Registrar as soon as these occur. In case of shares held electronically, then the above electronic credit mandate form must be submitted directly to shareholder(s)' broker/participant/CDC account services.

8. Zakat Declaration

The members are requested to submit their Zakat Declarations to the Share Registrar in order to claim exemption from deduction of Zakat.

9. Unclaimed Dividend

Shareholders, who by any reason, could not claim their dividends/shares, if any, are advised to contact our Share Registrar, FAMCO Associates (Private) Limited, 8-F, near Hotel Faran, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, to collect / enquire about their unclaimed dividend/shares, if any.

In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend outstanding for a period of 3 years or more from the date due and payable shall be deposited to the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.

10. Conversion of Physical Shares into Book Entry Form

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of the Companies Act, 2017 i.e. May 31, 2017.

Furthermore, Securities and Exchange Commission of Pakistan vide its letter CSD/ED/Misc/2016-639-640 dated March 26, 2021, has directed all listed companies to pursue such shareholders who are still holding shares in physical form to convert the same into book entry form. In this regard, shareholder having physical shareholding are requested to open CDC sub-account with any of the brokers or investor's account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares, anytime they want as the trading of physical shares is not permitted as per existing Regulations of the Pakistan Stock Exchange Limited.

11. Transmission of Annual Accounts, Notices of Meetings, Auditor's Report and Directors' Report through CD, DVD or USB

Pursuant to S.R.O 470(I)/2016 dated May 31, 2016, the shareholders of the Company have accorded approval in general meeting for transmission of annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company through CD or DVD or USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copy of the aforesaid documents may send to the Company Secretary / Share Registrar, the Standard Request Form provided in the annual report and also available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand. The shareholders who intend to receive the annual report including the notice of meeting through e-mail are requested to provide their written consent on the Standard Request Form provided in the annual report and also available on the Company's website: www.dawoodhercules.com .

STATEMENT UNDER REGULATION 4(2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017, WITH RESPECT TO THE SPECIAL RESOLUTION PASSED AT THE ANNUAL GENERAL MEETING HELD ON APRIL 27, 2019

In the Annual General Meeting of the Company held on April 27, 2019, a special resolution was passed to extend the following short term funded and unfunded financing facilities for the following associated companies.

- Dawood Lawrencepur Limited - PKR 5 billion
- Tenaga Generasi Limited - PKR 1 billion
- Cyan Limited - PKR 2 billion
- Engro Corporation Limited - PKR 6 billion
- Engro Fertilizers Limited - PKR 2 billion
- Engro Polymers & Chemicals Limited - PKR 2 billion
- Engro Energy Limited - PKR 2 billion
- Engro EXIMP Agriproducts (Private) Limited - PKR 1 billion

The Company has not made any investment so far in the above associated companies.

There is no deviation from the approved timeline of investment as the special resolution dated April 27, 2019 is valid for five (5) years.

CHAIRMAN'S AND VICE CHAIRMAN'S REVIEW 2021

CHAIRMAN'S AND VICE CHAIRMAN'S REVIEW 2021

Dear Shareholders,

On behalf of the Board of Directors, it is our privilege to present to you the Annual Report of Dawood Hercules Corporation Limited for the year ended 31st December 2021.

The year 2021 served as a year of recovery for the world and its citizens as we all adapted to the 'new normal.' Resurgence of economic activity and effective healthcare provided much respite to the nation, enabling us to reorganise ourselves to navigate uncertainty to the best of our abilities. During this period, our commitment to serve Pakistan has remained strong; we are humbled to report that more than half of DH Corp's contribution to the HD Pledge of PKR 1 billion for COVID relief efforts has been allocated and we are eager to deploy the remainder as we step into 2022.

Through these uncertain times, we would like to express our gratitude to our Shareholders for your continued trust in DH Corp. Your confidence in us as stewards of your capital has fueled our passion and enabled us to focus on sustainable value creation. As an investment company that is dedicated to the transition to the future economy, we would like to emphasise that we remain committed to the creation of wealth in value-driven companies, of which a major driver will be the integration of technology and new ways of working.

In order to deliver on this purpose, the Board of DH Corp has reaffirmed the company's investment goals with adherence to principles of capital discipline and productivity, based on our responsibility to Shareholders. In line with this focus, efforts have been made to build capability in and around the organisation which we believe will enable DH Corp to deliver on its investing objectives. Among others, these measures include a stewardship team that advises on the investment mandate and the development of our people.

We are grateful to Inam ur Rahman for his leadership of DH Corp since 2016 and we would like to appreciate his five-year tenure as Chief Executive Officer which has been marked by significant accolades, especially the consistent achievement of annual targets set for the company by the Board. The new Chief Executive Officer of DH Corp is Mohammad Shamoon Chaudry, an exceptional leader from within the company with a proven track record of portfolio management. The Board has faith in his ability to deliver on the investment mandate of DH Corp and wishes him all the very best in this new assignment. We are also particularly grateful to Shahzada Dawood for his stewardship of DH Corp over the past several years in his capacity as Vice Chairman. Shahzada has been the driving force behind the transition to the future economy. He has personally led the learning journey for the company by supporting a culture founded on curiosity and entrepreneurship with human development as the ideology based on developing character and good manners. We wish Inam and Shahzada all the very best as they assume their respective positions of responsibility as part of Engro Corporation.

Our investments in Engro Corporation have yielded good results this year as the conglomerate deepens its resolve to address meaningful problems; we would like to congratulate the President and CEO, Ghias Khan, his team and all employees of Engro for their outstanding efforts that have gone into sustaining such a performance for the organisation. We would also like to acknowledge the achievement of the Dawood Foundation for their launch of Pakistan's first contemporary and interactive science museum, The Magnifiscience Center, under the untiring leadership of Sabrina Dawood. Initiatives like these are critical investments in long-term capability building which is a cornerstone of our people philosophy.

Capability building will also be a major driver of value creation for DH Corp as we acknowledge the changing demands of leadership, especially in light of our commitment to capital discipline. The Board of Directors is aligned with building strength in investing and rigour among our teams which facilitates them in focusing on investment mandates. We are pleased to share that our directors are well-placed to guide the management on this development journey given the decades of investment expertise over their respective careers.

The consistent support of all our stakeholders, especially our people, shareholders, customers, partners, service providers, the government and regulators is most appreciated. The past year has been an eye-opener on the need for action and we are committed to building on what has already been achieved by participating in more meaningful partnerships, engagements, and investments so that we may endeavour to contribute in the creation of a more peaceful, prosperous and sustainable world.

Hussain Dawood
Chairman

Abdul Samad Dawood
Vice Chairman

SUSTAINABLE IMPACT

At DH Corp, we are committed to improving lives, making a difference, and caring about our environment and people. Sustainable growth is all about placing people before profit and is now globally recognised as a crucial indicator of an organisation's responsibility towards all its stakeholders.

The United Nations Sustainable Development Goals (UN SDGs) are a globally accepted benchmark by world leaders set in 2015. The goals work towards creating a better world by ending poverty, fighting inequality, and addressing the urgency of climate change by 2030.

We have prioritised the SDG goals in areas most relevant to our businesses. The initial SDGs mapping exercise for DH Corp was conducted with the support of UNDP's SDGs Support Unit Sindh, listing out the most relevant goals that we have progressed on.

GOAL 3: GOOD HEALTH AND WELLBEING

Due to the COVID-19 pandemic, DH Corp took several initiatives to respond efficiently.

DH Office was closed down to minimize the spread of the pandemic - work from home was established and adopted by all employees with seamless transition support by the IT department and efficient guidelines by the HR department for executing a healthy work-life balance.

A Crisis Management Committee comprising of all the department heads was formed. CMC is a 24/7 rapid response team providing help related to COVID-19 for all employees and their families.

To manage and minimise the spread of COVID-19 amongst the employees and the visitors at the head office at the Dawood Center, WorkSafe Analytics (WSA) was installed. WSA uses Computer Vision to monitor and detect social distancing, occupancy levels, and mask usage, highlighting specific actions to mitigate any risks as and when they occur. This intervention against the spread of COVID-19 enabled us to establish a safer and healthier environment by following the established SOPs.

DH Revitalise, an internal campaign was rolled out to engage employees in activities like dinners, competitions, birthday celebrations, exercise boot camps, counseling facilities, and trainings. To further support the wellbeing of DH Employees, curated Health insurance is given to all employees. In addition, flexible working hours are offered to all employees.

For the fight against COVID -19 in Pakistan, Mr. Hussain Dawood, on behalf of Dawood Hercules Corporation, Engro Corporation, and his family, pledged a contribution in services, kind, and cash of PKR 1 billion for the short, medium, and long-term Assistance.

The HD Pledges focus areas are disease prevention, protecting and enabling healthcare practitioners & patient care facilities, frontline workers, bolstering livelihoods, and sustenance of the most deserving in society. DH Corp commits to 25% of this total to serve these streams.

GOAL 4: QUALITY EDUCATION

The Dawood family formed The Dawood Foundation (TDF) in 1960 with a vision to empower individuals through learning and education. TDF strives to introduce innovative interactive spaces for informal learning that serve all age groups and is accessible to everyone. Keeping its tradition alive, TDF inaugurated The MagnifiScience Center on 25th September 2021.

MSC is Pakistan's first world-class interactive science museum, and we are passionately participating in supporting it. TDF also contributes towards the Karachi School of Business and Leadership (KSBL). DH Corp contributes 1% of Profit-Before-tax towards unique projects by TDF.

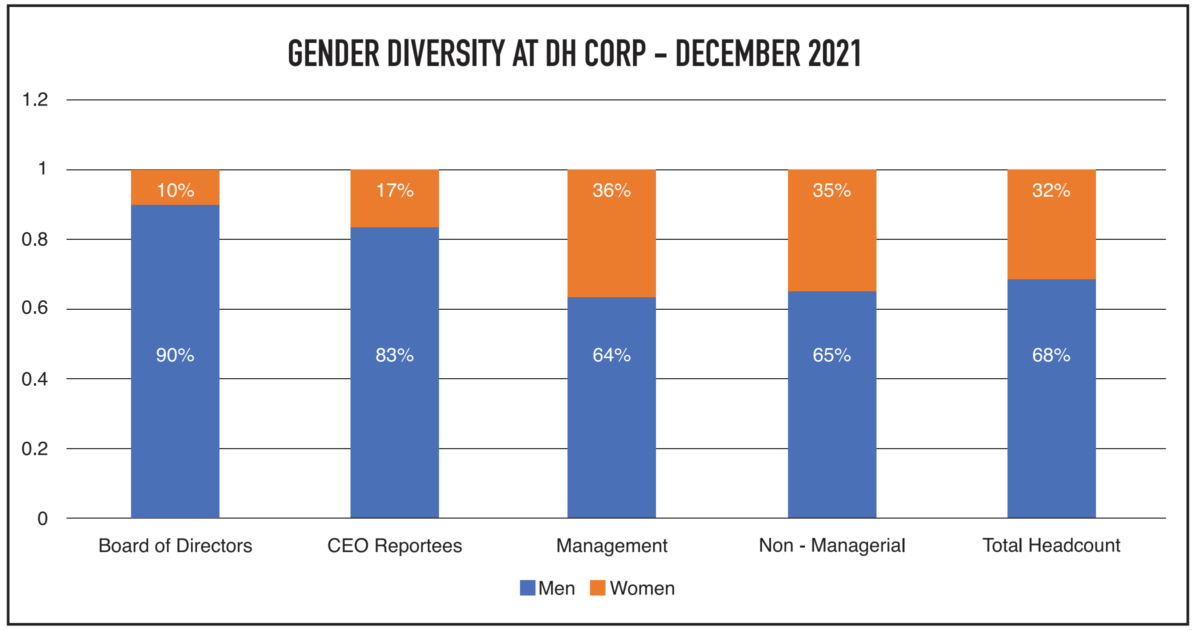
To foster a culture that promotes curiosity and taking ownership for people development, we have taken the following initiatives:

1. To encourage openness and enhance global perspective, DH Corp held live screenings of the World Economic Forum's Davos Agenda and Sustainable Development Impact Summit. DH Corp executed and managed The Sustainable Development Impact Summit per the prescribed SDGs. Goals such as 3, 4, 7 & 12 were achieved during this event.
2. Welcoming 530 participants respectively from across the group on platforms of learning and collaborative conversations enabling participants to learn from world leaders. We also participated in the Bloomberg New Economic Forum, Catalyst, which is a common platform to unite the leaders from the East and the West for a healthy discussion on the economy and global issues
3. DH Corp partnered with Coursera to provide a virtual learning experience to all its employees.
4. DH Corp supports employees in enhancing their professional qualifications by providing education assistance.
5. DH Corp has an internal learning platform campaign, Learning Circles, to foster a learn and share culture. International and local experts conducted as many as 17 interactive sessions on a variety of subjects.

GOAL 5: GENDER EQUALITY

DH Corp is an advocate of gender diversity and equality. There has been a marked improvement in the number of women hired within DH Corp between 2019 and 2020. There is an aggregate of 34% women in the organisation in 2020 compared to 24% in 2019. 36% women are in the management in 2020 compared to 22% in 2019, 20% are CEO reportees in both 2019 and 2020, and 10% women in the Board of Directors both in 2020 and 2019. As of 31st December 2021, the total headcount of women in DH Corp was 32%. Some of the female management staff was relocated across the group for different opportunities.

With the goal of connecting women across all our Group companies and to give them an opportunity to shine, we held our first Women's Collective event. The objective is to give women from across the Group a chance to network and support each other.



We aim to make DH Corp a more family-friendly workplace, hence understanding the importance of being a parent. DH Corp offers up to 16 weeks of paid maternity leave with maternity insurance. Employees can avail of up to 5 working days paternal leave. Pay is compensated on merit at hiring, irrespective of gender, and compensation is performance-based thereafter.

We recognise the importance of creating a respectful work environment and therefore promote the harassment policy and spread awareness amongst employees through our annual training. This policy covers all aspects of harassment. In addition, we also email all employees about the existence of the policy and are encouraged to avail it for their protection if required. The harassment policy is approved by the board and is endorsed by the management. To ensure a harassment-free culture we have a platform called Speakout, where our employees can lodge their complaints and strict action is taken based on the complaints made. Along with this, we also have a harassment committee that safeguards the interest of the employees. Our Speak-Out Platform and the harassment committee serve to resolve any harassment issues not addressed, should be raised by the employees.

GOAL 6: CLEAN WATER AND SANITATION

At DH Corp we ensure that the employees are provided clean filtered water for consumption. DH Corp has also reduced the consumption of 500 ml disposable plastic water bottles to zero. The employees have been given glass water bottles to eliminate the use of disposable bottles. Any issue pertaining to leakages of water is immediately addressed to minimise wastage of water. To protect our environment, we have moved to clean environmentally friendly brands.

DH Corp partnered with LifeisH2O to spread the awareness of water consumption, a project with an international community of change practitioners. LifeisH2O aims to increase the level of collective awareness of climate change, particularly about the vulnerability of water through participatory art.

GOAL 8: DECENT WORK AND ECONOMIC GROWTH

DH Corp continuously upgrades its technology to facilitate employees and enhance their productivity. During COVID-19, Work from Home (WFH) was established within a day because of the updated technological devices given to the employees and the IT support provided to them during WFH.

In 2020, 7 employees in the management were on a contractual basis, with 5 males and 2 female employees. Comparatively, in 2021 3 employees in management are on a contractual basis, with 2 males and 1 female employee.

For the non-management staff, in 2020, there were 21 males and no females on a contractual basis. Whereas, in 2021, there are 13 males on a contractual basis and no females on a contractual basis

All employees are well above the minimum wage as set by the Government of Pakistan. Currently, we do not have any disabled staff; however, we are planning to include persons with disabilities as part of our workforce in 2022.

With the Green Office program in partnership with World Wildlife Fund (WWF), DH Corp is monitoring the use of energy, paper, and fuel and ensuring its efficient usage.

GOAL 10: REDUCE INEQUALITY

At DH Corp, trainings are held for employees to understand the importance of equality - and discrimination is actively discouraged. The company's Speak-Out platform allows employees to report discriminatory acts and unethical behavior etc.

All employees including women are given the best of technology to work with and are given an equal opportunity to grow. Flexible working hours are also offered for employees.

GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

DH Corp is a certified Green Office in partnership with WWF. We at DH Corp with this program, aim to consciously reduce our ecological footprints and have the following wins:

- Reduction in Consumption of energy by 8% between the years 2020 and 2021.
- Reduction in Consumption of paper by 50% between the years 2020 and 2021.
- Reduction in the amount of mixed waste by 5% between the years 2020 and 2021.
- Reduce the Consumption of travel and transport has decreased by 50%.
- Reduction of water Consumption where possible.

DH Corp believes in caring for the environment. We have gone 100% paperless with invoices and 95% of banking is digitalised. We manage waste by partnering with Garbage CAN, a garbage recycling and upcycling company.

DH Corp is taking measures to ensure that employees consume safe drinking water in the office. DH Corp has banned the use of 500 ml disposable water bottles that are harmful to the environment, we have reduced their consumption from 2676 per year to zero, championing no plastic water bottle culture within the organisation.

GOAL 17: PARTNERSHIPS FOR THE GOALS

DH Corp has partnered with The World Economic Forum, British Asian Trust, Bill & Melinda Gates Foundations, World Wildlife Fund, and Garbage CAN. As a Partner Level member organisation of the World Economic Forum, DH Corp is involved in contributing its thought leadership in regional action groups on the topic of stakeholder capitalism. Learning opportunities with access to webinars and knowledge are provided for employees across the organisation.

COMPANY'S CSR PHILOSOPHY

The Dawood family formed The Dawood Foundation (TDF) in 1960 with a vision to empower individuals through learning and education. Dawood Hercules Corporation contributes 1% Profit before tax towards unique projects by TDF. TDF endeavors to introduce innovative interactive spaces for informal learning moving from formal education to informal education.

CSR ACTIVITIES

KIRAN FOUNDATION

DH Corp, to instill learning and curiosity, sponsored 270 students along with 50 chaperones of Kiran Foundation, a non-profit organisation in Lyari, to visit The Magnificence Center. The Kiran Foundation provides a transformational education in marginalised communities through a multi-tier framework by educating children and their parents alike, leading to the empowerment of the entire family unit. The visit spanned over three days and a few DH employees volunteered to manage the students.

AAJ SE AAGAY

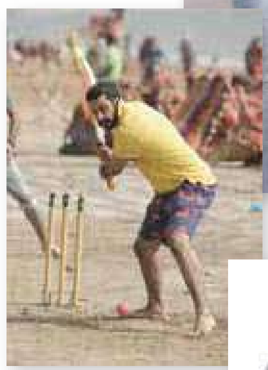




DH Culture Code comprising of our values and competencies was rolled out with a full day of fun-filled learning with Farhad Karamally of Funverks and our CEO, Inam ur Rahman.

BEACH DAY




To give our valued employees a break from their everyday routines, we decided to go on a long-awaited beach trip where we played cricket, indulged in water sports followed by a musical event to sign off the day.

DIRECTOR'S REPORT

The Directors are pleased to present their report along with the audited unconsolidated condensed interim financial statements of DH Corp and the audited consolidated condensed interim financial statements of the Group for the year ended 31 December 2021.

A. Economic Overview

In 2021, the global economy continued its journey towards revival on the back of fiscal stimuli packages and money supply injections by developing and developed countries. Demand recovery, coupled with supply chain challenges and weather disruptions, caused a global surge in commodity prices. This led to increase in global inflation with food prices rising by almost 26%. To battle this rise in inflation, Central Banks around the world initiated monetary tightening.

Pakistan's economy continues to follow its historical trajectory of growth post demand contraction. Due to strengthened demand post relaxation of lockdowns and normalization of COVID, headline inflation remained high amid persistent increases in food prices and energy tariffs. This has led the State Bank of Pakistan to increase monetary policy by a total of 275 bps during the second half of the year.

On the other hand, stimulus packages announced by the Government in 2020 enabled higher consumer and industrial imports, outgrowing relative rise in exports in recent months, leading to a widening trade deficit in fourth quarter of 2021. The recent tranche under the IMF program and issuance of Eurobond will help bridge this gap, but structural reforms need to be undertaken to address the root causes of country's economic challenges.

B. Principle Activity

The Principal Activity of DH Corp is to undertake and manage investments in, but not limited to, its subsidiaries and/or associated companies, and to do all incidental acts and things necessary for the attainment of this objective.

I. Listed Equities Portfolio:

We continued to build our investment portfolio in shares of blue-chip listed companies on the Pakistan Stock Exchange (PSX) as per the limits approved by the Board of Directors. During the period, DH Corp's investment in equity market portfolio moved in-line with the market. The portfolio earned significant dividends during CY21 worth c. PKR 336m, along with realizing capital gains of c. PKR 191mn. However, the CY21 ended with unrealized capital losses of c. PKR 401mn. The portfolio outperformed KSE-100 index by 5.74%. The Company has further invested PKR 4.5bn in equity market through bank loans mainly in defensive and healthy dividend yielding stocks with strong fundamentals and with a target of positive arbitrage.

II. Money Market Portfolio:

The balance funds were placed in both long and short-term instruments in money markets, allowing us to efficiently manage our treasury portfolio in-line with our liquidity requirements. Resultantly, with the increase in interest rates, the Company was able to secure an effective yield of 8.14% during the year.

Our major investment, ENGRO operationally performed very well and distributed dividends of PKR 25 per share for their fiscal year. However, its price was under pressure and dropped by 12.85%.

We view our investment in Engro as a long-term strategic play with high growth potential. We continue to monitor the progress of Engro Corp and its subsidiaries, and some highlights are shared in the subsequent sections.

III. Engro Corporation Limited:

The Company's consolidated revenue grew by 25%, from PKR 248,818 million during 2020 to PKR 311,587 million, primarily attributable to higher PVC and Urea volumes during the year. The consolidated Profit-After-Tax (PAT) for 2021 was PKR 52,612 million – up by 19%, while PAT attributable to the shareholders increased to PKR 27,942 million from PKR 25,100 million in 2020, resulting in an Earnings per Share (EPS) of PKR 48.5 compared to PKR 43.57 for 2020.

Fertilizers

In 2021, Fertilizer business showed strong performance and recorded a revenue of PKR 132 billion versus PKR 106 billion in 2020, whereas PAT stood at PKR 21.1 billion versus PKR 18.1 billion last year, demonstrating a ~17% increase mainly on the back of higher urea offtakes and increase in phosphate prices.

Energy

Engro Powergen Thar Limited plant achieved an availability of 83% with a load factor of 80% and dispatched 4,225 GwH to the national grid. The business posted a PAT of PKR 1,594 million for the current period as compared to PKR 2,079 million for 2020. The Company received PKR 3.2 billion in January 2022 to settle 40% of the outstanding receivables, as a result of the Master Agreement with the Government of Pakistan.

During the year, Engro Energy signed an MoU with the Government of Sindh to develop the first hybrid 400 MW Renewable Energy Park, with the potential to scale up to 1GW power to the industrial hub of Karachi. This project has the potential to reduce power costs by up to 20% and save up to PKR 13 billion per annum for the economy through import substitution during the first phase.

Petro Chemicals

Engro Polymer & Chemicals business recorded highest ever revenue of PKR 70 billion translating into a PAT of a PKR 15.1 billion as compared to revenue of PKR 35 billion and PAT of PKR 5.7 billion last year.

Terminal Operations

Engro Elengy Terminal successfully completed Pakistan's first-ever Dry-Docking activity of FSRU Exquisite at Qatar dockyard during the year. Resultantly, the business contributed 15% to national gas supply during the year. The LNG terminal handled 72 vessels, in line with last year, delivering 216.2 bcf re-gasified LNG in to the SSGC network with an availability factor of 96.5%, contributing 15% to national gas supply during the year. The chemicals terminal throughput volumes normalized to 1,280 KT against 1,142 KT last year. Overall, profitability of both the LNG and chemical storage terminals remained healthy during 2021.

Telecommunication Infrastructure

Enfrashare continued to expand its national footprint and achieved a scale of 2,246 tower sites with a 1.10x tenancy ratio, catering to all four Mobile Network Operators (MNOs) in Pakistan. The Company deployed 79% of the new sites as an independent towerco which led to an increase of 3x in the revenue during the year in comparison with last year. The business has secured orders to reach a scale of 3,300+ sites by the end of 2022.

Foods

Friesland Campina Engro Pakistan demonstrated a topline growth of 18%, reporting a revenue of PKR 52 billion against PKR 44 billion last year. The gross margin improved to 17% versus last year's 13% and the business registered a PAT of PKR 1,804 million versus PKR 177 million last year. The business continued to expand its consumer awareness and dairy development programs which has been further supported by restoration of zero-rated taxation on the dairy segment.

Engro Eximp Agriproducts business surpassed industry growth of 16% in the brown rice segment and recorded 21% growth versus last year. As a key contributor to national foreign exchange reserves, the business continued its focus towards export. During the year rice business generated revenue of USD 18.8 million through export of 24 KT rice versus ~28 KT last year.

Corporate and Social Development

I. Human Development:

Talent Development

Our people are our greatest asset, and we have invested extensively in developing our people this year. Our Learning Circles initiative endeavoured to share knowledge, is a holistic approach to employee development. 17 sessions were held over the year on subjects varying from cohesive, sustainable, and resilient economic systems, the era of waste management, driving responsible industry transformation and growth, to harnessing the technologies of the Fourth industrial revolution.

To enhance the talent of our people, several training and awareness sessions were arranged. Furthermore, we partnered with Coursera to build a robust continuous learning culture. All employees had access to over 3,000 courses. A roll-out of core competencies was conducted to ensure alignment with the DH Culture Code.

Employee Team Engagement

For employee motivation and engagement during work-from-home period due to COVID - 19, several initiatives were taken to encourage problem-solving, remote collaboration and employee engagament. We also shared our small moments of joy every month, celebrated birthdays, work anniversaries and other festive occasions.

To keep the teams connected and aligned, anchored morning meetings with departmental heads took place every day along with eight CEO townhalls for all employees including two with the non-management staff.

Inclusion and Diversification

We consistently strive to ensure that all employees, irrespective of background, religion, gender, or hierarchy are respected and feel a sense of pride and belonging to the organisation.

At DH Corp, by year-end we had 32% (13) women in our management workforce. Employees can take up to 16 weeks of paid maternity leave with maternity insurance. 5 working days paternal leave can be availed. Pay is compensated on merit at hiring, irrespective of gender, and compensation is performance-based thereafter. We are also currently working on creating a more inclusive environment in our Company through a Diversity & Inclusion policy.

Health and Safety

The health and safety of our employees are of utmost importance. A Crisis Management Committee was formed, providing immediate help related to any health-related emergencies with a special focus on COVID-19 to all employees and their families. With a doctor onboard 24/7, employees and their families could consult him, have their free COVID test upon doctor's recommendation, receive oxygen cylinders, and also get a basic COVID essential pack. Mental Wellness Programs were also arranged. Two counselling platforms are being offered to employees and their families which they can avail at their convenience.

Social Contribution:

DH Corp's philanthropic efforts are in an array of social welfare activities, which are deployed through The Dawood Foundation (TDF). The Dawood family formed TDF in 1960 with a vision to empower individuals through learning and education. DH Corp, every year contributes 1% Profit before tax towards unique projects by TDF. This year, DH Corp rerouted some of its contribution through TDF sponsoring 320 students including teachers of The Kiran Foundation, a non-profit organisation in Lyari, for a visit to the MagnifiScience Centre. The foundation provides transformational education in marginalised communities through a multi-tier framework educating children and their parents, truly empowering the entire family unit.

Due to a rise in inflation and reduced purchasing power, we enhanced our focus on social investments through the PKR 1 billion Hussain Dawood Pledge announced in 2020. The Company signed a Memorandum of Understanding (MoU) with Pakistan Poverty Alleviation Fund (PPAF) to contribute PKR 70 million to the Ehsaas Amdan Program. This collaboration with PPAF, the lead implementing agency for the Ehsaas Amdan program, will support the Government of Pakistan's poverty alleviation program for deserving families, whose incomes have been adversely affected by the COVID-19 pandemic. Till date, total spend under the Hussain Dawood Pledge stands at PKR 498 million.

For further information, please visit: https://www.hussaindawoodpledge.com/

II. Partnerships.

World Economic Forum:

We have partnered with World Economic Forum (networking initiative), to bring learning & innovation back to the Group and to increase our connections for co-investment opportunities. To date we have participated in over 65 learning event opportunities where more than 35 group executives engaged in these events and gained access to Strategic Intelligence tools, and Knowledge of global business issues.

World Wide Fund

Dawood Hercules Corporation is officially a certified Green Office by World Wildlife Fund (WWF). The WWF Green Office label is proof of environmental liability at a workplace. With the Green Office Certification, DH Corp aims to reduce the ecological footprints of the office premises. The Green Office label encourages the work community to act sustainably in day-to-day work and helps to discuss practices relating to the environmental management system at the workplace.

Sustainable Development Impact Summit

With the purpose of encouraging openness and enhancing global perspective, we hosted The Sustainable Development Impact Summit at Karachi School of Business and Leadership (KSBL). The event was organised keeping in mind the theme of the Summit: Shaping an Equitable, Inclusive and Sustainable Recovery. Sustainable Development Goals such as 12, 7, 4 & 3 were achieved during this event. To benefit from the The SDIs, virtually organised by the World Economic Forum, we engaged 300+ of our group wide employees over the period of one week to be part of these dialogues. After each virtual dialogue, our people at KSBL engaged in a debate and learning session.

C. Financial Report

I. Financial Performance:

The Company's consolidated revenue grew by 25%, from PKR 248,883 million during 2020 to PKR 311,781 million. The consolidated PAT for 2021 was PKR 50,734 million – up by 19%, while PAT attributable to the shareholders increased to PKR 8,524 million from PKR 7,583 million in 2020.

On a standalone basis, return on investments stood at PKR 6,013 million as compared to PKR 6,970 million in 2020, primarily due to reduction in interest income on treasury placements as Sukuk were paid off in full during the year. However, the PAT was PKR 3,981 million against PAT of PKR 3,728 million for the same period last year.

II. Earnings Per Share:

The unconsolidated earnings per share for the year 2021 were PKR 8.27 as compared to PKR 7.75 for the year 2020. Consolidated earnings per share for the year were PKR 17.71 (2020: PKR 15.76).

III. Islamic Sukuk Certificates:

On December 18, 2020, the Board of Directors of the Company approved the exercise of the call option (i.e. early purchase of Islamic Sukuk Certificates) available to the Company in the underlying sukuk issue arrangements. As a result Sukuk aggregating Rs 7,320 million were repaid on 16 February, 2021 (Sukuk 1) and March 1, 2021 (Sukuk 2).

IV. Auditors:

The present auditors, A.F. Ferguson & Co., Chartered Accountants are retiring at the conclusion of the forthcoming annual general meeting and are offering themselves for reappointment. The Audit Committee has recommended the re-appointment of A.F. Ferguson & Co., Chartered Accountants as auditors of DH Corp for the year ending 31 December 2022, and the Board has endorsed this recommendation.

V. Shares Traded, Average Prices and PSX:

During the year 8.09 million shares of DH Corp were traded on the PSX. The average price of DH Corp's share based on the daily closing rate was PKR 108.86, while the 52 weeks low-high during 2021 was PKR 95.52 – 122.20 per share, respectively.

VI. Pattern of Shareholding:

The pattern of shareholding of DH Corp as at 31 December 2021, together with other necessary information, is available at the end of this report along with the proxy form.

VII. Market Capitalization and Book Value:

At the close of the year, the market capitalization of DH Corp was PKR. 45,973 million (2020: 58,496 million) with a market value of PKR. 95.52 per share (2020: PKR. 121.54) and the breakup value of PKR. 63.18 per share (2020: PKR. 64.62 per share).

VIII. Appropriation:

The total dividend attributable to the year is PKR 9.50 per share (95%) paid during the year.

IX. Entity Rating:

During 2021, PACRA reaffirmed the long-term and short-term credit rating of DH Corp in its annual review.

These credit ratings reflect the entities' financial and management strength as well as favourable credit standing and are a testament to our strong balance sheet and robust performance with consistent dividend payouts.

X. Provident and Gratuity Funds:

The funded retirement benefits of the employees of DH Corp are audited once a year and are adequately covered by appropriate investments. The value of the investments of the provident fund as per the unaudited accounts aggregated to PKR 34.51 million (2020: PKR 29.73 million).

Fair value of the assets of the funded defined benefit gratuity plan was PKR 31.94 million as at 31 December 2021 (2020: PKR 28.66 million).

XI. Corporate Governance:

DH Corp remains committed to the high standards of corporate governance, conducting its business in line with the best practices of the Code of Corporate Governance and the Listing Regulations of the PSX, which specify the roles and responsibilities of the Board of Directors and DH Corp's management. For further details, please refer to the Statement of Compliance with Listed

Companies (Code of Corporate Governance) Regulations 2017.

XII. Risk Management:

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

Hence risk management policies are established to address the risks faced by DH Corp, to set appropriate risk limits and controls, and to monitor adherence to limits. Risk management policies and systems are reviewed regularly keeping the market conditions and activities in perspective.

XIII. Board of Directors:

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

Independent Directors	3
Non-Executive Directors	
• Male	5
• Female	1
Executive Director	1

XIV. Board Meetings:

Six meetings of the Board were held during the year 2021 and all of them were presided over by the Chairman. The Company Secretary and Chief Financial Officer also attended the meetings as required by the Code of Corporate Governance. Attendance by each Director was as follows:

Name of Directors	Meetings attended			
	Board Meetings	Board Audit Committee	Human Resource & Remuneration Committee	Board Investment Committee
Mr. Hussain Dawood	6/6	-	-	-
Mr. Abdul Samad Dawood	6/6	-	1/1	3/3
Mr. Shahzada Dawood	6/6	-	3/3	1/1
Ms. Sabrina Dawood	6/6	-	4/4	-
Mr. Parvez Ghias	6/6	-	4/4	-
Mr. Shabbir Hussain Hashmi	6/6	6/6	-	3/3
Mr. Kamran Nishat	6/6	6/6	-	-
Mr. Hasan Reza Ur Rahim	6/6	6/6	4/4	-
Mr. Imran Sayeed	6/6	-	-	3/3
Mr. Inam ur Rahman	6/6	-	-	-

XV. Directors' Remuneration:

DH Corp has a formal and transparent policy for the remuneration of the directors in accordance with the Articles of Association of the Company and the Companies Act 2017.

XVI. Statement of Directors Responsibility:

The Directors confirm compliance with the Corporate and Financial Reporting Framework as per the Listing Regulations of the PSX as follows:

a. The financial statements prepared by the management of DH Corp present the state of affairs fairly, the result of operations, cash flows and change in equity.
b. Proper books of accounts of DH Corp have been maintained.
c. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable prudent judgment.
d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of these financial statements and any departures therefrom have been adequately disclosed.
e. The system of internal controls is sound in design and has been effectively implemented and monitored.
f. There are no significant doubts upon DH Corp's ability to continue as a going concern.
g. Key operating and financial data for the last six years in summarized form are annexed to the report.

XVII. Directors Training Program:

Out of ten Directors, nine directors are duly certified or exempted, from the Directors' Training Program

XVIII. Related Party Transactions:

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

D. Future Outlook

Pakistan trades at a forward P/E of c.5x, at a 40% discount to the 10yr average. The discount to MSCI EM/FM has widened to 60%, nearly double the historical discount. Pakistan's low weight in MSCI EM contributed to the exodus of foreign funds during 2017-21. Pakistan is back in MSCI FM and residual foreign ownership is similar to trough levels in 2009. Going forward, overall corporate profitability will be supported by defensive sectors. While, some cyclical sectors should benefit from higher rural income and exports. This should support the stock market during 2022, whereby we believe the PSX to outperform 2021.

The equities portfolio will be managed actively and prudently with harvesting those investment ideas that have played out, while seeking new value themes as the economy recovers. The balance of the funds will be managed through government securities and bank placements.

The portfolio of Engro Corporation is resilient and will prevail well through challenging times. The philosophy of operating in sectors that help solve pressing issues of Pakistan implies that most of

Engro's businesses are of critical nature and will continue to operate in times of any possible lockdown.In 2022, Engro will continue to develop its operating verticals while making meaningful contributions to the country and stakeholders at large.

E. Material Changes due to Subsequent Events

No material changes or commitments affecting our financial position have occurred between the end of the financial year and the date of this report.

F. Acknowledgement

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

We would like to thank the management and employees for their sincere contributions towards the growth and prosperity of DH Corp.

Shabbir Hussain Hashmi	**Mohammad Shamoon Chaudry**
Director	Chief Executive

Dated: March 01, 2022

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

pwc

A.F.FERGUSON&CO.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dawood Hercules Corporation Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Dawood Hercules Corporation Limited for the year ended December 31, 2021 in accordance with the requirements of regulation 36 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. We are only required and have ensured compliance of this requirement to the extent of the approval. 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.

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, 2021.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Date: April 05, 2022

UDIN: CR202110160T5d9RpVBX

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/ 32426771-5; Fax: +92 (21) 32415007/32427938/ 32424740; <www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Dawood Hercules Corporation Limited
For the year ended December 31, 2021

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

1. The total number of directors are ten (10) as per the following:
   a. Male: Nine (9)
   b. Female: One (1)

2. The composition of Board as at December 31, 2021, was as follows:

Category	Names
Independent Directors	Mr. Shabbir Hussain Hashmi Mr. Hasan Reza Ur Rahim Mr. Kamran Nishat
Non-executive Directors	Mr. Hussain Dawood (Chairman) Mr. Abdul Samad Dawood (Vice Chairman) Mr. Shahzada Dawood Ms. Sabrina Dawood (Female Director) Mr. Parvez Ghias Mr. Imran Sayeed
Executive Director	Mr. Inam ur Rahman (Chief Executive Officer - CEO)

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

4. 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;

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;

8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations;

9. Out of ten Directors, nine are duly certified or exempted, from the Directors' Training Program;

10. There was no fresh appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year ended December 31, 2021. The Board has approved the remuneration of Chief Financial Officer, Company Secretary and Head of Internal Audit and complied with relevant requirements of the Regulations;

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Dawood Hercules Corporation Limited
For the year ended December 31, 2021

11. Chief Financial Officer and Chief Executive Officer duly endorsed the unconsolidated and consolidated financial statements before approval of the Board;

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

a) Board Audit Committee:

Name	Designation	Category
Mr. Shabbir Hussain Hashmi	Chairman	Independent Director
Mr. Hasan Reza Ur Rahim	Member	Independent Director
Mr. Kamran Nishat	Member	Independent Director

b) Human Resource and Remuneration Committee

Name	Designation	Category
Mr. Hasan Reza Ur Rahim	Chairman	Independent Director
Mr. Abdul Samad Dawood	Member	Non-Executive Director
Mr. Parvez Ghias	Member	Non-Executive Director
Ms. Sabrina Dawood	Member	Non-Executive Director

c) Board Investment Committee:

Name	Designation	Category
Mr. Abdul Samad Dawood	Chairman	Non-Executive Director
Mr. Shabbir Hussain Hashmi	Member	Non-Executive Director
Mr. Hasan Reza Ur Rahim	Member	Independent Director
Mr. Imran Sayeed	Member	Non-Executive Director

13 The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;

14 The frequency of meetings (quarterly/half yearly/yearly) of the committees were as follows:
   a) Board Audit Committee: Six (06) meetings held during the financial year ended on December 31, 2021.
   b) HR and Remuneration Committee: Four (04) meetings held during the financial year ended on December 31, 2021.
   c) Board Investment Committee: Three (03) meetings held during the financial year ended on December 31, 2021.

15 The Board has set up an effective internal audit function comprising of suitably qualified and experienced staff who are 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 Institute of Chartered Accountants of Pakistan are registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not close relatives (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company;

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Dawood Hercules Corporation Limited
For the year ended December 31, 2021

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

18. We confirm that all requirements of Regulation 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with. With respect to the compliance with Regulation 6, the Board has appointed three independent directors and the fraction one-third number was not rounded up to one as the three independent directors elected had requisite competencies, skills, knowledge and experience to fulfil their obligations as per the requirements of the applicable laws and regulations and hence, appointment of fourth independent director was not warranted.

    The Board was also guided by the fact that as per Regulation 6 rounding up is not mandatory and the necessary explanation for not rounding-up as required under the Regulations have been included above.

Mohammad Shamoon Chaudry
Chief Executive

Hussain Dawood
Chairman

Karachi
Date: March 1, 2022

UNCONSOLIDATED FINANCIAL STATEMENT

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of Dawood Hercules Corporation Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Dawood Hercules Corporation Limited (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2021, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated 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 unconsolidated statement of financial position, unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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, 2021 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 Unconsolidated 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 (the Code) 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 Matter

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

Following is the Key audit matter:

S. No.	Key audit matters	How the matter was addressed in our audit
(1)	**Return on investments** (Refer note 19 to the unconsolidated financial statements) Return on investments comprises dividend income, interest income and gains on the Company's investments. Dividend income is the most significant component of the Company's revenue for the year which drives some of the Company's key performance indicators including earnings per share. Given the significance of the amount in the overall context of the annexed unconsolidated financial statements and the fact that there is presumed risk of misstatement that the return on investments may not be recognised in the correct accounting period in the unconsolidated financial statements, this remained our focus area throughout the audit, hence a key audit matter.	Our audit procedures included the following: • Obtained an understanding of the process and key internal controls relating to recognition of return on investments. • Agreed, on a sample basis, the Company's entitlement for the dividend income to an independent source and agreed receipts to the bank statements. • Tested cut-off relating to the dividend income using independent data source and subsequent collections by the Company.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

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

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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.

pwc

A·F·FERGUSON&Co.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated 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:

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) 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 Khurshid Hasan.

Afferguson & Co

A. F. Ferguson & Co
Chartered Accountants

Karachi

Date: April 05, 2022

UDIN: AR202110160e9k3oH2Z

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/ 32426771-5; Fax: +92 (21) 32415007/32427938/ 32424740; <www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	Note	2021	2020
		------- (Rupees in '000) -------	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	**61,982**	66,662
Right-of-use assets	5	**4,114**	28,001
Capital work in progress	6	**1,921**	-
Long term investments	7	**23,408,927**	23,408,927
		23,476,944	23,503,590
CURRENT ASSETS			
Loan, advances, deposits and prepayments	8	**345,217**	236,053
Other receivables	9	**257,026**	181,978
Short term investments	10	**13,530,767**	13,851,473
Cash and bank balances	11	**4,419**	1,398,636
		14,137,429	15,668,140
TOTAL ASSETS		**37,614,373**	39,171,730
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital	12	**10,000,000**	10,000,000
Issued, subscribed and paid up share capital	12	**4,812,871**	4,812,871
Revenue reserve		**25,595,066**	26,189,540
		30,407,937	31,002,411
NON CURRENT LIABILITIES			
Lease liabilities	13	**-**	11,011
Defined benefit liabilities	14	**6,851**	3,559
Deferred tax liability	15	**35,685**	99,420
		42,536	113,990
CURRENT LIABILITIES			
Current portion of long term financings		**-**	7,320,000
Short term running finance	16	**6,494,477**	-
Current portion of lease liabilities	13	**11,270**	29,762
Trade and other payables	17	**135,467**	83,523
Unclaimed dividend		**224,275**	275,406
Accrued mark-up		**49,578**	61,691
Taxation - net		**248,833**	284,947
		7,163,900	8,055,329
		7,206,436	8,169,319
CONTINGENCIES AND COMMITMENTS	18		
TOTAL EQUITY AND LIABILITIES		**37,614,373**	39,171,730

The annexed notes 1 to 33 form an integral part of these unconsolidated financial statements.

Kamran Hanif	Mohammad Shamoon Chaudry	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2021

	Note	2021	2020
		------- (Rupees in '000) -------	
Return on investments	19	**6,012,505**	6,970,128
Administrative expenses	20	**(994,329)**	(1,024,199)
Gross profit		**5,018,176**	5,945,929
Other income / (expenses) - net	21	**5,186**	(2,260)
Operating profit		**5,023,362**	5,943,669
Finance cost	22	**(143,313)**	(1,019,432)
Profit before taxation		**4,880,049**	4,924,237
Taxation	23	**(899,201)**	(1,196,243)
Profit after taxation		**3,980,848**	3,727,994
		--------------Rupees-------------	
Earnings per share – basic and diluted	24	**8.27**	7.75

The annexed notes 1 to 33 form an integral part of these unconsolidated financial statements.

Kamran Hanif	**Mohammad Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

UNCONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended December 31, 2021

	2021	2020
	------- (Rupees in '000) -------	
Profit after taxation	**3,980,848**	3,727,994
Other comprehensive (loss) / income for the year		
Items will not be reclassified to profit or loss		
Remeasurement (loss) / gain on staff retirement benefit liability	**(3,094)**	2,278
Total comprehensive income for the year	**3,977,754**	3,730,272

The annexed notes 1 to 33 form an integral part of these unconsolidated financial statements.

Kamran Hanif	**Mohammad Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Issued, subscribed and paid up share capital	---- Revenue reserves ---- General reserve	Unappropriated profit	Sub-total	Total
	---- (Rupees in '000) ----				
Balance as at January 1, 2020	4,812,871	700,000	26,090,852	26,790,852	31,603,723
Total comprehensive income					
Profit after taxation	-	-	3,727,994	3,727,994	3,727,994
Other comprehensive income	-	-	2,278	2,278	2,278
	-	-	3,730,272	3,730,272	3,730,272
Transactions with owners					
Interim cash dividend @ 90% for the year ended December 31, 2020 (Rs 9 per ordinary share)	-	-	(4,331,584)	(4,331,584)	(4,331,584)
			(4,331,584)	(4,331,584)	(4,331,584)
Balance as at December 31, 2020	4,812,871	700,000	25,489,540	26,189,540	31,002,411
Total comprehensive income					
Profit after taxation	-	-	3,980,848	3,980,848	3,980,848
Other comprehensive loss	-	-	(3,094)	(3,094)	(3,094)
	-	-	3,977,754	3,977,754	3,977,754
Transactions with owners					
Interim cash dividend @ 95% for the year ended December 31, 2021 (Rs 9.5 per ordinary share)	-	-	(4,572,228)	(4,572,228)	(4,572,228)
	-	-	(4,572,228)	(4,572,228)	(4,572,228)
Balance as at December 31, 2021	4,812,871	700,000	24,895,066	25,595,066	30,407,937

The annexed notes 1 to 33 form an integral part of these unconsolidated financial statements.

Kamran Hanif	Mohammad Shamoon Chaudry	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	Note	2021	2020
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash used in operations	27	**(1,008,835)**	(976,335)
Finance cost paid		**(153,053)**	(1,030,745)
Taxes paid		**(999,050)**	(1,518,750)
Defined benefit liabilities paid		**(7,704)**	(7,691)
Long term investments redeemed		**-**	1,478,552
Short term investments (made) / redeemed		**(5,174,241)**	3,122,802
Dividend received		**5,921,584**	5,485,931
Interest received on bank deposits and investments		**315,979**	1,374,734
Net cash (used in) / generated from operating activities		**(1,105,320)**	7,928,498
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(14,092)**	(10,809)
Payment for implementation of ERP		**(1,921)**	-
Sale proceeds from disposal of property, plant and equipment		**4,381**	437
Loans to subsidiary - EMPAK		**(96,500)**	(185,700)
Net cash used in investing activities		**(108,132)**	(196,072)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid during the year		**(31,876)**	(38,735)
Long term financings repaid		**(7,320,000)**	(2,240,000)
Dividend paid		**(4,623,359)**	(4,192,158)
Net cash used in financing activities		**(11,975,235)**	(6,470,893)
Net (decrease) / increase in cash and cash equivalents		**(13,188,687)**	1,261,533
Cash and cash equivalents at the beginning of the year		**8,598,636**	7,337,103
Cash and cash equivalents at the end of the year	28	**(4,590,051)**	8,598,636

The annexed notes 1 to 33 form an integral part of these unconsolidated financial statements.

Kamran Hanif	Mohammad Shamoon Chaudry	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

1. THE COMPANY AND ITS OPERATIONS

1.1 Dawood Hercules Corporation Limited (the Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange (PSX). The principal activity of the Company is to manage investments including in its subsidiaries and associated companies. The registered office of the Company is situated at Dawood Center, M.T. Khan Road, Karachi and a liaison office is in Islamabad.

1.2 Based on the concept of 'control' as stipulated in the International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements', the Company continues to conclude that although the Company has less than 50% voting rights in Engro Corporation Limited (ECL), yet, based on the absolute size of the Company's shareholding, the relative size of other shareholdings and the number of representation on ECL's Board of Directors, the Company has the ability to exercise control over ECL. Accordingly, the Company is deemed to be the Holding Company of ECL.

1.3 These unconsolidated financial statements are the separate financial statements of the Company in which investments in subsidiaries have been accounted for at cost less accumulated impairment losses, if any.

1.4 During the year ended December 31, 2020, the Board of Directors of the Company in its meeting held on December 18, 2020 approved the exercise of the call option (i.e. early purchase of Islamic Sukuk Certificates i.e. long term financings) available to the Company in the underlying sukuk issue arrangements. As a result of the exercise of the call option, Islamic Sukuk certificates aggregating Rs 7,320 million were repaid on February 16, 2021 and March 1, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.2 Statement of compliance

2.2.1 These unconsolidated 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:

- 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.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

2.2.2 The assumptions and estimates which are significant to the preparation of these unconsolidated financial statements are disclosed in note 3.

2.2.3 Initial application of standards, amendments or interpretations to existing standards

a) Amendments to accounting and reporting standards that became effective during the year

There are certain amendments to the accounting and reporting standards that became effective during the year ended December 31, 2021, however, these are considered not to have a significant impact on the Company's financial reporting and operations and therefore have not been presented in these unconsolidated financial statements.

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

There is a standard and certain amendments to the accounting and reporting standards that are not yet effective and are also not expected to have a significant impact on the Company's financial reporting and therefore, have not been presented in these unconsolidated financial statements.

2.3 Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All repairs and maintenance are charged to profit or loss during the financial period in which such are incurred. Major renewals and improvements, if any, are capitalised in accordance with IAS 16 'Property, Plant and Equipment' and depreciated in a manner that best represents the consumption pattern.

Disposal of assets is recognised when significant risk and rewards incidental to ownership have been transferred to buyer. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

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

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 directly attributable expenses incidental to bring the asset for its intended use.

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 profit or loss. Reversal of impairment losses are also recognized in profit or loss.

2.5 Investment in subsidiaries

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

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

Investment in subsidiaries are classified as long term investments and stated at cost less accumulated impairment losses, if any.

2.6 Financial assets and liabilities

2.6.1 Financial assets

The Company classifies its financial assets in the following categories:

a) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt instrument that is subsequently measured at fair value through profit or loss is recognized in profit or loss in the year in which it arises.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investment in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

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

2.6.2 Financial liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective interest method.

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

2.6.3 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.6.4 Impairment

a) Financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies general approach in calculating expected credit losses. It is based on difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Company expect to receive discounted at the approximation of the original effective interest rate. The expected cashflows will include cash flows from sale of collateral held or other credit enhancements that are integral to the contractual terms.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

b) Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.7 Cash and cash equivalents

Cash and cash equivalents are carried at cost. Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, cheques in hand, balances with banks on current, deposit and savings accounts, other short-term highly liquid investments with original maturities of three months or less.

2.8 Staff retirement and other benefits

2.8.1 Defined benefit plans

The Company operates defined benefit plans i.e. funded gratuity schemes for all its permanent employees who have completed minimum service of prescribed period.

Actuarial valuation for funded gratuity scheme is carried out using the projected unit credit method. Remeasurements (actuarial gains / losses) in respect of defined benefit plans are recognised in other comprehensive income.

2.8.2 Defined contribution plan

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

2.8.3 Employee compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company. The provision for compensated absences is made at actual amount as these are not material in the overall context of these unconsolidated financial statements.

2.9 Lease liabilities and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to extended (or not terminated).

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option.

The lease liabilities are initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The right-of-use asset is initially measured based on the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight line basis over the lease term.

2.10 Trade and other payables

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

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

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

2.11 Provisions

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

2.12 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which dividend is approved.

2.13 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In which case, the tax is also recognised in OCI or directly in equity.

- Current

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

- Deferred

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

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

2.14 Contingent liabilities

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

2.15 Revenue recognition

- Dividend income is recognised when the Company's right to receive dividend is established, i.e. on the date of book closure of the investee company declaring the dividend.

- Returns on bank deposits are accrued on a time proportion basis by reference to the outstanding principal amounts and the applicable rates of return.

- Income on Market Treasury Bills, Pakistan Investment Bonds (PIBs) and Term Deposit Receipts is accrued using the effective interest rate method.

- Gains and losses arising on disposal of investments are included in income in the year in which these are disposed of.

- Unrealised gains and losses arising on revaluation of securities classified as 'fair value through profit or loss' are included in profit or loss in the period in which these arise respectively.

2.16 Foreign currency transactions

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

2.17 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Property, plant and equipment and intangible asset

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

3.2 Provision for staff retirement

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Changes in the assumptions will impact the carrying amount of the obligation. The present values of the obligation and the underlying assumptions are disclosed in note 13 to these unconsolidated financial statements.

3.3 Current and deferred income taxes

In making the estimates for income taxes payable by the Company, management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. Management considers current income tax law and the decisions of appellate authorities on certain cases issued in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3.4 Impairment of investments in subsidiaries

In making an estimate of impairment, the management considers on a annual basis whether an indication of impairment exists. In case an indication exists, the recoverable amount of investment is calculated.

3.5 Contingencies and provisions

Significant estimates and judgements are being used by the management in case of contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

3.6 Fair value of investments

The Company determines fair value of its investments (classified at fair value through profit or loss) by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

	Note	2021	2020
		------- (Rupees in '000) -------	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**61,982**	66,662

4.1 The following is the statement of operating fixed assets:

	Leasehold land	Building	Leasehold improve-ments	Furniture, fittings and equipment	Data processing equipment	Vehicles	Total
	(Rupees in '000)						
At January 1, 2020							
Cost	22,716	7,500	22,150	33,405	69,937	68,043	223,751
Accumulated depreciation	-	(7,426)	(10,069)	(17,148)	(44,722)	(53,313)	(132,678)
Net book value	22,716	74	12,081	16,257	25,215	14,730	91,073
Year ended December 31, 2020							
Additions	-	-	-	1,424	6,410	2,975	10,809
Disposals							
Cost	-	-	(11,298)	(3,451)	(2,705)	-	(17,454)
Accumulated depreciation	-	-	4,990	1,699	2,530	-	9,219
Net book value	-	-	(6,308)	(1,752)	(175)	-	(8,235)
Depreciation charge for the year	-	-	(1,462)	(2,558)	(17,131)	(5,834)	(26,985)
Net book value as at December 31, 2020	22,716	74	4,311	13,371	14,319	11,871	66,662
Year ended December 31, 2021							
Additions	-	-	-	4,980	8,946	166	14,092
Disposals							
Cost	-	-	-	(220)	(1,017)	(11,435)	(12,672)
Accumulated depreciation	-	-	-	165	990	11,320	12,475
Net book value	-	-	-	(55)	(27)	(115)	(197)
Depreciation charge for the year	-	-	(1,083)	(2,628)	(10,477)	(4,387)	(18,575)
Net book value as at December 31, 2021	22,716	74	3,228	15,668	12,761	7,535	61,982
At December 31, 2020							
Cost	22,716	7,500	10,852	31,378	73,642	71,018	217,106
Accumulated depreciation	-	(7,426)	(6,541)	(18,007)	(59,323)	(59,147)	(150,444)
Net book value	22,716	74	4,311	13,371	14,319	11,871	66,662
At December 31, 2021							
Cost	22,716	7,500	10,852	36,138	81,571	59,749	218,526
Accumulated depreciation	-	(7,426)	(7,624)	(20,470)	(68,810)	(52,214)	(156,544)
Net book value	22,716	74	3,228	15,668	12,761	7,535	61,982
Annual rate of depreciation (%)	-	5	10	10 to 12.5	33.3 to 50	20	

4.1.1 Cost of items of property, plant and equipment that are fully depreciated as at December 31, 2021 amounts to Rs 116.746 million (2020: Rs 112 million).

4.1.2 The Company's leasehold land is situated at 68, Margalla Road, F-6/2, Islamabad having a total area of 2,000 square yards.

	Note	2021	2020
		(Rupees in '000)	
5. RIGHT-OF-USE ASSETS			
Opening balance		**28,001**	75,560
Lease terminated during the year		**-**	(16,520)
Depreciation for the year	20	**(23,887)**	(31,039)
		4,114	28,001
6. CAPITAL WORK IN PROGRESS			
Implementation cost for an ERP		**1,921**	-
7. LONG TERM INVESTMENTS			
Investment in subsidiaries - at cost	7.1	**23,408,927**	23,408,927
Other investment - at fair value through profit or loss	7.2	**-**	-
		23,408,927	23,408,927
7.1 Investment in a subsidiary - at cost			
Engro Corporation Limited (ECL) - quoted			
214,469,810 (2020: 214,469,810) ordinary shares of Rs 10 each. Percentage of holding 37.22% (2020: 37.22%)	7.1.1 & 7.1.2	**23,308,927**	23,308,927
Empiric AI (Private) Limited (EMPAK) - unquoted			
10,000,000 (2020: 10,000,000) ordinary shares of Rs 10 each. Percentage of holding 100% (2020: 100%)	7.1.3	**100,000**	100,000
		23,408,927	23,408,927

7.1.1 The market value of investment in ECL as at December 31, 2021 was Rs 58,426 million (2020: Rs 65,919 million).

7.1.2 The details of shares of ECL pledged as security are as follows:

	As at December 31, 2021			As at December 31, 2020		
	Number of shares pledged	Face value of pledged shares	Market value of pledged shares	Number of shares pledged	Face value of pledged shares	Market value of pledged shares
		--------(Rupees in '000) --------			--------(Rupees in '000) --------	
Pledged in favour of Fatima Fertilizer Company Limited against potential liabilities of DH Fertilizer Limited						
Meezan Bank Limited - as agent (note 18.1.1)	10,491,800	104,918	2,858,176	10,491,800	104,918	3,224,760
Pledged in favour of JS Bank Limited against the issuance of Sukuks						
JS Bank Limited	-	-	-	56,620,320	566,203	17,402,822

7.1.3 On May 19, 2020, the Company incorporated a wholly owned subsidiary, Empiric AI (Private) Limited (EMPAK). The Company's two nominees hold 2 ordinary shares of EMPAK. EMPAK is engaged in technology led business.

	Note	2021	2020
		------- (Rupees in '000) -------	
7.2 Other investment - at fair value through profit or loss			
e2e Business Enterprises (Private) Limited - unquoted [23,770,701 (2020: 23,770,701) ordinary shares of Rs 10 each]	7.2.1	**237,707**	237,707
Less: Accumulated impairment		**(237,707)**	(237,707)
		-	-
Percentage of holding 39.00% (2020: 39%)			

7.2.1 The Company had made aggregate investment amounting to Rs 238 million during the years 2013 and 2014 in e2e Business Enterprises (Private) Limited (e2eBE) representing an equity interest of 39%. e2eBE was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in year 2014.

However, due to certain issues it has not been able to start the commercial operations of the project till date. Further, due to financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

The Company disposed of part of its shareholding i.e. 19.86%, in e2eBE during the year 2015. However, the said disposal was not recorded by e2eBE in its register of members. The Company informed the Securities and Exchange Commission of Pakistan (the SECP) in this respect through its letters dated May 12, 2016 and January 22, 2018.

In view of the pending registration of the transfer of shares in the name of the transferee, during the year ended December 31, 2020, the Company on the basis of legal advice, has entered into an agreement dated May 8, 2020 with the transferee whereby it was agreed to reverse the original share sale-purchase transaction in a manner that the disposed 19.86% shares shall revert to the Company as if those were never sold to the transferee. Accordingly, the sales proceeds amounting to Rs 2 million received by the Company against the disposal of 19.86% shares in e2eBE were returned to the transferee. In this regard, the Company has through its letter dated April 10, 2020 withdrew the matter lodged with the SECP against e2eBE related to its failure to transfer 19.86% shares in the name of the transferee. Further, an intimation to this effect has been made to e2eBE through the Company's letter dated May 15, 2020.

Further, the Company has assessed the carrying amount of its investment in e2eBE in accordance with the requirements of the applicable accounting standard and the investment has been fully impaired as the possibility of commencement of operations of e2eBE is considered remote.

8. LOAN, ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2021	2020
		------- (Rupees in '000) -------	
Considered good - unsecured			
Advances			
- to employees	8.1	**288**	279
- associated undertakings	8.2	**4,841**	3,250
- to suppliers		**8,529**	1,538
		13,658	5,067
Loan to Empiric AI (Private) Limited	8.3	**282,200**	185,700
Deposits		**1,690**	1,040
Prepayments		**47,669**	44,246
		345,217	236,053

8.1 These include Rs 0.017 million (2020: Rs Nil) and Rs Nil (2020: 0.09 million) due from the Chief Executive Officer and Chief Financial Officer respectively.

8.2 These comprise Rs 1.824 million (2020: Rs 0.233 million) and Rs 3.017 million (2020: Rs 3.017 million) due from Inbox Business Techonologies Limited and The Dawood Foundation. The maximum amount due at the end of any month during the year was Rs 8.861 million (2020: Rs 3.017 million).

8.3 The Company has provided short term loan facilities to Empiric AI (Private) Limited (wholly-owned Subsidiary) to manage the working capital requirements. These facilities carries mark-up at the rate of three months KIBOR plus 100 basis points per annum. Maximum aggregating amount outstanding at any time during the year calculated by reference to month end balance was Rs 282.200 million (2020: Rs 185.700 million). These facilities were initially repayable on January 24, 2022, January 29, 2022 and March 24, 2022. Subsequent to the year end, the revised repayment dates of the facilities which expired in January, 2022 are expected to be finalised in due course.

9. OTHER RECEIVABLES

	Note	2021	2020
		------- (Rupees in '000) -------	
Receivable from related parties	9.1, 9.2 & 9.3	**220,851**	115,429
Interest accrued on loan to EMPAK	8.3 & 9.3	**22,543**	2,745
Interest accrued on investment		**13,617**	54,303
Dividend receivable		**-**	9,216
Others		**15**	37,076
		257,026	218,769
Provision for doubtful receivables		**-**	(36,791)
		257,026	181,978

9.1 The details of amount due from related parties are as follows:

	Note	2021	2020
		------- (Rupees in '000) -------	
Dawood Corporation (Private) Limited		**5,870**	2,476
Dawood Lawrencepur Limited		**547**	412
The Dawood Foundation		**2,475**	2,475
Inbox Business Technologies (Private) Limited, Karachi		**613**	753
Inbox Business Technologies Pte Ltd.		**-**	5,060
Sach International (Private) Limited		**3,297**	3,086
Tenaga Generasi Limited		**538**	2,199
Reon Energy Limited		**31,080**	10,717
Engro Corporation Limited		**165,674**	81,679
Patek (Private) Limited		**929**	2,103
Empiric AI (Private) Limited		**6,192**	1,095
Others	9.4	**3,636**	3,374
		220,851	115,429

9.2 The ageing analysis of amounts due from related parties is as follows:

	2021	2020
upto 30 days	**24,476**	19,359
31 to 180 days	**196,375**	96,070
	220,851	115,429

9.3 The maximum aggregate amount of 'other receivables' due from related parties at the end of any month during the year was Rs 243.394 million (2020: Rs 118.174 million). Receivables upto 30 days are not considered past due and none of these are impaired.

9.4 These are due from Mr. Hussain Dawood, Mr. Abdul Samad Dawood and Mr. Inam-Ur-Rahman (i.e members of key management personnel of the Company).

10. SHORT TERM INVESTMENTS

	Note	2021	2020
		------- (Rupees in '000) -------	
At amortised cost			
- Term Deposit Receipts (TDRs)	10.1 & 10.2	**1,918,007**	7,218,000
At fair value through profit or loss			
- Market Treasury bills (T-Bills)	10.3	**599,379**	-
- Pakistan Investment Bonds (PIBs)	10.4	**1,521,602**	1,506,848
- Quoted shares	10.5	**9,491,779**	5,126,625
		11,612,760	6,633,473
		13,530,767	13,851,473

10.1 These carry profit at rates ranging from 6.75% to 11% per annum (2020: 7.2% to 7.75% per annum).

10.2 As of December 31, 2021, the Company held TDR amounting to Rs 18 million with a commercial bank carrying profit at the rate of 6.75% per annum. The TDR is due to mature on April 15, 2022. The Bank has marked lien over this TDR against Corporate Credit Card facilities.

10.3 This security has matured subsequent to year end on January 4, 2022. The yield on this security is 10.18% per annum. The security has been lien against the running finance facility obtained as disclosed in note 16.1.2 of these unconsolidated financial statements.

10.4 These securities have original tenor of 3 years and are maturing on June 19, 2023. The yield on these securities is 11.83% per annum (2020: 8.27% per annum). These securities have been lien against the running finance facility obtained as disclosed in note 16.1.1 of these unconsolidated financial statements. The Comapny as part of its investment portfolio has initially classified it as short term investment.

10.5 Particulars regarding quoted shares are as follows:

	As at January 1, 2021	Purchased during the year	Bonus shares received during the Year	Sold during the year	As at December 31, 2021	Cost as at December 31, 2021	Fair value as at December 31, 2021	Unrealised gain/(loss) as at December 31, 2021
	-------------------------Number of shares				-------------------------	----------(Rupees in '000)		----------
Banking, Insurance & investment Companys	12,915,559	37,224,904	607,423	4,509,752	46,238,134	6,068,182	6,203,121	134,939
Exploration & Production	8,383,340	-	-	-	8,383,340	1,112,989	804,299	(308,690)
Cement	16,943,338	1,594,000	-	2,376,838	16,160,500	871,582	1,183,202	311,620
Textile	2,825,750	157,500	59,002	306,000	2,736,252	125,638	196,575	70,937
Oil Marketing Companies	2,611,941	107,000	-	372,000	2,346,941	346,365	426,885	80,520
Power	4,938,431	125,000	-	225,000	4,838,431	363,655	345,174	(18,481)
Fertilizer	1,027,438	-	-	-	1,027,438	105,869	103,011	(2,858)
Automobile & Automobile Parts	74,350	303,487	-	300,887	76,950	97,006	94,572	(2,434)
IT & Telecom	-	1,297,136	67,500	303,300	1,061,336	120,730	118,876	(1,854)
Glass & Ceremics	-	122,000	-	122,000	-	-	-	-
Food & Personal Care Products	2,815,500	645,000	-	3,460,500	-	-	-	-
Pharmaceuticals	-	12,500	-	2,500	10,000	7,713	7,175	(538)
Engineering	-	172,500	-	172,500	-	-	-	-
Others	-	256,672	-	16,135	240,537	12,494	8,889	(3,605)
						9,232,223	**9,491,779**	**259,556**

10.6 The market value of investments which have been pledged with financial institutions as security against financing facilities (refer note 16) are as follows:

	As at December 31,2021		
	Number of shares pledged	**Face value of pledged shares**	**Market value of pledged shares**
		--------------- (Rupees in '000)	---------------
Bank AL Habib Limited - note 16.1.1			
United Bank Limited	6,076,125	60,761	829,877
Lucky Cement Limited	1,000,000	10,000	679,280
The Hub Power Company Limited	2,419,215	24,192	172,587
Pakistan State Oil Company Limited	2,346,941	23,469	426,885
Fauji Fertilizer Company Limited	1,027,438	10,274	103,011
Fauji Cement Company Limited	6,735,500	67,355	123,731
MCB Bank Limited	6,215,430	62,154	953,136
Mari Petroleum Company Limited	69,000	690	114,142
Indus Motor Company Limited	76,950	770	94,572
			3,497,221
MCB Bank Limited - note 16.1.3			
Meezan Bank Limited	3,568,912	35,689	478,627
Oil & Gas Development Company Limited	4,607,800	46,078	397,192
United Bank Limited	5,500,000	55,000	751,190
Habib Bank Limited	2,982,600	29,826	347,831
Interloop Limited	2,025,752	20,258	147,252
The Hub Power Company Limited	2,419,216	24,192	172,587
Pakistan Petroleum Limited	3,706,540	37,065	292,965
Maple Leaf Cement Factory Limited	7,011,500	70,115	252,063
Pioneer Cement Limited	1,368,500	13,685	121,454
Systems Limited	79,500	795	60,407
			3,021,568
United Bank Limited - note 16.1.2			
MCB Bank Limited	5,202,840	52,028	797,856
Kohinoor Textile Mills Limited	710,500	7,105	49,323
Bank Alfalah Limited	2,000,000	20,000	69,200
			916,379

11. CASH AND BANK BALANCES

	Note	2021	2020
		------- (Rupees in '000)	-------
Cash in hand		**264**	307
With banks in:			
- Current accounts		**4,067**	1,107,398
- Savings accounts	11.1	**88**	290,931
		4,155	1,398,329
		4,419	1,398,636

11.1 These carry markup at the rates ranging from 7.25% to 7.26% (2020: 5.50% to 5.51%) per annum.

12. SHARE CAPITAL

12.1 Authorised share capital

2021	2020		2021	2020
------ Number of shares ------			------- (Rupees in '000) -------	
1,000,000,000	1,000,000,000	Oridanay shars of Rs 10 each	10,000,000	10,000,000

12.2 Issued, subscribed and paid up share capital

2021	2020		2021	2020
------ Number of shares ------			------- (Rupees in '000) -------	
13,900,000	13,900,000	Oridanay shars of Rs 10 each fully paid in cash	139,000	139,000
467,387,116	467,387,116	Oridanay shars of Rs 10 each issued as fully paid bonus shares	4,673,871	4,673,871
481,287,116	481,287,116		4,812,871	4,812,871

12.3 There has been no movement in the ordinary share capital of the Company.

	2021	2020
	------- Number of shares -------	
12.4 Shares held by related parties		
Dawood Lawrencepur Limited Percentage of holding 16.19% (2020: 16.19%)	**77,931,896**	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2020: 3.95%)	**18,991,988**	18,991,988
Cyan Limited Percentage of holding 0% (2020: 0.17%)	**-**	794,380
Patek (Private) Limited Percentage of holding 9.86% (2020: 0%)	**47,450,048**	-
Sach International (Private) Limited Percentage of holding 0.001% (2020: 0.001%)	**6,996**	6,996
Directors, Chief Executive Officer and their spouses and minor children Percentage of holding 2.64% (2020: 12.5%)	**12,726,327**	60,173,844

	2021	2020
	------- Rupees in '000 -------	
13. LEASE LIABILITIES		
Present value of minimum lease payments	**11,270**	40,773
Less : current portion of lease liabilities	**(11,270)**	(29,762)
	-	11,011

13.1 The Company has total cash outflows for leases of Rs 31.876 million (2020: Rs 38.735 million).

	Note	2021	2020
		------- Rupees in '000 -------	
14. DEFINED BENEFIT LIABILITIES			
Defined benefit plan - Funded gratuity	14.1 to 14.17	**6,851**	3,559

14.1 As stated in note 2.8.1, the Company operates a defined benefit plan i.e. an approved funded gratuity scheme for all of its permanent employees subject to attainment of minimum service of prescribed period. The latest actuarial valuation was carried out as at December 31, 2021.

14.2 The Company faces the following risks on account of the defined benefit plan:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Investments are subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan assets.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

14.3 The projected unit credit method using the following significant assumptions was used for this valuation:

	2021	2020
	----- Per annum ------	
- Discount rate used for year end obligation	**11.75%**	9.75%
- Expected rate of increase in salary levels	**10.75%**	8.75%

14.4 Mortality rate

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

14.5 The net liability carried in the statement of financial position comprise of the following:

	Note	2021	2020
		------- (Rupees in '000) -------	
Present value of defined benefit obligation	14.6	**31,005**	32,221
Fair value of plan assets	14.7	**(24,154)**	(28,662)
Net liability as at December 31		**6,851**	3,559

14.6 Movement in present value of defined benefit obligation

	2021	2020
Obligation as at January 1	**32,221**	28,254
Current service cost	**8,316**	7,657
Interest cost	**2,472**	2,934
Benefits due but not paid	**(7,922)**	-
Benefits paid	**(5,818)**	(4,343)
Remeasurement loss / (gain) on obligation	**1,736**	(2,281)
Obligation as at December 31	**31,005**	32,221

14.7 Movement in fair value of plan assets

	2021	2020
Fair value as at January 1	**28,662**	22,588
Interest income	**2,886**	2,729
Contributions made	**7,704**	7,691
Benefits paid	**(5,818)**	(4,343)
Benefits due but not paid	**(7,922)**	-
Remeasurement loss on plan assets	**(1,358)**	(3)
Fair value as at December 31	**24,154**	28,662

14.8 Movement in net liability

	Note	2021	2020
Opening balance of net liability		**3,559**	5,666
Charge for the year	14.9	**7,902**	7,862
Contributions made by the Company		**(7,704)**	(7,691)
Net remeasurement loss / (gain) for the year	14.10	**3,094**	(2,278)
Closing balance of net liability		**6,851**	3,559

14.9 Amounts recognised in profit or loss

	2021	2020
Current service cost	**8,316**	7,657
Net interest (income) / expense	**(414)**	205
	7,902	7,862

14.10 Remeasurement recognised in other comprehensive income

	2021	2020
Remeasurement loss / (gain) on defined benefit liability due to experience adjustments	**1,589**	(2,880)
Actuarial loss from changes in demographic assumptions	**-**	682
Actuarial gain from changes in financial assumptions	**147**	(83)
Remeasurement loss on plan assets	**1,358**	3
Net remeasurement loss / (gain)	**3,094**	(2,278)

14.11 Actual return on plan assets

	2021	2020
Expected return on plan assets	**2,886**	2,729
Remeasurement loss on plan assets	**(1,358)**	(3)
Actual gain on plan assets	**1,528**	2,726

14.12 Major categories / composition of plan assets

	2021	2020	2021	2020
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Cash and cash equivalents	**17,949**	74%	**14,901**	52%
Mutual fund units	**14,127**	59%	**13,761**	48%
Benefits due but not paid	**(7,922)**	(33%)	**-**	0%
	24,154	100%	**28,662**	100%

14.13 Expected contribution to the funded gratuity for the year ending December 31, 2022 is Rs 3.664 million (2021: Rs 8.288 million).

14.14 The weighted average duration of the defined benefit obligation is 6 years.

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

	Change in assumptions	Present value of defined benefit obligation based on: Increase	Decrease
		------------- (Rupees in '000) -------------	
Discount rate	1%	(29,329)	32,864
Salary growth rate	1%	32,923	(29,245)

14.16 Maturity Profile

	2021	2020
	------- (Rupees in '000) -------	
Time in years		
1	**3,664**	3,113
2	**3,809**	3,368
3	**3,858**	3,501
4	**3,897**	3,619
5-10	**72,104**	79,862
after 10 years	**206,937**	150,610
Weighted average duration (years)	**6**	6

14.17 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 defined benefit liability recognised within the statement of financial position.

		2021	2020
		------- (Rupees in ‘000) -------	

15. DEFERRED TAX LIABILITY

Deferred tax liability arising on taxable temporary differences:

	2021	2020
Unrealised gain on fair value through profit or loss investments	**35,685**	99,420

16. SHORT TERM RUNNING FINANCE

	Note	2021	2020
		------- (Rupees in ‘000) -------	
Running finance under mark-up arrangements	16.1.1 - 16.1.3	**6,494,477**	-

16.1 Details of running finance facilities obtained by the Company are as follows:

16.1.1 Short-term running finance facility of Rs 3,000 million (2020: Rs Nil) was obtained under mark-up arrangements from Bank Al Habib Limited. The amount which remained unutilised as at December 31, 2021 was Rs 22.346 million (2020: Rs Nil). The facility is secured by way of pledge of shares and lien over PIBs as more fully explained in notes 10.6 and 10.4 to these unconsolidated financial statements. Rate of mark-up applicable to the facility is three months KIBOR plus 10 basis points per annum. The facility will expire on September 30, 2022.

16.1.2 Short-term running finance facility of Rs 2,500 million (2020: Rs Nil) was obtained under mark-up arrangements from United Bank Limited. The amount which remained unutilised as at December 31, 2021 was Rs 983.772 million (2020: Rs Nil). The facility is secured by way of pledge of shares and lien over T-Bills as more fully explained in notes 10.6 and 10.3 to these unconsolidated financial statements. Rate of mark-up applicable to the facility is one month KIBOR plus 10 basis points per annum. The facility will expire on November 1, 2022.

16.1.3 Short-term running finance facility of Rs 3,000 million (2020: Rs Nil) was obtained under mark-up arrangements from MCB Bank Limited. The amount which remained unutilised as at December 31, 2021 was Rs 1,000.882 million (2020: Rs Nil). The facility is secured by way of pledge of shares as more fully explained in note 10.6 to these unconsolidated financial statements. Rate of mark-up applicable to the facility is one month KIBOR plus 5 basis points and three months KIBOR plus 5 basis points per annum. The facility will expire on June 30, 2022.

17. TRADE AND OTHER PAYABLES

	Note	2021	2020
		------- (Rupees in ‘000) -------	
Creditors		**653**	5,473
Accrued expenses	17.1	**126,237**	72,490
Others		**8,577**	5,560
		135,467	83,523

17.1 These include the following amounts accrued in respect of related parties:

	2021	2020
	------- (Rupees in ‘000) -------	
The Dawood Foundation	**21,658**	921

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 The Company had pledged 15.131 million shares of ECL with Meezan Bank Limited (as agent) in favour of Fatima Fertilizer Company Limited (FFCL) as disclosed in note 7.1.3 to these unconsolidated financial statements as collateral against guarantee given in favour of DH Fertilizer Limited (DHFL) - ex subsidiary (now FFCL) against potential tax liabilities, WPPF liabilities and WWF liabilities in respect of periods ending on or prior to June 30, 2015. These pledged shares are to be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015, i.e. September 30, 2016, in case no demand / notice is received from respective authorities.

During the year ended December 31, 2018 out of 15.131 million shares of ECL, 4.639 million shares were released upon expiration of the period stated in the agreement relating to the WPPF liabilities.

The Company had also issued a corporate guarantee which will remain in full force and effective for five years and will be released on the date on which the above tax liabilities are finally settled / disposed of or withdrawn.

18.1.2 During the year ended December 31, 2017, the Company's ex-subsidiary was served with an order from the Additional Commissioner of Inland Revenue (CIR) – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend the original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of Rs 3,380.650 million.

The issues mainly related to the levy of tax on sale of 'Bubber Sher' brand to wholly owned subsidiary, Bubber Sher (Private) Limited, taxation of capital gain on sale of shares of ECL and HUBCO to the Company and levy of super tax on the income claimed to be exempt from tax. The ex-subsidiary being aggrieved with the order filed an appeal with the Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 decided the matter in favour of the ex-subsidiary. The Deputy CIR served the ex-subsidiary with an appeal effect order on January 11, 2018, under which the tax liability (primarily on account of Alternate Corporate Tax) was worked out to be Rs 1,051.140 million.

Additionally, the CIR filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIRA, which is currently pending. The ex-subsidiary, on the basis of advice of its tax consultant, filed an appeal with CIRA on February 12, 2018, considering the demand to be still prejudicial to its interests. CIRA in its order dated April 26, 2018 decided the matter against the ex-subsidiary. The ex-subsidiary has filed an appeal with the ATIR on May 9, 2018, against the order passed by CIRA and for grant of stay in respect thereof. The appeal against the order of CIRA is still pending. Meanwhile, the ex-subsidiary has also obtained stay from the Lahore High Court against the recovery of demand. The tax advisor of the ex-subsidiary is of the view that the appeal effect order passed on January 11, 2018 and the subsequent order of CIRA dated April 26, 2018, are either based on a misinterpretation of the provisions of law or are in violation of the directions given by CIRA in its order dated August 7, 2017. Based on these views, the management of the Company is confident that the matter will eventually be decided in favour of the ex-subsidiary. Hence, no provision has been recorded in this respect in these unconsolidated financial statements.

18.1.3 During the year ended December 31, 2017, the Company received a show cause notice dated May 11, 2017 from the Additional CIR – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. In the notice, the Additional CIR expressed intention to reject exemption of intercorporate dividend amounting to Rs 18,008.795 million, to make an addition to capital gain amounting to Rs 615.101 million and also to impose a super tax liability amounting to Rs 666.963 million. The Company being aggrieved, filed a Constitutional Petition before the High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a Constitutional Petition was filed with the High Court of Sindh against the levy of super tax. The High Court of Sindh issued stay orders in respect of the aforementioned matters with the instruction to the taxation authorities to not finalise the proceedings until the cases were disposed of. The management and the tax consultant of the Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these unconsolidated financial statements.

18.1.4 During the year ended December 31, 2020, the Company received an income tax demand amounting to Rs 201.196 million in relation to the tax year 2019. Out of such demand, an amount of Rs 92 million seemed an apparent error for which a rectification application was submitted to the tax authorities and order against the same was issued on December 16, 2020 by the authorities in favour of the Company granting complete credit of Rs 92 million. The remaining demand of Rs 109 million was made to the Company as the taxation authorities are of the view that the Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result of which the common expenses incurred by the Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Company is of the view that the earning interest / money market income is one of the principal revenue streams of the Company and should be treated as 'income from business'. An appeal has been filed by the Company before the Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The Company in view of the tax consultant's advice is expecting a favourable outcome of the appeal. However, on a prudent basis tax accrual amounting to Rs 109 million is being maintained by the Company.

18.1.5 During the year on February 26, 2021, the Company received an income tax demand amounting to Rs 168 million in relation to the tax year 2015. The demand was made to the Company as the taxation authorities disallowed certain expenses on the basis that no tax was withheld and deposited by the Company on these expenses. The authorities were also unable to verify the amount of capital gain tax paid by the Company on sale of shares during the tax year 2015. An appeal has been filed by the Company before the Commissioner Inland Revenue (Appeals) along with the evidences for payment of taxes. On September 20, 2021, the Commissioner Appeals issued an order in favor of the Company, sustaining the Company's stance and remanded back the previous order to the Taxation Officer for reassessment.

18.1.6 During the year on March 31, 2021, the Company received an income tax demand amounting to Rs 159.66 million in relation to the tax year 2020. Out of such demand, an amount of Rs 15.9 million has been paid in protest to obtain the stay order till the decision of appeal by the Commissioner (Appeals). The taxation authorities are of the view that the Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result, the common expenses incurred by the Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Company is of the view that the earning interest / money market income is one of the principal revenue streams of the Company and should be treated as 'income from business'. On April 21, 2021 an appeal has been filed by the Company before the Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The Company in view of the tax consultant's advice is expecting a favorable outcome of the appeal. Hence, no provision has been recorded in these unconsolidated financial statements.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

18.2 There are no commitments as at December 31, 2021

		Note	2021	2020
			------- (Rupees in '000) -------	
19.	**RETURN ON INVESTMENTS**			
	Dividend income	19.1	**5,912,368**	5,495,147
	Interest income	19.2	**295,091**	1,321,576
	Gain on sale of quoted shares		**191,540**	165,229
	Unrealised loss on quoted shares		**(401,248)**	(12,858)
	Unrealised gain on Pakistan Investment Bonds (PIBs)		**14,754**	1,034
			6,012,505	6,970,128
19.1	**Dividend income**			
	Subsidiary - Engro Corporation Limited		**5,576,215**	5,361,745
	Other investments in quoted shares	19.1.1	**336,153**	133,402
			5,912,368	5,495,147
19.1.1	**Dividend income from other investments in quoted shares**			
	Meezan Bank Limited		**27,355**	28,803
	Habib Bank Limited		**25,404**	7,259
	Standard Chartered Bank Pakistan Limited		**-**	8,750
	United Bank Limited		**81,670**	15,491
	Interloop Limited		**4,917**	4,640
	Matco Foods Limited		**-**	1,289
	Oil & Gas Development Company Limited		**30,642**	28,799
	Pakistan Petroleum Limited		**12,973**	3,707
	Pakistan State Oil Company Limited		**36,529**	-
	The Hub Power Company Limited		**39,007**	19,754
	Bank Al-Habib Limited		**5,317**	1,834
	Adamjee Insurance Company Limited		**1,796**	3,234
	Fauji Fertilizer Company Limited		**13,614**	7,780
	Indus Motor Company Limited		**9,696**	833
	Attock Cement Pakistan Limited		**-**	283
	Mari Petroleum Company Limited		**9,729**	137
	Kohinoor Textile Mills Limited		**1,727**	809
	MCB Bank Limited		**34,078**	-
	Samba Bank Limited		**150**	-
	TRG Pakistan Limited		**317**	-
	Cherat Cement Company Limited		**56**	-
	Air Link Communication Limited		**1,125**	-
	Pakistan Stock Exchange Limited		**51**	-
			336,153	133,402
19.2	**Interest income**			
	Income on T-Bills		**1,194**	409,740
	Return on TDRs		**55,427**	668,732
	Income on loan to EMPAK		**19,798**	2,745
	Income on PIBs		**203,322**	222,675
	Profit on savings accounts		**15,350**	17,684
			295,091	1,321,576

	Note	2021	2020
		------- (Rupees in '000) -------	
20. ADMINISTRATIVE EXPENSES			
Salaries, directors' remuneration and other benefits	20.1	**515,595**	424,912
Rent, rates and taxes		**6,706**	2,885
Insurance		**7,582**	8,584
Repairs and maintenance		**17,197**	17,166
Communication, stationery and office supplies		**9,797**	10,852
Subscription and periodicals		**91,809**	100,038
Travelling and conveyance		**43,330**	25,065
Depreciation on property, plant and equipment	4.1	**18,575**	26,985
Depreciation on right-of-use assets	5	**23,887**	31,039
Legal and professional charges		**159,841**	105,328
Donations	20.2	**73,362**	248,720
Other expenses		**26,648**	22,625
		994,329	1,024,199

20.1 Salaries, directors' remuneration and other benefits include Rs 7.902 million (2020: Rs 7.862 million) charge for the year in respect of staff gratuity and Rs 15.232 million (2020: Rs 11.924 million) in respect of staff provident fund.

20.2 These include donations made during the year to The Dawood Foundation (an associated undertaking) aggregating Rs 41.216 million (2020: Rs 196.965 million) in which the Company's directors Mr. Hussain Dawood, Mr. Shahzada Dawood, Mr. Abdul Samad Dawood and Ms. Sabrina Dawood are trustees. Further, donation was made to the Aga Khan University Hospital (AKUH) amounting to Rs 31.64 million (2020: Rs 50.91 million).

	Note	2021	2020
		------- (Rupees in '000) -------	
21. OTHER INCOME / (EXPENSE) - NET			
Gain/ (loss) on disposal of operating fixed assets		**4,184**	(7,798)
Auditor's remuneration	21.1	**(3,713)**	(4,042)
		471	(11,840)
Other income		**4,715**	9,580
		5,186	(2,260)

	2021	2020
21.1 Auditors' remuneration		
As statutory auditor		
Audit fee	**861**	861
Half year review	**216**	216
Others	**567**	642
	1,644	1,719
Others		
Tax and other services	**1,907**	2,107
	3,551	3,826
Out of pocket expenses and sales tax	**162**	216
	3,713	4,042

	2021	2020
22. FINANCE COST	------- (Rupees in '000) -------	
Mark-up on:		
- Long term financings	**89,538**	1,011,049
- Short term running finance	**49,578**	-
- Lease liabilities	**2,373**	7,513
Bank charges	**1,824**	870
	143,313	1,019,432
23. TAXATION		
Current		
- for the year	**962,936**	1,086,591
- for prior years	**-**	109,196
	962,936	1,195,787
Deferred tax (reversal) / charge for the year	**(63,735)**	456
	899,201	1,196,243

23.1 Relationship between tax expense and accounting profit

	2021	2020
Profit before taxation	**4,880,049**	4,924,237
Tax calculated at the rate of 29% (2020: 29%)	**1,415,214**	1,428,029
Effect of applicability of lower tax rate (Final Tax Regime)	**(576,625)**	(376,918)
Effect of inadmissible expenses / losses	**69,643**	77,814
Effect of prior year charge	**-**	109,196
Others	**(9,031)**	(41,878)
	899,201	1,196,243

	2021	2020
24. EARNINGS PER SHARE	------- (Rupees in '000) -------	
Profit after taxation	**3,980,848**	3,727,994
	------- (Number of shares)-------	
Weighted average number of ordinary shares outstanding during the year	**481,287,116**	481,287,116
	------- (Rupees in '000) -------	
Earnings per share – basic and diluted	**8.27**	7.75

24.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2021 and December 31, 2020.

25. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount of remuneration, including all benefits to chief executive officer, directors and executives of the Company are given below:

	2021			2020		
	Chief Executive Officer	**Directors**	**Exectives**	Chief Executive Officer	Directors	Executives
	(Rupees in ‘000)					
Managerial remuneration	**18,581**	**-**	**89,462**	15,557	-	6 69,267
Remuneration to non-executive directors	**-**	**263,401**	**-**	-	234,567	-
Bonus/ Commission			**13,250**	-	-	-
Staff retirement gratuity	**1,548**	**-**	**5,829**	1,296	-	4,256
Provident Fund	**2,787**	**-**	**10,497**	2,333	-	7,566
Housing and Utilities	**10,220**	**37,816**	**39,792**	8,556	37,709	29,394
Medical	**1,548**	**4,075**	**6,222**	1,296	3,745	4,666
Others	**481**	**7,842**	**7,333**	546	6,741	13,331
	35,165	**313,134**	**172,385**	29,584	282,762	128,480
Number of persons including those who worked part of the year	**1**	**4**	**22**	1	4	20

25.1 In addition, the Chief Executive Officer (CEO), certain directors and executives are provided with the Company owned and maintained cars.

25.2 Meeting fees aggregating Rs 16 million (2020: Rs 18.75 million) were paid to 5 directors (2020: 7 directors).

25.3 The Company considers its Chief Executive Officer and the Directors as its key management personnel.

26. RELATED PARTY TRANSACTIONS AND BALANCES

26.1 The related parties comprise subsidiaries, associated companies, related group companies, key management personnel (KMP) / directors of the Company, companies in which directors are interested, staff retirement benefits and close members of the family of KMP. The Company, in the normal course of business, carries out transactions with various related parties on mutually agreed terms.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

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

Name of relate party	Basic of relationship	Percentage of shareholding in the company	Common directorship
Engro Corporation Limited	Subsidiary	N/A	Common directorship
Empiric AI (Private) Limited	Subsidiary	N/A	Common directorship
Dawood Lawrencepur Limited	Associated company	16.19%	Common directorship
Cyan Limited	Associated company	N/A	Common directorship
Inbox Business Technologies Limited	Associated company	N/A	Common directorship
The Dawood Foundation	Associated company	3.95%	Common directorship
Dawood Corporation (Private) Limited	Associated company	N/A	Common directorship
Sach International (Private) Limited	Associated company	0.001%	Common directorship
Tenaga Generasi Limited	Associated company	N/A	Common directorship
Reon Energy Limited	Associated company	N/A	Common directorship
Reon Alpha Limited	Associated company	N/A	Common directorship
Patek (Private) Limited	Associated company	9.86%	Common directorship
Shell Pakistan Limited	Associated company	N/A	Common directorship
Pakistan Business Council	Associated undertaking	N/A	Common directorship
Muller & Phipps Pakistan (Private) Limited	Associated Company	N/A	Common directorship
Karachi School of Business & Leadership	Associated undertaking	N/A	Common directorship
WWF – Pakistan (World Wide Fund For Nature)	Associated undertaking	N/A	Common directorship
Overseas Investors Chambers of Commerce and Industry	Associated undertaking	N/A	Common directorship
Mr. Shabbir Hussain Hashmi	Key management personnel	N/A	N/A
Mr. Muhammad Imran Sayeed	Key management personnel	N/A	N/A
Mr. Hussain Dawood	Key management personnel	N/A	N/A
Ms. Kulsoom Dawood	Family members of KMP	N/A	N/A
Ms. Azmeh Dawood	Family members of KMP	N/A	N/A
Mr. Shahzada Dawood	Key management personnel	N/A	N/A
Ms. Sabrina Dawood	Key management personnel	N/A	N/A
Mr. Parvez Ghias	Key management personnel	N/A	N/A
Mr. Hasan Reza Ur Rahim	Key management personnel	N/A	N/A
Mr. Samad Dawood	Key management personnel	N/A	N/A
Mr. Kamran Nishat	Key management personnel	N/A	N/A
Mr. Inam ur Rehman	Key management personnel	N/A	N/A
Staff Provident Fund	Employees Retirement Fund	N/A	N/A
Staff Gratuity Fund	Employees Retirement Fund	N/A	N/A

	2021	2020
	------- (Rupees in '000) -------	
26.3 Transactions with related parties are as follows:		
Subsidiaries		
Reimbursement of expenses made to the Company	**108,052**	4,135
Reimbursement of expenses made by the Company	**5,411**	-
Dividend income	**5,576,215**	5,361,745
Investment made	**-**	100,000
Short term loans extended	**96,500**	185,700
Mark up on loans	**20,223**	2,745
Penalty on default payment - EMPK	**240**	-
Cost sharing of services	**-**	96,256
Sale of goods & services	**760**	-
Associated companies		
Sale of services	**8,529**	14,333
Purchases of services	**44,705**	34,967
Reimbursement of expenses made to the associated companies	**6,846**	20,253
Reimbursement of expenses made by the Company	**61,804**	51,408
Mark up on loan	**2,812**	-
Dividend paid	**1,371,619**	879,527
Donations	**41,216**	196,965
Other related parties		
Contribution to staff retirement gratuity fund	**7,704**	7,691
Membership fee and other subscriptions	**400**	2,000
Purchase of services	**3,937**	1,834
Contribution to staff provident fund	**12,988**	11,924
Reimbursement of expenses made to the Company	**2,773**	-
Other payments	**400**	5,285
Key management personnel and their family members		
Salaries, directors' remuneration and other benefits	**359,964**	331,096
Sale of vehicle to KMP	**765**	-
Post retirement benefits plans	**4,335**	4,906
Dividend paid	**120,900**	615,317

26.4 The amounts payable to and receivable from the related parties have been disclosed in notes 7, 8, 9, 13, 14 and 17 to these unconsolidated financial statements.

	Note	2021	2020
		------- (Rupees in '000) -------	
27. CASH (UTILISED IN) / GENERATED FROM OPERATIONS			
Profit before taxation		**4,880,049**	4,924,237
Adjustment for non cash and other items:			
Depreciation on property, plant and equipment		**18,575**	26,985
Depreciation on right-of-use assets		**23,887**	31,039
Finance cost		**143,313**	1,019,432
(Gain)/ Loss on disposal of property, plant and equipment		**(4,184)**	7,798
Return on investments		**(6,012,505)**	(6,970,128)
Charge in respect of defined benefit liabilities		**7,902**	7,862
Impairment charge - e2eBE - net		**-**	2,000
Gain on termination of lease arrangement		**-**	(3,030)
		(5,823,012)	(5,878,042)
Working capital changes	27.1	**(65,872)**	(22,530)
Net cash utilised in operations		**(1,008,835)**	(976,335)
27.1 Working capital changes			
(Increase) / decrease in current assets:			
Loan, advances, deposits and prepayments		**(12,664)**	6,342
Other receivables		**(105,152)**	(39,020)
		(117,816)	(32,678)
Increase in trade and other payables		**51,944**	10,148
		(65,872)	(22,530)
28. CASH AND CASH EQUIVALENTS			
Cash and bank balances	11	**4,419**	1,398,636
Short term investments	10	**1,900,007**	7,200,000
Short term running finance	16	**(6,494,477)**	-
		(4,590,051)	8,598,636
29. FINANCIAL INSTRUMENTS BY CATEGORY			
FINANCIAL ASSETS			
At amortised cost			
Loan, advances and deposits		**297,548**	191,807
Other receivables		**257,026**	181,978
Short term investments		**1,918,007**	7,218,000
Cash and bank balances		**4,419**	1,398,636
		2,477,000	8,990,421
At fair value through profit or loss			
Short term investments - quoted shares		**9,491,779**	5,126,625
Pakistan Investment Bonds (PIBs)		**1,521,602**	1,506,848
Market Treasury bills (T-Bills)		**599,379**	-
		11,612,760	6,633,473
		14,089,760	15,623,894

	2021	2020
	------- (Rupees in '000) -------	
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Long term financings	**-**	7,320,000
Short term running finance	**6,494,477**	-
Lease liabilities	**11,270**	40,773
Trade and other payables	**135,467**	83,523
Unclaimed dividend	**224,275**	275,406
Accrued mark-up	**49,578**	61,691
	6,915,067	7,781,393

30. FINANCIAL RISK MANAGEMENT

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

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

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

Risks managed and measured by the Company are explained below:

30.2 Market risk

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

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

30.2.1 Interest rate risk

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

- Fair value risk - Presently, fair value risk to the Company arises from 'balances with banks' and T-bills which are based on fixed interest rates. As at December 31, 2021, the impact of increase / decrease in fixed interest rates by 100 basis points would not have a material impact on the profit after tax of the Company.

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

- Future cash flow risk - Presently, future cash flow risk to the Company arises from short term financings, loan to EMPAK and short term investments (PIB's) which are based on floating interest rates (i.e. KIBOR based). As at December 31, 2021, had there been increase / decrease of 100 basis points in KIBOR, with all other variables held constant, profit before taxation for the year then ended would have been higher / lower by Rs 47 million (2020: Rs 14 million) mainly as a result of interest income (net).

30.2.2 Currency risk

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

30.2.3 Price risk

Price risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at December 31, 2021, the Company did not have any significant financial assets exposed to price risk.

30.3 Credit risk and its concentration

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

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

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

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

	2021	2020
	------- (Rupees in '000) -------	
Loan, advances and deposits	**297,548**	191,807
Other receivables	**257,026**	181,978
Bank balances	**4,155**	1,398,329
Short term investments	**4,038,988**	8,724,848
	4,597,717	10,496,962

The credit quality of the Company's balances with banks and short term investments aggregating Rs 4,043.143 million (2020: Rs 8,616.329 million) can be assessed with reference to the fact that the minimum credit rating of the banks with which such financial assets are placed is 'A', which denotes obligations supported by a strong capacity for timely repayment.

As at December 31, 2021, the Company had government backed investments amounting to Rs 1,521.602 million (2020: Rs 1,506.848 million) on which there is no credit risk.

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

30.4 Liquidity risk

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

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

	Carrying Amount	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)				
2021					
Financial liabilities					
Short term running finance	**6,494,477**	**2,000,917**	**4,493,560**	**-**	**-**
Lease liabilities	**11,270**	**11,375**	**-**	**-**	**-**
Trade and other payables	**135,467**	**135,467**	**-**	**-**	**-**
Unclaimed dividend	**224,275**	**224,275**	**-**	**-**	**-**
Accrued mark-up	**49,578**	**49,578**	**-**	**-**	**-**
	6,915,067	**2,421,612**	**4,493,560**	**-**	**-**
2020					
Financial liabilities					
Long term financings	7,320,000	7,320,000	-	-	-
Lease liabilities	40,773	16,923	12,839	11,011	-
Trade and other payables	83,523	83,523	-	-	-
Unclaimed dividend	275,406	275,406	-	-	-
Accrued mark-up	61,691	61,691	-	-	-
	7,781,393	7,757,543	12,839	11,011	-

30.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying value and the fair value.

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

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

Level II: Valuation techniques based on observable inputs, either directly (i.e. market prices) or indirectly (i.e. derived from prices)

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

The fair value of the Company's short term investments carried at fair value as disclosed in note 10 is based on quoted price of shares at the PSX (Level I) and discounting of future cash flows using market rate for PIBs/Tbills (Level II). The estimated fair value of other financial instruments is considered not significantly different from the book value due to the underlying short term / current nature.

31. CAPITAL RISK MANAGEMENT

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

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The proportion of borrowings to equity at the year end was:

	2021	2020
	(Rupees in '000)	
Total Borrowings	**6,505,747**	7,360,773
Total Equity	**30,407,937**	31,002,411
	36,913,684	38,363,184
Gearing ratio	**21.39%**	23.74%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

32. NUMBER OF EMPLOYEES

The total and average number of employees during the years ended December 31, 2020 and December 31, 2021 are as follows:

	2021	2020
	(Rupees in '000)	
Average number of employees during the year	**45**	46
Number of employees as at the end of the financial year	**44**	46

33. GENERAL

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

33.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of better presentation.

33.3 The investments by the Company's Provident Fund have been made in accordance with the provision of section 218 of the Companies Act, 2017 and the rules specified thereunder.

33.4 These unconsolidated financial statements have been authorised for issue on March 01, 2022 by the Board of Directors of the Company.

Kamran Hanif	**Mohammad Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED FINANCIAL STATEMENT

pwc A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of Dawood Hercules Corporation Limited

Opinion

We have audited the annexed consolidated financial statements of Dawood Hercules Corporation Limited and its subsidiaries (together 'the Group'), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 (the Code), 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
(1)	**Income tax and sales tax provisions and contingencies**	
	[(Refer notes 32.1.3, 41.2 and 41.3 to the consolidated financial statements)	Our audit procedures amongst others included the following:
	The Group has recognised provisions and has disclosed contingent liabilities in respect of certain income tax and sales tax matters, which are pending adjudication before various appellate and legal forums.	• obtained and examined details of the documentation relating to pending tax matters and discussed the same with the management;

Provisions and 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 Group in respect of such provisions and contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax matters involving the Group as a key audit matter.	• circularised confirmations to the external legal and tax advisors for their views on matters being handled by them; • involved internal tax professionals to assess management's conclusions on contingent tax matters and evaluated the consistency of such conclusions with the views of management and external legal and tax advisors engaged by the Group; • checked correspondence of the Group with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; • checked mathematical accuracy of the calculations underlying the provisions; and • assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.
(2) Loss allowance on subsidy receivable from the Government of Pakistan (Refer notes 18.1 and 18.2 to the consolidated financial statements) As per the Expected Credit Losses (ECL) impairment model under IFRS 9 - "Financial Instruments", the management is required to assess changes in credit risk, by taking into account time value of money, reasonable and supportable information regarding past events, current conditions, forecast of future events and economic conditions, attached to its receivables and recognise ECL, if any, at each reporting date. The Group, taking cognizance of the aforementioned requirements of IFRS 9, has made an assessment of ECL on 'Subsidy receivable from the Government of Pakistan' giving consideration to the time value of money based on expected recovery of subsidy receivable. The Group has determined loss allowance of Rs. 557.700 million in this respect, based on various assumptions. Due to the significance of the amount and judgements involved in estimation of ECL on subsidy receivable, we have considered this as a key audit matter.	Our audit procedures, amongst others, included the following: • obtained an understanding of the financial model used by the management for the determination of ECL on subsidy receivable; • involved our internal specialist to independently evaluate the appropriateness of assumptions used to determine the time value of money; • assessed the completeness and accuracy of the data used in the model to the underlying accounting records on a sample basis; • checked the mathematical accuracy of the model by performing recalculations; and • assessed the adequacy of the related disclosures made in the consolidated financial statements with respect to the applicable accounting and reporting standards.

pwc
A·F·FERGUSON&Co.

(3) Provision in respect of Gas Infrastructure Development Cess (Refer note 28 to the consolidated financial statements) As at December 31, 2021, the Group carries a provision of Rs 26,165.260 million in respect of Gas Infrastructure Development Cess (GIDC). Engro Fertilizers Limited and Engro Polymer and Chemicals Limited (the subsidiary companies) had obtained stay order from Sindh High Court (SHC) against the collection of GIDC, till the finalisation of matter by SHC. Furthermore, in pursuant to the decision of Supreme Court of Pakistan (SCP) dated November 2, 2020, the Group has, without prejudice to the suits filed in SHC, re-measured its previously undiscounted GIDC provision at its present value in 48 monthly instalments that are due from August 2020 but has not been paid as of December 31, 2021 which resulted in recognition of remeasurement loss amounting to Rs 1,123.547 million in these consolidated financial statements. Due to significance of the amounts involved in the aforementioned matter and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the consolidated financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge and the legal case progresses. Therefore, we have considered this to be a key audit matter.	Our audit procedures, amongst others, included the following: • obtained an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of the minutes of the meetings of those charged with governance; • read the detailed judgement of the SCP and judgement on review petition by the SCP; • read details of suits filed in the SHC and stay order granted by the SHC; • obtained and read the "Guidance on Accounting of GIDC" issued by ICAP and understood the management's process for applying judgments in relation to change in accounting estimate and held discussions with the management regarding accounting treatment and the related impact thereof, subsequent to judgements of SCP; • checked the requirements of GIDC Act, 2015; • obtained confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; • checked the mathematical accuracy of the management's working of current / non - current classification of GIDC provision, its present value and assessed its accuracy and reasonableness of key estimates used; and • checked the appropriateness of disclosures made in the consolidated financial statements in relation to the matter in accordance with the applicable accounting and reporting standards.
(4) Receivables from Central Power Purchasing Agency (Guarantee) Limited (CPPA) (Refer notes 2.1.1.4, 16.1 and 18 to the consolidated financial statements) The Group has following balances receivable from CPPA as at December 31, 2021:	Our audit procedures, amongst others, included the following: • assessed whether revenue and related receivables have been recognised in accordance with the applicable accounting policies;

- Trade debts amounting to Rs 51,601.480 million which include overdue debts of Rs 37,108.764 million;

- Delayed payment charges amounting to Rs 7,075.436 million which include overdue receivables of Rs 5,329.041 million; and

- Reimbursable costs amounting to Rs 2,104.032 million which include overdue receivables of Rs 170.219 million.

The above balances relate to subsidiary companies Engro Powergen Thar (Private) Limited (EPTL) and Engro Powergen Qadirpur Limited (EPQL).

On August 12, 2020, the subsidiary company, Engro Powergen Qadirpur Limited (EPQL), executed a Memorandum of Understanding (MoU) with the Committee constituted by the Government of Pakistan (GoP) for negotiations with the Independent Private Power Producers (IPPs). In this respect, on February 11, 2021, EPQL and CPPA-G, executed a Master Agreement (Agreement) which requires payment of the total undisputed outstanding amount as on November 30, 2020 under the Power Purchase Agreement (PPA). Subsequent to reporting date, EPQL under the Agreement received the first instalment of Rs. 3,258.947 million, representing 40% of the undisputed outstanding amount.

In view of the above developments, significant delay in settlement of receivables, materiality of the amount involved, and consequential impact of the delay in settlement on liquidity and operations of the subsidiary companies, EPTL and EPQL, we have considered this to be an area of higher assessed risk and a key audit matter.

- tested whether invoices raised during the year were in accordance with the requirements of PPA;

- circularised confirmation of receivables to CPPA-G;

- checked receipts from CPPA-G from bank statements;

- reviewed terms of the Agreement and discussed the same with the management;

- made inquiries from the management and reviewed minutes of the meetings of the Board of Directors and Board Audit Committee to ascertain actions taken by them for the recoverability of outstanding amounts;

- checked Implementation Agreement and assessed whether receivables are secured against guarantee from the Government of Pakistan and whether any impairment is required to be recognised there against;

- assessed the availability of finance with EPQL to fund its business operations through committed credit lines obtained from various financial institutions; and

- assessed adequacy of the related disclosures in the consolidated financial statements in accordance with the applicable accounting and reporting standards.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the pwc

A·F·FERGUSON&Co.

disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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 consolidated 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.

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

A. F. Ferguson & Co
Chartered Accountants
Karachi

Date: April 5, 2022

UDIN: AR202110160IP4BodtJs

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/ 32426771-5; Fax: +92 (21) 32415007/32427938/ 32424740; <www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021
(Amounts in thousand)

	Note	2021	2020
		------ (Rupees in '000) ------	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**282,231,580**	262,035,712
Right-of-use assets	6	**9,831,346**	7,054,262
Intangible assets	7	**6,931,587**	5,587,682
Long term investments	8	**34,217,070**	32,350,083
Deferred taxation	9	**80,346**	80,434
Financial assets at amortised cost	10	**3,592,784**	5,160,833
Derivative financial instruments	11	**92,805**	-
Net investment in lease	12	**45,203,623**	44,557,411
Long term loans, advances and other receivables	13	**2,616,236**	2,109,917
		384,797,377	358,936,334
Current Assets			
Stores, spares and loose tools	14	**9,310,131**	9,069,394
Stock-in-trade	15	**31,513,007**	17,938,391
Trade debts	16	**59,597,915**	50,750,067
Loans, advances, deposits and prepayments	17	**4,778,751**	3,916,882
Other receivables	18	**25,829,784**	18,645,275
Accrued income		**647,250**	653,244
Contract asset	19	**5,452,510**	5,714,977
Current portion of net investment in lease	12	**4,004,522**	3,255,211
Short term investments	20	**95,902,818**	107,344,354
Cash and bank balances	21	**40,867,935**	24,838,343
		277,904,623	242,126,138
Asset classified as held for sale	22	**-**	67,054
		277,904,623	242,193,192
TOTAL ASSETS		**662,702,000**	601,129,526

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

(Amounts in thousand)

	Note	2021	2020
		------ (Rupees in '000) ------	
EQUITY & LIABILITIES			
Equity			
Share capital	23	**4,812,871**	4,812,871
Revaluation reserve on business combination		**1,665**	1,665
Maintenance reserve	24	**60,117**	60,117
Exchange revaluation reserve		**349,398**	254,541
Hedging reserve		**22,894**	(11,428)
Remeasurement of investment		**14,609**	-
General reserves		**700,000**	700,000
Unappropriated profit		**65,468,300**	61,516,860
Remeasurement of post-employment benefits		**(45,121)**	(32,978)
		66,571,862	62,488,777
		71,384,733	67,301,648
Non-Controlling Interest		**182,605,571**	164,359,927
Total Equity		**253,990,304**	231,661,575
Liabilities			
Non-Current Liabilities			
Borrowings	25	**139,818,216**	135,230,145
Government grant		**1,079,703**	-
Deferred taxation	9	**16,292,334**	14,667,758
Lease liabilities	26	**53,163,136**	50,651,455
Deferred liabilities	27	**2,852,686**	2,717,191
Long term provision	28	**8,172,253**	14,488,376
		221,378,328	217,754,925
Current Liabilities			
Trade and other payables	29	**96,365,013**	86,952,602
Accrued interest / mark-up	30	**1,416,397**	1,434,014
Current portion of			
- borrowings	25	**23,110,031**	30,008,492
- Government grant		**183,624**	-
- lease liabilities	26	**6,131,558**	4,954,748
- deferred liabilities	27	**736,953**	730,648
- long term provision		**18,510,399**	11,691,978
Taxes payable		**9,548,913**	2,783,321
Short term borrowings	31	**29,764,791**	12,505,120
Unclaimed dividend		**1,565,689**	652,103
		187,333,368	151,713,026
Total Liabilities		**408,711,696**	369,467,951
Contingencies and Commitments	32		
TOTAL EQUITY & LIABILITIES		**662,702,000**	601,129,526

The annexed notes from 1 to 62 form an integral part of these consolidated financial statements.

Kamran Hanif	**Mohammad Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

As at December 31, 2021

(Amounts in thousand)

	Note	2021	2020
		------ (Rupees in '000) ------	
CONTINUING OPERATIONS			
Revenue	33	**311,780,699**	248,882,558
Cost of revenue	34	**(212,389,878)**	(172,939,787)
Gross profit		**99,390,821**	75,942,771
Selling and distribution expenses	35	**(7,819,291)**	(7,845,069)
Administrative expenses	36	**(9,994,571)**	(9,264,682)
		81,576,959	58,833,020
Other income	37	**12,665,799**	19,347,249
Other operating expenses	38	**(9,233,592)**	(5,380,742)
Operating profit		**85,009,166**	72,799,527
Finance cost	39	**(17,419,344)**	(21,495,061)
Loss allowance on subsidy receivable from GoP	18	**(557,700)**	(1,238,912)
Share of income from joint venture and associates	40	**3,226,697**	2,796,374
Profit before taxation		**70,258,819**	52,861,928
Taxation	41	**(19,553,567)**	(10,231,687)
Profit after taxation		**50,705,252**	42,630,241
DISCOUNTINUED OPERATIONS			
Profit / (Loss) from discontinued operations	42	**29,283**	(279,364)
Profit after tax - total		**50,734,535**	42,350,877
Profit attributable to:			
- Owners of the Holding Company		**8,523,667**	7,582,575
- Non Controlling Interest		**42,210,868**	34,768,302
		50,734,535	42,350,877
Earnings / (loss) per share - basic and diluted		------ (Rupees) ------	
- Continuing operations		**17.69**	15.97
- Discontinued operations		**0.02**	(0.21)
Earnings per share - basic and diluted	43	**17.71**	15.76

The annexed notes from 1 to 62 form an integral part of these consolidated financial statements.

Kamran Hanif	**Mohammad Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at December 31, 2021

(Amounts in thousand)

	2021	2020
	------ (Rupees in '000) ------	
Profit after taxation	**50,734,535**	42,350,877
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve - cash flow hedges		
Profit arising during the year	**92,805**	-
Reclassification adjustments for loss included in statement of profit or loss	**(874)**	(1,750)
	91,931	(1,750)
Revaluation reserve on business combination	**-**	(21,004)
Exchange differences on translation of foreign operations	**254,829**	74,840
	254,829	53,836
Income tax relating to:		
Revaluation reserve on business combination	**-**	6,721
Continuing operations' gain on long-term investment on remeasurement at fair value through other comprehensive income	**39,248**	-
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation - Actuarial (loss) / gain	**(61,636)**	20,574
Income tax relating to remeasurement of post employment benefits obligation	**16,978**	(5,306)
	(44,658)	15,268
Other comprehensive income for the year, net of tax	**341,350**	74,075
Total comprehensive income for the year	**51,075,885**	42,424,952
Total comprehensive income for the year		
- Discontinued operations	**29,283**	(279,364)
- Continuing operations	**51,046,602**	42,704,316
	51,075,885	42,424,952
Total comprehensive income attributable to:		
- Owners of the Holding Company	**8,655,312**	7,612,287
- Non Controlling Interest	**42,420,573**	34,812,665
	51,075,885	42,424,952

The annexed notes from 1 to 62 form an integral part of these consolidated financial statements.

Kamran Hanif	**Mohammad Shamoon Chaudry**	**Shabbir Hussain Hashmi**
Chief Financial Officer	Chief Executive	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

(Amounts in thousand)

	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY											
		RESERVES										
		CAPITAL RESERVES					REVENUE RESERVES					
	Share capital	Revaluation reserve on business combination	Maintenance reserve (note 24)	Exchange revaluation reserve	Hedging reserve	Remeasurement of investment	General reserve	Unappropriated Profit	Remeasurement of post employment benefits - Actuarial (loss) / income	Sub total	Non-Controlling Interest	Total
	(Rupees in '000)											
Balance as at January 1, 2020	4,812,871	5,463	60,117	226,682	(10,980)	-	700,000	58,265,869	(39,077)	64,020,945	144,023,629	208,044,574
Total comprehensive income for the year ended December 31, 2020												
Profit for the year	-	-	-	-	-	-	-	7,582,575	-	7,582,575	34,768,302	42,350,877
Other comprehensive income	-	(3,798)	-	27,858	(448)	-	-	-	6,099	29,712	44,363	74,075
	-	(3,798)	-	27,858	(448)	-	-	7,582,575	6,099	7,612,287	34,812,665	42,424,952
Transactions with owners												
Preference shares issued during the period - net of transaction cost	-	-	-	-	-	-	-	-	-	-	2,801,524	2,801,524
Dividend by ECL's subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(17,277,891)	(17,277,891)
First interim cash dividend for the year ended December 31, 2020 @ Rs 2.00 per share	-	-	-	-	-	-	-	(962,574)	-	(962,574)	-	(962,574)
Second interim cash dividend for the year ended December 31, 2020 @ Rs 5.00 per share	-	-	-	-	-	-	-	(2,406,436)	-	(2,406,436)	-	(2,406,436)
Third interim cash dividend for the year ended December 31, 2020 @ Rs 2.00 per share	-	-	-	-	-	-	-	(962,574)	-	(962,574)	-	(962,574)
	-	-	-	-	-	-	-	(4,331,584)	-	(4,331,584)	(14,476,367)	(18,807,951)
Balance as at December 31, 2020	4,812,871	1,665	60,117	254,541	(11,428)	-	700,000	61,516,860	(32,978)	67,301,648	164,359,927	231,661,575

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

(Amounts in thousand)

	ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY											
		RESERVES										
		CAPITAL RESERVES					REVENUE RESERVES					
	Share capital	Revaluation reserve on business combination	Maintenance reserve (note 24)	Exchange revaluation reserve	Hedging reserve	Remeasurement of investment	General reserve	Unappro-priated Profit	Remeasure-ment of post employment benefits - Actuarial (loss) / income	Sub total	Non-Controlling Interest	Total
	(Rupees in '000)											
Balance as at December 31, 2020 - b/f	4,812,871	1,665	60,117	254,541	(11,428)	-	700,000	61,516,860	(32,978)	67,301,648	164,359,927	231,661,575
Total comprehensive income for the year ended December 31, 2021												
Profit for the year	-	-	-	-	-	-	-	8,523,667	-	8,523,667	42,210,868	50,734,535
Other comprehensive income	-	-	-	94,857	34,322	14,609	-	-	(12,143)	131,645	209,705	341,350
	-	-	-	94,857	34,322	14,609	-	8,523,667	(12,143)	8,655,312	42,420,573	51,075,885
Transactions with owners												
Dividend by ECL's subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(24,173,039)	(24,173,039)
Share issuance cost	-	-	-	-	-	-	-	-	-	-	(1,890)	(1,890)
First interim cash dividend for the year ended December 31, 2021 @ Rs 4.50 per share	-	-	-	-	-	-	-	(2,165,792)	-	(2,165,792)	-	(2,165,792)
Second interim cash dividend for the year ended December 31, 2021 @ Rs 3.00 per share	-	-	-	-	-	-	-	(1,443,861)	-	(1,443,861)	-	(1,443,861)
Third interim cash dividend for the year ended December 31, 2021 @ Rs 2.00 per share	-	-	-	-	-	-	-	(962,574)	-	(962,574)	-	(962,574)
	-	-	-	-	-	-	-	(4,572,227)	-	(4,572,227)	(24,174,929)	(28,747,156)
Balance as at December 31, 2021	4,812,871	1,665	60,117	349,398	22,894	14,609	700,000	65,468,300	(45,121)	71,384,733	182,605,571	253,990,304

The annexed notes from 1 to 62 form an integral part of these consolidated financial statements.

Kamran Hanif
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

(Amounts in thousand)

	Note	2021	2020
		------ (Rupees in '000) ------	
Cash flows from operating activities			
Cash generated from operations	46	**60,748,235**	78,186,666
Retirement and other service benefits paid		**(282,901)**	(355,851)
Proceeds from net investment in lease		**3,218,108**	2,672,535
Finance income received on net investment in lease		**5,163,724**	5,400,497
Deferred income		**333,885**	-
Finance cost paid		**(12,196,518)**	(17,935,498)
Taxes paid		**(11,141,394)**	(8,418,588)
Long term loans and advances - net		**506,319**	182,412
Discontinued operation		**(21,688)**	(59,850)
Net cash generated from operating activities		**46,327,770**	59,672,323
Cash flows from investing activities			
Purchases of property, plant & equipment and intangible assets		**(20,521,370)**	(18,634,177)
Sale proceeds on disposal of property, plant & equipment		**222,827**	198,989
Payment for dismantling towers		**(76,967)**	-
Investment in associated company		**(474,839)**	(49,053)
Investment made during the year - net		**42,269,907**	5,304,571
Income on deposits / other financial assets		**8,249,287**	10,088,156
Deposit in respect of bank guarantees		**52,784**	344,953
Discontinued operation		**-**	(18,954)
Dividends received		**1,500,369**	1,519,186
Net cash generated from / (utilised in) investing activities		**31,221,998**	(1,246,329)
Cash flows from financing activities			
Proceeds / repayments of borrowings - net		**(14,357,053)**	(5,254,690)
Issuance of right shares to Non-controlling interest, net of share issuance cost		**-**	2,801,523
Proceeds from issuance of ordinary shares		**-**	100,000
Share issuance cost		**528,177**	-
Loan repayment by Joint Venture Company		**-**	206,221
Finance cost paid on lease liability		**(4,573,207)**	(3,876,418)
Rentals paid during the year		**(5,053,442)**	(5,108,146)
Dividends paid		**(27,831,707)**	(21,651,467)
Net cash utilised in financing activities		**(51,287,232)**	(32,782,977)
Net increase in cash and cash equivalents		**26,262,536**	25,643,017
Cash and cash equivalents at the beginning of the year		**60,110,570**	34,596,522
Effects of exchange rate changes on cash and cash equivalents		**758,226**	(128,969)
Cash and cash equivalents at the end of the year	47	**87,131,332**	60,110,570

The annexed notes from 1 to 62 form an integral part of these consolidated financial statements.

Kamran Hanif
Chief Financial Officer

Mohammad Shamoon Chaudry
Chief Executive

Shabbir Hussain Hashmi
Director

1. **LEGAL STATUS AND OPERATIONS**

1.1 Dawood Hercules Corporation Limited (the Holding Company) was incorporated in Pakistan on April 17, 1968 as a public limited company under the Companies Act 1913 (now the Companies Act, 2017) and its shares are quoted on the Pakistan Stock Exchange (PSX). The principal activity of the Holding company is to manage investments including in its subsidiaries and associated companies.

1.2 Based on the concept of 'control' as stipulated in the International Financial Reporting Standard (IFRS) -10 'Consolidated Financial Statements', the Holding Company continues to conclude that although the Holding Company has less than 50% voting rights in Engro Corporation Limited (ECL), yet, based on the absolute size of the Holding Company's shareholding, the relative size of other shareholdings and the number of representation on ECL's Board of Directors, the Holding Company has the ability to exercise control over ECL. Accordingly, the Holding Company is deemed to be the holding company of ECL.

1.3 The business units of the Holding Company and EmpiricAI and ECL and ECL's subsidiaries include the following:

Business Unit	**Geographical Location**
Head / Registered offices	
- The Holding Company	Dawood Center, M.T. Khan Road, Karachi. Further, a liaison office is in Islamabad.
- Engro Corporation Limited	6th and 8th Floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- EmpiricAI (Private) Limited	11th Floor, Dawood Center, M.T.Khan Road, Civil Lines, Karachi. Further, a liaison office is in Lahore.
- Engro Fertilizers Limited (Efert)	7th Floor, The Harbour Front Building, Plot No. HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Polymer and Chemicals Limited (EPCL)	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi
- Elengy Terminal Pakistan Limited (ETPL)	4th Floor, Corporate Offices Block, Dolmen City, Plot Number HC-3, Block 4, Clifton, Karachi
- Engro Energy Limited (EEL)	16th Floor, Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Eximp Agriproducts (Private) Limited (EEAPL)	8th Floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Eximp FZE	BCW JAFZA 18 & 19, Office No 110 Dubai, UAE
- Engro Infiniti (Private) Limited	8th Floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Connect (Private) Limited	8th Floor, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

Regional offices	
- ECL	22nd Floor, Ufone Tower Jinnah Avenue, Blue Area, Islamabad
- EmpiricAI (Private) Limited	11th Floor, Tricon Tower, Gulberg, Lahore
- Engro Polymer and Chemicals Limited	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore
Manufacturing plants	
- Engro Fertilizers Limited	- District Ghotki, Sindh - EZ/ 1 / P - 1 - II Eastern Zone, Port Qasim, Karachi (NPK Plant) - Rahim Yar Khan, Punjab
- Engro Polymer and Chemicals Limited	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi
- Engro Eximp Agriproducts (Private) Limited	13-Km Muridke Sheikhupura Road Muridke, Muridke, 54800, Pakistan
Power Plants	
- Engro Powergen Qadirpur Limited	Deh Belo Sanghari, Ghotki, Sindh
Terminal	
- Elengy Terminal Pakistan Limited	Plot # OZ-I-P-81, South Western Zone, Berth no. 13, Port Qasim Karachi

2. **The "Group" consists of:**

Holding Company: *Dawood Hercules Corporation Limited.*

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

	Percentage of shareholding of the Holding Company	
	2021	2020
Engro Corporation Limited (note 2.1)	**37.22**	37.22
EmpiricAI (Private) Limited(note 2.2)	**100.00**	100.00

(Amounts in thousand)

2.1 **Subsidiary - Engro Corporation Limited**

Engro Corporation Limited (ECL), is a public listed company incorporated in Pakistan and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of ECL, is to manage investments in its subsidiary companies, associated companies and joint venture, which are engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG terminals, telecommunication infrastructure and chemical terminal and storage businesses.

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

	Percentage of shareholding of ECL	
	2021	2020
- Engro Energy Limited (note 2.1.1)	**100**	100
- Engro Eximp Agriproducts (Private) Limited (note 2.1.2)	**100**	100
- Engro Infiniti (Private) Limited (note 2.1.3)	**100**	100
- Engro Eximp FZE (note 2.1.4)	**100**	100
- Elengy Terminal Pakistan Limited (note 2.1.5)	**56**	56
- Engro Fertilizers Limited (note 2.1.6)	**56.27**	56.27
- Engro Polymer and Chemicals Limited (note 2.1.7)	**56.19**	56.19
- Engro Connect (Private) Limited (note 2.1.8)	**100**	-
Joint Venture Company:		
- Engro Vopak Terminal Limited (note 2.1.0)	**50**	50
Associated Company:		
- FrieslandCampina Engro Pakistan Limited (note 2.1.10)	**39.9**	39.9

2.1.1 **Engro Energy Limited**

Engro Energy Limited (EEL), a wholly owned subsidiary of ECL, is a public unlisted company incorporated in Pakistan. It is established with the primary objective to analyse potential opportunities in the power sector and undertake supply and service related contracts and Independent Power Projects (IPPs).

Following are the companies in which EEL owns 50% or more of the voting rights or are directly controlled by EEL:

	Percentage of shareholding	
	2021	2020
- Kolachi Portgen (Private) Limited (note 2.1.1.1)	**100**	100
- Engro Power International Holding B.V. (note 2.1.1.2)	**100**	100
- Engro Energy Services Limited (note 2.1.1.3)	**100**	100
- Engro Powergen Qadirpur Limited (note 2.1.1.4)	**68.89**	68.89
- Engro Powergen Thar (Private) Limited (note 2.1.1.5)	**50.10**	50.10

Following are associated companies of EEL in which it holds direct shareholding:

	Percentage of direct holding	
	2021	2020
- GEL Utility Limited (note 2.1.1.6)	**45**	45
- Sindh Engro Coal Mining Company Limited (note 2.1.1.7)	**11.91**	11.91
- Pakistan Energy Gateway Limited (note 2.1.1.8)	**33.33**	33.33
- Siddiqsons Energy Limited (note 2.1.1.9)	**19**	19

2.1.1.1 Kolachi Portgen (Private) Limited has been established and incorporated in Pakistan with the objective to operate and own a Regasified Liquefied Natural Gas (RLNG) based power generation plant.

2.1.1.2 Engro Power International Holding B.V. (EPIH), a private limited company, has been established in Rotterdam, Netherlands with the objective to incorporate, participate, manage and supervise businesses and companies. EPIH has two wholly owned subsidiaries namely Engro Power Services Holding B.V. (EPSH) and Engro Power Investments International B.V. (EPII) both based in Netherlands. EPSH has a wholly owned subsidiary Engro Power Services Limited (EPSL) established in Nigeria with the objective to carry on business as power generating, transmission, distribution and servicing company. EPSL has a joint venture EngroGen Energy Services Limited established in Mauritius.

2.1.1.3 Engro Energy Services Limited (EESL) was established as a wholly owned subsidiary of EEL on June 1, 2018 with the primary objective of analyzing potential opportunities in the power sector and undertaking service related contracts for Independent Power Projects (IPPs) based on feasibility of new ventures and to provide operations and maintenance services to IPPs.

2.1.1.4 Engro Powergen Qadirpur Limited (EPQL) is a public listed company incorporated in Pakistan with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

On August 13, 2020, EPQL, along with other Independent Private Power Producers (“IPPs”) representing the 2002 Power Policy projects (collectively referred to as the “Parties”), signed a Memorandum of Understanding (MOU) with the Committee established for negotiations with IPPs. The Board of Directors of EPQL in their meeting dated August 17, 2020 in-principle approved the terms of this MOU. In line with the understanding reached in the MOU, EPQL and Central Power Purchasing Agency (Guarantee) Limited (the “Parties”) entered into a binding agreement on February 11, 2021, based on the terms of the MOU. Under key terms of the agreement, all undisputed outstanding amounts due and payable to EPQL under the power purchase agreement, as on November 30, 2020, will be paid in two (2) instalments (each instalment comprising of one-third cash and two-thirds government issued PIBs and Sukuks).

Further, in the larger national interest, EPQL has agreed to a prospective reduction in the tariff component, whereby the Return on Equity (“RoE”) and the Return on Equity During Construction (“RoEDC”) will be fixed at 17% per annum in PKR (on NEPRA approved equity at Commercial Operation Date for RoE and RoEDC, calculated at USD/PKR exchange rate of PKR 148/USD, with no future USD indexation.

However, this revised RoE and RoEDC shall become applicable and shall apply for the remainder of the term of the Power Purchase Agreement, when the applicable exchange rate under the present Tariff reaches PKR 168/USD and instalments are received by the Company, whereupon the revised RoE and RoEDC shall become applicable and shall apply for the remainder of the Term of the PPA. In addition to this, fuel and operations and maintenance have been considered as single consolidated item and any savings, if determined, from July 1, 2021 will be shared in the ratio of 60:40 between CPPA and Company. Subsequent to the reporting date, the Company has received the first installment amounting to Rs 3,258.947 million which is equivalent to 40% of the agreed amount (one-third cash and two-thirds government issued PIBs and Sukuks).

2.1.1.5 Engro Powergen Thar (Private) Limited (EPTL) was established on September 23, 2014 with the primary objective to develop 2 x 330 MW mine mouth power plants at Thar Block II, Sindh. As at December 31, 2021, EEL holds 50.10% (2020: 50.10%) of the issued capital of EPTL while the balance shares are held by CMEC Thar Power Investment Limited (35%), Habib Bank Limited (9.5%) and Liberty Mills Limited (5.4%). EPTL achieved its Commercial Operations Date (COD) on July 10, 2019.

2.1.1.6 GEL Utility Limited (GEL) is a private limited company in Nigeria with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which commenced commercial operations from November 21, 2014. EEL holds 12,272,727 ordinary shares of Naira 1 each in GEL representing a 45% (2020: 45%) equity stake.

2.1.1.7 Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh (GoS), EEL and ECL. The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project). SECMC has achieved its CoD for Phase I of the project on July 10, 2019. The financial close of Phase II of the project was achieved on December 31, 2019. SECMC has entered into Offshore agreements with China Machinery Engineering Corporation (CMEC) and Onshore agreement with China East Resource Import and Export Corporation (CERIEC) dated December 21, 2017 for expansion of mine to supply coal to these power plants. In its 79th meeting, Board of Directors of ECL approved the plan to expand the mine to 12.2 million tonnes per annum to cater to coal off-take requirements of Lucky Electric Power Company Limited (LEPCL) and instructed the management to finalize all modalities for this expansion. EEL holds 11.91% (2020: 11.91%) equity stake.

2.1.1.8 Pakistan Energy Gateway Limited is a special purpose vehicle incorporated jointly with Shell Gas B.V. and Pakarab Fertilizers Limited for the purpose of developing a private integrated LNG terminal, with each of the three subscribers/shareholders having a 33.3% shareholding.

2.1.1.9 EEL entered into a Joint Venture Agreement (JVA), dated May 04, 2018 with Siddiqsons Limited (SL) and Arif Habib Equity (Private) Limited (AHEPL) for the joint development of approximately 330 MW of coal-fired power generation facility in Block - II, District Tharparkar, Sindh through a joint venture company, namely Siddiqsons Energy Limited (SEL). The JVA became effective from May 26, 2018 as per the terms of which EEL, AHEPL and SL, were initially required to have shareholding proportions equal to 19%, 19% and 62% respectively in their mutual capacity as the members of SEL. Accordingly, EEL advanced an amount of Rs 262 million against the issuance of 26,267,639 ordinary shares constituting the required 19% of the share capital of SEL to be subscribed into by EEL. During 2020, EEL subscribed to an additional 4,905,281 ordinary shares of SEL while maintaining its percentage shareholding as at December 31, 2021 at 19% (2020: 19%).

2.1.2 Engro Eximp Agriproducts (Private) Limited

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

2.1.3 Engro Infiniti (Private) Limited

Engro Infiniti (Private) Limited, (EInfiniti) was incorporated as a wholly owned subsidiary of ECL. The primary objective of EInfiniti is to analyze potential opportunities inside and outside Pakistan and to make available digital assets and ventures related to intellectual capital, data collection and analytics of every kind and any activities relating to or ancillary thereto.

2.1.3.1 Engro Digital Limited (EDL) is a public unlisted company, incorporated in Pakistan on October 19, 2017 under the Companies Act, 2017. The Company is a wholly owned subsidiary of Engro Infiniti (Private) Limited. EDL is established with primary objective of analyzing potential opportunities and making available digital and technology services and products inside and outside Pakistan.

The Board of Directors of EDL in its meeting held on May 6, 2020, approved the discontinuation of EDL's operations effective from May 31, 2020 and novation of all the customer agreements to EmpiricAI Limited (note 2.2). The decision is in line with the decision taken by the Board of Directors of ECL in its meeting held on February 20, 2020 to discontinue this line of business under Engro's brand name from a strategic point of view. At present the efforts of EDL are concentrated to file a petition for winding up of

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

EDL under section 305, 'Right to present winding up petition where Company is being wound up voluntarily or subject to Court's supervision', of the Act, as a consequence of which, the going concern assumption is no longer applicable and accordingly its financial statements have been prepared on a basis other than going concern.

2.1.4 Engro Eximp FZE

Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL). EEF has obtained a General Trading License issued by Jafza Jebel Ali Free Zone.

2.1.5 Elengy Terminal Pakistan Limited

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

The principal business of EETPL is to establish and operate LNG Terminal including a jetty, pipeline with all machinery and equipment and supporting facilities for the receipt, storage and re-gasification of LNG.

2.1.6 Engro Fertilizers Limited

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

2.1.6.1 In 2017, EFert Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of EFert to carry out trading and distribution of imported fertilizers as part of the business reorganization. EFert has transferred its business of trading and distribution of imported fertilizers to EAPL.

2.1.7 Engro Polymer and Chemicals Limited

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

Following are the subsidiaries of EPCL:

	Percentage of shareholding	
	2021	2020
- Think PVC (Private) Limited - (note 2.1.7.1)	**100**	100
- Engro Peroxide (Private) Limited - (note 2.1.7.2)	**100**	100
- Engro Plasticizer (Private) Limited - (note 2.1.7.3)	**100**	100

2.1.7.1 Think PVC (Private) Limited (TPPL) was incorporated in Pakistan on November 6, 1999, as a wholly owned subsidiary of EPCL. TPPL's principal activity is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals and to develop market for PVC downstream products. During the year ended December 31, 2021, the PVC Products Showroom (i.e. the Branded Outlet) has commenced its operations.

2.1.7.2 Engro Peroxide (Private) Limited (EPPL) was incorporated in Pakistan on July 22, 2019 under the Companies Act, 2017 as a wholly owned subsidiary of EPCL. The main objective of Engro Peroxide (Private) Limited is to manufacture and market Hydrogen Peroxide and related chemicals. During the year, EPPL has entered into the contracts for design, procurement and engineering services for Hydrogen Peroxide Plant.

2.1.7.3 Engro Plasticizer (Private) Limited was incorporated in Pakistan on July 22, 2019 under the Companies Act, 2017 as a wholly owned subsidiary of EPCL. The main objective of Engro Plasticizer (Private) Limited is to manufacture and market Chlorinated Paraffin Wax and other related chemicals. In the meeting held on February 4, 2020 of the Board of Directors of EPCL approved to discontinue the project.

2.1.8 Engro Connect (Private) Limited

Engro Connect (Private) Limited is a private limited company, incorporated in Pakistan on March 16, 2021 under the Companies Act, 2017 (the Act) as a wholly owned subsidiary of ECL. The Company has been established with primary objective to engage in buying, building, maintaining and operating telecommunication infrastructure and any products and by products and any activity relating to or ancillary thereto and/or in furtherance thereof.

2.1.8.1 Engro Enfrashare (Private) Limited (Enfrashare) was incorporated in Pakistan as a private limited company under the Companies Act, 2017 on November 13, 2018. The registered office of Enfrashare is situated at 17th Floor, Ufone Tower, Jinnah Avenue, Blue area, Islamabad. Enfrashare is principally engaged in buying, building, maintaining and operating telecommunication infrastructure and any products and by products and any activities relating to or ancillary thereto. During the year, on September 23, 2021, the Board of ECL resolved for change in ownership of Engro Enfrashare (Private) Limited (a wholly owned subsidiary of Engro Infiniti (Private) Limited) to Engro Connect (Private) Limited. Engro Connect (Private) Limited has met all regulatory requirements in relation to the change in ownership and has acquired 100% ordinary shares of Engro Enfrashare (Private) Limited from Engro Infiniti (Private) Limited.

2.1.9 Engro Vopak Terminal Limited

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

2.1.10 FrieslandCampina Engro Pakistan Limited

FrieslandCampina Engro Pakistan Limited (FCEPL) is a public listed company, incorporated in Pakistan. FCEPL is a subsidiary of FrieslandCampina Pakistan Holdings B.V., which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the ultimate parent company).

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

2.2 EmpiricAI (Private) Limited

2.2.1 EmpiricAI (Private) Limited (EMPK) is a private limited company, incorporated in Pakistan on May 19, 2020 under the Companies Act, 2017. EMPK is a wholly owned subsidiary of the Holding Company. EMPK is established with primary objective of analyzing potential opportunities and making available digital and technology services and products inside and outside Pakistan.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

3.1 **Basis of preparation**

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

3.2 **Statement of compliance**

3.2.1 These consolidated 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:

- 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.

3.2.2 The assumptions and estimates which are significant to the preparation of these consolidated financial statements are disclosed in note 4.

3.2.3 **Initial application of standards, amendments or interpretations to existing standards**

a) Amendments to accounting and reporting standards that became effective during the year

- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform - Phase 2

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one.

The objective of the disclosures required by the Phase 2 amendments is to enable users of consolidated financial statements to understand the effect of Inter-Bank Offer Rate (IBOR) reform on an entity's financial instruments and risk management strategy. An entity needs to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

There are certain other amendments to the accounting and reporting standards that became effective during the year ended December 31, 2021, however, these are considered not to have a significant impact on the Group's financial reporting and operations and, therefore, have not been presented in these consolidated financial statements.

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

"IFRS 16 'Leases' - The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

The Group has applied the practical expedient to qualifying rent concessions granted in relation to office space acquire under rental basis. As a result, Rs 24.205 million (2020: Rs 44.704 million) has been recognized in profit or loss account to reflect changes in lease payments arising from rent concessions that meet the conditions of the practical expedient.

IAS 16 'Property, Plant and Equipment - Proceeds before the intended use'. This amendment permits that the net proceeds received from selling the inventory produced during the testing phase, shall be recognized in profit or loss. Previously, such proceeds were deducted from the cost of the asset. This amendment shall be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 2022 with an option of early adoption. The Group has assessed its implication and decided to adopt the amendment early as permitted under the amendment and aligned with the accounting and reporting standards as applicable in Pakistan. The change in accounting policy has been made in accordance with the transitional provisions of the amendment. The net revenue is part of gross profit in the consolidated profit or loss and has a post tax impact of Rs 278.700 million.

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

There is a new standard and certain amendments to the accounting and reporting standards that are not yet effective and are also not expected to have a significant impact on the Group's financial reporting and therefore, have not been presented in these consolidated financial statements.

3.2.4 Basis of consolidation

i) Subsidiaries

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognized from the date the control ceases. These consolidated financial statements include

Dawood Hercules Corporation Limited (the Holding Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

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

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

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

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

ii) Transactions and non-controlling interests

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

iii) Disposal of subsidiaries

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

3.2.5 These consolidated financial statements have been prepared on the basis of audited financial statements of the Holding Company and the subsidiary companies.

3.3 Exploration and evaluation assets

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

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

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

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

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

3.4 Development properties

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

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

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

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

3.5 Property, plant and equipment

3.5.1 Owned assets

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All repairs and maintenance are charged to profit or loss during the financial period in which such are incurred. Major renewals and improvements, if any, are capitalised in accordance with IAS 16 'Property, Plant and Equipment' and depreciated in a manner that best represents the consumption pattern.

Disposal of assets is recognised when significant risk and rewards incidental to ownership have been transferred to buyer. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

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

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

Dredging expenditure

3.5.2 Dredging expenditure is categorized into capital dredging and major maintenance dredging. Capital dredging is expenditure, which creates new harbour and deepens or extends the basin in front of jetty in order to allow access to larger ships. This expenditure is capitalized and is being depreciated over a period of 30 years.

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

3.6 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. These are valued at weighted average cost less impairment except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

3.7 Intangible assets

a) Computer software and licenses

i) **Acquired**

Costs associated with maintaining computer software programs are recognized as an expense as incurred. However, costs that are directly attributable to an identifiable software that have probable economic benefits exceeding the cost beyond one year, are recognized as an intangible asset. Direct costs include purchase cost of software, license fee and directly attributable expenses incidental to bring the asset for its intended use. Subsequent directly attributable costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Computer software cost treated as intangible assets are amortized from the date the software is put to use on a straight-line basis over their respective useful lives, ranging from 4 to 8 years.

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.

ii) Internally generated

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses. These are amortized using straight-line basis over a period upto 5 years. Amortization on additions is charged from the month following the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

b) Rights for future gas utilization

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

3.8 Investments in Joint Ventures and Associates

Investment in Joint venture / associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investors share of profit or loss of the investee after the date of acquisition. The Group's investment in Joint venture / associates includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in joint venture/ associate is impaired. If this is the case, the Group calculates the impairment loss as the difference between the recoverable amount of Joint venture / associates and its carrying value and recognizes it in profit or loss.

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

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

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

3.10 Financial instruments

3.10.1 Financial assets

Classification, initial recognition and measurement

a) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt instrument that is subsequently measured at fair value through profit or loss is recognized in profit or loss in the year in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investment in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset, in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.10.2 Financial liabilities

Financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective interest method.

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

3.10.3 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

3.10.4 Impairment

a) Financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The Group applies general approach in calculating expected credit losses. It is based on difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Group expect to receive discounted at the approximation of the original effective interest rate. The expected cashflows will include cash flows from sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables except for debts due from the Government of Pakistan as a consequence of circular debt which were initially exempted from the application of Expected Credit Loss model under IFRS 9 by the Securities and Exchange Commission of Pakistan (SECP) vide its letter S.R.O 985(I) / 2019 dated September 2, 2019 for a limited period of three years till June 30, 2021. On September 13, 2021, the SECP further extended the aforementioned exemption till June 30, 2022.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

b) Non-Financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e.cash generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.11 Hedging relationships

The Group currently accounts for two types of hedging relationships:

Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

The Group accounts for fair value hedging relationships as follows:

a) the gain or loss on the hedging instrument is recognized in profit or loss (other comprehensive income, if the hedging instrument hedges an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income).

b) the hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item (if applicable) and be recognized in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item is recognized in the consolidated statement of profit or loss. However, if the hedged item is an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income, those amounts remain in other comprehensive income. When a hedged item is an unrecognized firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognized as an asset or a liability with a corresponding gain or loss recognized in profit or loss.

Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognized asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.

The Group accounts for cash flow hedging relationships as follows:

a) the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

   i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
   ii) the cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

b) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge [i.e. the portion that is offset by the change in the cash flow hedge reserve calculated in accordance with (a)] is recognized in other comprehensive income.

c) any remaining gain or loss on the hedging instrument [or any gain or loss required to balance the change in the cash flow hedge reserve calculated in accordance with (a)] is hedge ineffectiveness that is recognized in profit or loss.

d) the amount that has been accumulated in the cash flow hedge reserve in accordance with (a) is accounted for as follows:

   i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability.

   ii) for cash flow hedges other than those covered by (i), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

   iii) however, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

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

3.13 **Stock-in-trade**

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

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

3.14 **Trade debts, contract assets and other receivables**

Trade debts and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value, plus directly attributable transaction costs, if any. The Group holds the trade debts and other receivables with the objective to collect contractual cash flows and, therefore, measures them subsequently at amortized cost using effective interest method. A provision for impairment is established under the simplified model stipulated in IFRS 9. Under this model expected credit losses are measured based on lifetime expected loss allowance for all trade debts and other receivables. The Group measures expected credit losses on trade debts and other receivables in a way that reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

b) the time value of money; and

c) reasonableness and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of the provision is charged to profit or loss. Trade debts and other receivables considered irrecoverable are written-off.

A contract asset is recognized for the Group's right to consideration in exchange for goods or services that it has transferred to a customer. If the Group performs its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the amount as a contract asset, excluding any amounts presented as a receivable.

3.15 Cash and cash equivalents

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

3.16 Share capital

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

3.17 Borrowings

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

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

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

3.18 Leasing activities as a lessee

Lease liabilities and right-of-use assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments include fixed payments less any lease incentives received, variable lease payments that are based on an index or a rate which are initially measured using the index or a rate as at the commencement date, amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option, if any, and if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, and is recorded in the consolidated statement of profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

A change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

The right-of-use asset is initially measured based on the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight line basis over the lease term.

3.19 Leasing activities as a lessor

The Group enters into lease arrangements with respect to its LNG infrastructure for receipt, storage and regasification of LNG.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.20 Trade and other payables

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

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

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

3.21 Deferred income

Amount received on account of operating lease rental income for terminal is recognized as deferred income where not earned and credited to profit or loss in the relevant period of provision of services for recognition of rentals on straight line basis.

3.22 Contract liabilities

A contract liability is recognized for the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (i.e. a receivable), before the Group transfers a good or service to the customer, the Group shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

3.23 Provisions

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

3.24 Income tax

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

- **Current**

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

- **Deferred**

  Deferred tax is recognised using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit or loss, except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity

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

3.25 Contingent liabilities

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group; or

- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

3.26 Staff retirement and other benefits

3.26.1 Defined benefit plans

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

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

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

The Group operates defined benefit funded gratuity schemes for its management employees and non-management employees.

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

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

In June 2011, the Group gave a one time irrevocable option to selected members of Management Permanent Employees' (MPT) Defined Benefit Gratuity Fund and Defined Contribution Pension Fund to join a new MPT Employee's Defined Contribution Gratuity Fund (the Fund), a defined contribution plan. The present value, as at June 30, 2011, of the defined benefit obligation of those employees, who accepted this offer, were transferred to this Fund. Furthermore, from July 2011 onwards, the monthly contributions to Defined Contribution Pension Fund of such employees were discontinued.

3.26.2 Defined contribution plans

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

The Group operates:

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

- defined contribution pension funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate ranging from 12.5% to 13.75% of basic salary; and

- defined contribution gratuity funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

3.26.3 Employee's compensated absences

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

3.26.4 Other benefits - Service Incentive Plan

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

3.27 Revenue / income recognition

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer at a point in time. Where, revenue over the time is recognized based on the percentage of completion method, the stage of completion is assessed by milestones which ascertain the completion of the proportion of contract work or the performance of services provided in the agreement. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The details are as follows:

- The Group recognises revenue at a point in time when or as performance obligations are satisfied by transferring the control of product to customer. Control, depending on contractual terms, is considered to be transferred either when the product is directly uplifted by customer from the Group's premises or when it is delivered by the Group at customer premises.

- Revenue from contracts and long term service agreements is recognized when or as performance obligations are satisfied by transferring control of promised services to a customer, and control either transfers over time or at a point in time. Where, revenue over the time is recognized based on the percentage of completion method, the stage of completion is assessed by milestones which ascertain the completion of the proportion of contract work or the performance of services provided in the agreement.

- Income on bank deposits and other financial assets is recognized on an accrual basis.

- Dividend income is recognised when the Group's right to receive dividend is established, i.e. on the date of book closure of the investee company declaring the dividend.

- Returns on bank deposits are accrued on a time proportion basis by reference to the outstanding principal amounts and the applicable rates of return.

- Income on Market Treasury Bills, Pakistan Investment Bonds (PIBs) and Term Deposit Receipts is accrued using the effective interest rate method.

- Gains and losses arising on disposal of investments are included in income in the year in which these are disposed of.

- Unrealised gains and losses arising on revaluation of securities classified as FVPL are included in profit or loss in the period in which these arise respectively.

- Operation and maintenance fee under various contracts is measured at fair value of the consideration received or receivable and is recognized on accrual basis when services are rendered i.e. performance obligations are fulfilled in accordance with the terms of agreements.

- Revenue from supply of electricity to Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), the sole customer of Engro Powergen Qadirpur Limited (EPQL) and Engro Powergen

Thar (Private) Limited (EPTL), is recognized when the following performance obligations are satisfied:

- Capacity revenue is recognized based on the capacity made available to CPPA-G; and
- Energy revenue is recognized based on the Net Electrical Output (NEO) delivered to CPPA-G.

Capacity and Energy revenue is recognized based on the rates determined under the mechanism laid down in the Power Purchase Agreements (PPAs).

- Consultancy fee is recognized at the time the services are rendered.

- Delayed payment charges on overdue trade receivables are recognized on an accrual basis.

- Revenue from re-gasification and transportation of Liquefied Natural Gas (LNG) to Sui Southern Gas Company Limited (SSGCL) under LNG operations and Services Agreement (LSA) is recognized on the following basis:

  - Utilization revenue on the basis of Re-gasified LNG throughput to SSGCL over time.
  - Operations and maintenance revenue over time.

- Revenue from tower infrastructure provisioning is recognised on straight line basis over the non-cancellable agreement period, regardless of whether the payments from customers are received, in equal monthly amounts during the contract term. The Group considers all fixed elements of the relevant contractual escalation provisions in calculating the straight-line revenue. Whereas revenue for cancellable agreements are recorded at the amounts invoiced to the customers, as per the agreement.

- Revenue from operations and maintenance services for telecommunication infrastructure is recognized when services are rendered as the performance obligations are generally met over time as customer simultaneously receives and consumes benefits of services as and when the services are performed by the Group. The Group generally uses output method to measure progress towards satisfying a performance obligation. The Group recognises revenue at the amount of the Group's right to invoice as per the agreements with the customers if the Group's right to invoice the customers is based on the value of services transferred and the amount invoiced represents the value transferred to the customers.

- Deferred incentive revenue is recognised based on the present value of discount provided by the Group in its bundled contracts with the customers. The unwinding of discount on deferred incentive revenue is recognised as finance cost in the profit or loss. Subsequent amortisation of deferred incentive revenue is credited to revenue on a systematic basis .

- Revenue from energy support services is recognised by the group through bills on a pass through basis as the Group does not consider it controls the specific services before their delivery to customers. Accordingly, the Group recognises revenue arising from pass through billings on net basis.

The payment term varies from 15 to 180 days depending on the credit worthiness of the Group's customers.

3.28 Borrowing costs

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

3.29 Research and development costs

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

3.30 Government grant

Government grant is recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed.

Government grant includes any benefit earned on account of a government loan obtained at below market rate of interest. The loan is recognized and measured in accordance with IFRS 9 "Financial Instruments". The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

Government grant that has been awarded for the purpose of giving immediate financial support to the Group is recognized in the statement of profit or loss of the period in which the entity qualifies to receive it.

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

3.31 Earnings per share

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

3.32 Dividend and appropriation to reserves

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

3.33 Segment reporting

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

3.24 Foreign currency transactions and translation

3.24.1 These consolidated financial statements are presented in Pakistan (Rupees in '000), which is the Group's functional currency. Amounts presented in these consolidated financial statements have been rounded off to the nearest thousand, unless otherwise stated. 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 profit or loss and property, plant and equipment as explained in note 5.3.

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

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a) Property, plant and equipment and intangible assets

The Group annually reviews appropriateness of the method of depreciation and amortisation, useful life and residual value used in the calculation of depreciation and amortisation on an annual basis. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. These calculations require the use of estimates. Any change in these estimates in the future, might affect the carrying amount of the respective item of property and equipment and intangible assets, with a corresponding effect on the depreciation, amortisation charge, and impairment.

In case of acquisition of group of assets and liabilities, the Group allocates the purchase consideration to individual assets and liabilities on basis of the relative fair value at the date of purchase. For determination of fair value, the Group takes into account its principle ability to generate economic benefits by either using the asset in its highest and best use or by selling it to another customer. Estimation of highest and best use is made on basis of estimated net cash in flows associated with the assets or group of assets. The consideration for selling

it to another customer is based on the fair market value after adjusting the impacts of obsolescence.

During the year, EFert and EPCL have reassessed the useful lives and residual values of its property, plant and equipment as stated in note 5.4.

b) Investments at fair value through profit or loss / other comprehensive income

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

c) Stock-in-trade

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

d) Provision for retirement and other service benefits obligations

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

e) Income taxes

In making the estimates for current income taxes payable by the Group, the management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. Management considers current income tax law and the decisions of appellate authorities on certain cases issued in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

f) Impairment of investment in subsidiaries, associates and joint ventures

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

g) Impairment of financial assets

The Group uses external credit ratings to determine default rates for trade debts and net investment in lease from customer and balances with banks to calculate expected credit losses. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in future.

h) Trade debts and other receivables

An estimate of the collectible amount of trade debts and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in profit or loss using the method stated in note 3.10.4. At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the life time expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

i) Stores and spares

The Group regularly reviews the provision for slow moving stores and spares to assess the consumption of stores and spares, thereby ensuring that slow moving items are provided for.

j) Contingencies and Provisions

Significant estimates and judgements are being used by the management in accounting for contingencies and provisions relating to legal and taxation matters being contested at various forums based on applicable laws and the decisions / judgements.

k) Un-billed revenue in respect of CoD tariff adjustment

As per the applicable tariff regime, EPTL has applied to NEPRA for approval of CoD tariff adjustment. EPTL is currently billing the Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), based on the provisional tariff, previously notified by NEPRA, and is recognizing the revenue based on management's best estimate of final CoD tariff to be approved by NEPRA. Meanwhile, the differential unbilled revenue is being recognized as contract asset, which will be invoiced upon NEPRA's approval.

l) Right of use asset and corresponding lease liability

IFRS 16 requires the Group to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Group has extension options which the Group is reasonably certain to exercise and the periods for which the Group has termination options for which the Group is not reasonably certain to exercise those termination options.

The rate used on transition to discount future lease payments represents the Group's incremental borrowing rate.

With specific reference to Engro Elengy Terminal Private Limited's arrangement under Time Charter Party and LNG operations and Services Agreement (LSA), significant estimates further included:

i) Classification of lease

The classification of lease of terminal required use of estimates of cash flows during the contract period, margins, residual values and allocation of amounts under daily capacity charges to lease and non-lease components and determine minimum lease payments at the inception of lease from terminal and sublease of right-of-use asset. As a result the lease of terminal has been determined as an operating lease as significant risk and rewards relating to the same remain with the EETPL at the end of the lease term, taking into account the useful life and fair value of terminal assets, minimum lease payments, residual value and the assessment that customer is not likely to exercise purchase option.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

ii) Discount rate

The rate used on transition to discount future lease payments under Time Charter Party (TCP) represent the EETPL's incremental borrowing rate. The rate has been estimated using LIBOR rates available in the lease currency and adjusted to reflect the underlying lease term based on observable inputs.

m) Provision for decommissioning costs

The timing of recognition of provision for decommissioning requires the application of judgement of existing facts and circumstances, which can be subject to change. In determining the present value of the provision for decommissioning, assumptions and estimates are made in relation to discount rates, the expected cost to decommission and remove the equipment from the site and the expected timing of those costs.

n) Revenue recognition

Revenue on long-term service agreements / construction contracts is recognized based on the percentage of completion method. The Group reviews the appropriateness of the stage of completion through milestones / cost incurred which ascertain the completion of a proportion of the contract work or the performance of services provided.

5. PROPERTY, PLANT AND EQUIPMENT	**2021**	2020
	------ (Rupees in '000) ------	
Operating fixed assets (note 5.1)	**258,072,258**	232,719,261
Capital work in progress (note 5.8)	**20,749,665**	26,568,260
Capital spares and standby equipment	**3,409,657**	2,748,191
	282,231,580	262,035,712

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Amounts in thousand)

5.1 **Operating fixed assets**

	Land – Freehold	Land – Leasehold	Buildings on – Freehold Land	Buildings on – Leasehold Land	Lease hold improvements	Pipelines	Plant and machinery – Owned	Catalyst	Furniture fixture and equipments – Owned	Furniture fixture and equipments – Leased	Vehicles – Owned	Aircraft	Data processing equipment	Jetty	Dredging	Total
	----------	----------	----------	----------	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------	----------	----------	----------	----------
As at January 1, 2020																
Cost	344,168	705,908	7,591,509	1,823,854	22,150	3,118,253	281,498,176	1,982,247	3,714,991	21,723	2,430,364	-	69,937	5,309,282	3,048,524	**311,681,086**
Accumulated depreciation	-	(169,281)	(2,142,696)	(699,246)	(10,068)	(1,313,625)	(65,132,539)	(1,413,828)	(1,665,990)	(21,002)	(654,341)	-	(44,722)	(908,929)	(958,674)	**(75,134,941)**
Accumulated impairment	-	(121,622)	-	(595,858)	-	-	(2,175,980)	-	(86,091)	-	-	-	-	-	-	**(2,979,551)**
Net book value	344,168	415,005	5,448,813	528,750	12,082	1,804,628	214,189,657	568,419	1,962,910	721	1,776,023	-	25,215	4,400,353	2,089,850	**233,566,594**
Year ended December 31, 2020																
Opening net book value	344,168	415,005	5,448,813	528,750	12,082	1,804,628	214,189,657	568,419	1,962,910	721	1,776,023	-	25,215	4,400,353	2,089,850	**233,566,594**
Amortisation of revaluation surplus	-	(2,572)	-	(1,140)	-	3,355	(33,649)	-	-	-	-	-	-	-	-	**(34,006)**
Additions including transfers (note 5.8)	-	18,524	2,487,161	56,538	-	1,999	2,546,425	-	3,182,807	-	1,257,284	624,228	19,372	-	-	**10,194,338**
Capitalisation of exchange loss (note 5.3)	-	-	-	-	-	-	3,170,122	-	-	-	-	-	-	-	-	**3,170,122**
Direct reversal	-	-	-	-	-	-	(792,005)	-	-	-	-	-	-	-	-	**(792,005)**
Asset classified as held for sale (note 22)																
Cost	-	-	-	-	-	-	(400,930)	-	-	-	-	-	-	-	-	**(400,930)**
Accumulated depreciation	-	-	-	-	-	-	62,732	-	-	-	-	-	-	-	-	**62,732**
Accumulated impairment	-	-	-	-	-	-	271,144	-	-	-	-	-	-	-	-	**271,144**
	-	-	-	-	-	-	(67,054)	-	-	-	-	-	-	-	-	**(67,054)**
Disposals / Write offs																
Cost	-	-	-	-	(11,298)	-	(192,175)	-	(244,698)	-	(26,944)	-	(2,705)	-	-	**(477,820)**
Accumulated depreciation	-	-	-	-	4,990	-	46,795	-	138,132	-	20,889	-	2,530	-	-	**213,336**
Accumulated impairment	-	-	-	-	-	-	111,119	-	-	-	-	-	-	-	-	**111,119**
	-	-	-	-	(6,308)	-	(34,261)	-	(106,566)	-	(6,055)	-	(175)	-	-	**(153,365)**
Depreciation charge (note 5.6)	-	(43,370)	(306,133)	(51,972)	(1,462)	(125,374)	(11,271,718)	(178,708)	(490,719)	-	(337,068)	(8,695)	(18,281)	(174,825)	(157,038)	**(13,165,363)**
Net book value	344,168	387,587	7,629,841	532,176	4,312	1,684,608	207,707,517	389,711	4,548,432	721	2,690,184	615,533	26,131	4,225,528	1,932,812	**232,719,261**
As at December 31, 2020																
Cost	344,168	721,860	10,078,670	1,879,252	10,852	3,123,607	285,795,964	1,982,247	6,653,100	21,723	3,660,704	624,228	86,604	5,309,282	3,048,524	**323,340,785**
Accumulated depreciation	-	(212,651)	(2,448,829)	(751,218)	(6,540)	(1,438,999)	(76,294,730)	(1,592,536)	(2,018,577)	(21,002)	(970,520)	(8,695)	(60,473)	(1,083,754)	(1,115,712)	**(88,024,236)**
Accumulated impairment	-	(121,622)	-	(595,858)	-	-	(1,793,717)	-	(86,091)	-	-	-	-	-	-	**(2,597,288)**
Net book value	344,168	387,587	7,629,841	532,176	4,312	1,684,608	207,707,517	389,711	4,548,432	721	2,690,184	615,533	26,131	4,225,528	1,932,812	**232,719,261**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Amounts in thousand)

5.1 **Operating fixed assets - continued**

	Land – Freehold	Land – Leasehold	Buildings on – Freehold Land	Buildings on – Leasehold Land	Lease hold improvements	Pipelines	Plant and machinery – Owned	Catalyst	Furniture fixture and equipments – Owned	Furniture fixture and equipments – Leased	Vehicles – Owned	Aircraft	Data processing equipment	Jetty	Dredging	Total
	----------	----------	----------	----------	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------	----------	----------	----------	----------
Year ended December 31, 2021																
Opening net book value	344,168	387,587	7,629,841	532,176	4,312	1,684,608	207,707,517	389,711	4,548,432	721	2,690,184	615,533	26,131	4,225,528	1,932,812	**232,719,261**
Amortisation of revaluation surplus	-	(2,488)	-	-	-	-	(32,581)	-	-	-	-	-	-	-	-	**(35,069)**
Additions including transfers (note 5.8)	39,140	-	4,200,516	653,527	-	150,047	16,953,999	-	6,093,755	-	951,667	-	12,612	-	-	**29,055,263**
Transfer from right of use asset (note 6)	-	-	-	-	-	-	-	-	-	-	5,596	-	-	-	-	**5,596**
Capitalisation of net exchange loss note 5.3)	-	-	-	-	-	-	8,432,804	-	-	-	-	-	-	-	-	**8,432,804**
Reclassification to intangible	-	-	-	-		-	(58,327)	-	-	-	-	-	-	-	-	**(58,327)**
Asset classified as held for sale (note 22)																
Cost	-	-	-	-	-	-	400,930	-	-	-	-	-	-	-	-	**400,930**
Accumulated depreciation	-	-	-	-	-	-	(62,732)	-	-	-	-	-	-	-	-	**(62,732)**
Accumulated impairment	-	-	-	-	-	-	(271,144)	-	-	-	-	-	-	-	-	**(271,144)**
	-	-	-	-	-	-	67,054	-	-	-	-	-	-	-	-	**67,054**
Disposals / Write offs (note 5.7)																
Cost	-	-	-	-	-	(1,285)	(256,663)	-	(130,325)	-	(77,247)	-	(1,017)	-	-	**(466,537)**
Accumulated depreciation	-	-	-	-	-	959	151,661	-	87,263	-	23,340	-	990	-	-	**264,213**
Accumulated impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
	-	-	-	-	-	(326)	(105,002)	-	(43,062)	-	(53,907)	-	(27)	-	-	**(202,324)**
Depreciation charge (note 5.6)	-	(46,371)	(422,859)	(71,841)	(1,083)	(78,776)	(9,387,978)	(114,645)	(882,743)	-	(550,951)	(34,778)	(14,416)	(174,825)	(130,733)	**(11,911,999)**
Net book value	383,308	338,728	11,407,498	1,113,862	3,229	1,755,553	223,577,486	275,066	9,716,382	721	3,042,589	580,755	24,300	4,050,703	1,802,079	**258,072,258**
As at December 31, 2021																
Cost	383,308	385,099	11,830,357	1,185,703	4,312	1,833,370	233,147,679	389,711	10,511,862	721	3,570,200	615,533	37,726	4,225,528	1,932,812	**270,053,920**
Accumulated depreciation	-	(46,371)	(422,859)	(71,841)	(1,083)	(77,817)	(9,299,049)	(114,645)	(795,480)	-	(527,611)	(34,778)	(13,426)	(174,825)	(130,733)	**(11,710,518)**
Accumulated impairment	-	-	-	-	-	-	(271,144)	-	-	-	-	-	-	-	-	**(271,144)**
Net book value	383,308	338,728	11,407,498	1,113,862	3,229	1,755,553	223,577,486	275,066	9,716,382	721	3,042,589	580,755	24,300	4,050,703	1,802,079	**258,072,258**
Annual rate of depreciation (%)	-	1 to 30	2.5 to 10	2.5 to 10	10	2 to 6	2.5 to 30	No. of production days	5 to 33	20	5 to 25	14.3	25 to 50	30	5 to 30	

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

Description of assets	Address	Total area of land in Acres
Dharki Plant & Colony	Dharki, Sindh	734.00
Zarkhez plant	Port Qasim, Karachi	112.50
Rice Plant	13-KM Sheikhupura Road, Lahore	62.95
LNG Terminal	South Western Industrial Zone, Port Qasim, Karachi"	13.18
Power plant and associated buildings	Deh Belo Sanghari, Ghotki, Sindh	41.50
Colony Land	Colony Road, Dharki, Ghotki, Sindh	16.40
Leasehold land	Thar Block II, Islamkot District, Sindh	215.00
Leasehold land	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	121.92
Production facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	3.26
Storage facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	2.21
Administration facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	0.60

5.3 The SECP, through S.R.O. 986(1)/2019 dated September 2, 2019 partially modified its previously issued S.R.O. 24/(1)/2012 dated January 16, 2012 and granted exemption to all companies that have executed their power purchase agreements before January 1, 2019, from the application of IAS 21 'The Effects of Changes in Foreign Exchange Rates' to the extent of capitalization of exchange differences. Accordingly, during the year, the Group has capitalized exchange loss of Rs 8,432.804 million (2020: Rs 3,170.122 million) arising on foreign currency borrowings to the cost of the related property, plant and equipment.

5.4 During the year, EFERT engaged an independent expert / valuer to carry out an assessment of scrap values and useful lives of certain items of plant and machinery. Based on the valuation report of the expert, the scrap values of these assets have been increased from 0% - 5% to 0% - 17% of the cost of these assets and their useful lives have also been increased between 5 and 15 years. This change in accounting estimate of scrap values and useful lives has been accounted for prospectively in accordance with the requirements of IAS 8 ""Accounting Policies, Change in Accounting Estimates and Errors"" and has resulted in a decrease in depreciation charge for the year by Rs 2,519.702 million and increase in carrying value of property, plant and equipment by the same amount.

Had there been no change in the accounting estimate, as disclosed above, the consolidated profit after tax for the current year would have been lower by Rs 1,780.453 million.

5.5 During the year, capitalization of PVC-III and VCM debottlenecking projects amounts to Rs 11,783.059 million.

5.6 **Depreciation charge for the year has been allocated as follows:**

	2021	2020
	------ (Rupees in '000) ------	
Cost of goods sold (note 34.1)	**11,035,865**	12,400,031
Capital work-in-progress	**4,485**	388
Cost of services rendered (note 34.2)	**401,165**	417,191
Selling and distribution expenses (note 35)	**138,007**	53,411
Administrative expenses (note 36)	**332,477**	291,933
Discontinued operations	**-**	2,409
	11,911,999	13,165,363

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

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

Description and method of disposal	Sold to	Relationship	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds	Gain \ (Loss)
Items having net book value of greater than Rs 500,000 each			---------------------------- (Rupees in '000) ---------------------------				
Plant and machinery							
As per Group policy	Various	-	256,663	151,661	105,002	104,986	(16)
Furniture, fixture and equipment							
As per Group policy	Various	-	130,105	87,098	43,007	85,070	42,063
Vehicles							
	Mr. Muneer Kamal		4,550	2,559	1,991	4,000	2,009
	Mr. Tipu Javed		2,651	113	2,538	2,633	95
	Ms. Eliya Hamid		2,270	289	1,981	2,262	281
	Mr. Faraz Bin Shamshad		2,577	584	1,993	2,280	287
As per Group policy to existing / resigned / retired executives	Mr. Syed Azeem Zarrar	Employee	2,619	318	2,301	2,404	103
	Ms. Rabia Wafa Khan		5,498	545	4,953	4,971	18
	Mr. Javed Kasbati		2,589	147	2,442	2,512	70
	Mr. Syed Athar Raza Rizvi		2,755	234	2,521	2,521	-
	Mr. Aitzaz Khalid		2,591	571	2,020	2,312	292
	Mr. Hassan Mustafa		2,638	467	2,171	2,422	251
	Mr. Asad Aman Khan		2,593	441	2,152	2,240	88
			33,331	6,268	27,063	30,557	3,494
Year ended December 31, 2021			420,099	245,027	175,072	220,613	45,541
Year ended December 31, 2020			208,075	163,691	44,384	53,096	8,712

5.8 **Capital work in progress**

	2021	2020
	----------- (Rupees in '000) -----------	
Leasehold land	**32,000**	32,000
Plant and machinery	**13,771,991**	21,922,815
Building and civil works including pipelines	**1,267,733**	269,715
Furniture, fixture and equipment	**536,102**	2,756,734
Advances to suppliers (note 5.8.2)	**1,852,623**	546,775
Capital stores and spares (note 5.8.1)	**279,026**	-
Aircraft	**2,578,022**	-
Internally generated intangible asset	**32,065**	748,927
Other ancillary costs	**400,103**	291,294
	20,749,665	26,568,260
Balance as at January 1	**26,568,260**	17,508,521
Additions during the year (note 5.8.1)	**23,639,955**	20,090,459
Borrowing cost capitalised during the year	**27,645**	214,679
Transferred to:		
- operating fixed assets (note 5.1)	**(28,148,457)**	(9,997,449)
- intangible assets (note 7)	**(1,160,673)**	(306,987)
- capital spares	**(155,043)**	-
- net investment in lease	**-**	(767,976)
Impairment	**-**	(81,290)
Write offs	**(22,022)**	(91,697)
Balance as at December 31	**20,749,665**	26,568,260

5.8.1 Capital stores and spares include an amount of Rs 150 million in respect of the non-tenanted towers acquired by Enfrashare from Pakistan Mobile Communication Limited (PMCL) and Deodar (Private) Limited under the asset sale and purchase agreements signed in April 2019. The fair value of the acquired towers has been determined based on the fair market value after adjusting the impact of obsolescence.

5.8.2 This mainly represents advance paid to suppliers for purchase of operating assets.

5.9 These include jetty and plant and machinery subject to operating lease having net book value of Rs 4,050.703 million (2020: Rs 4,225.528 million) and Rs 1,784.522 million (2020: Rs 11,784.522 million) respectively.

6. RIGHT-OF-USE-ASSETS

	Office space / rented premises	Storage tanks	Buildings	Vehicles	Total
	-----------	-----------	(Rupees in '000)	-----------	-----------
As at January 1, 2020					
- Cost	2,552,145	3,097,058	66,704	-	5,715,907
- Accumulated depreciation	(373,165)	(399,190)	(16,771)	-	(789,126)
- Net book value	2,178,980	2,697,868	49,933	-	4,926,781
Year Ended December 31, 2020					
Additions - net	3,140,204	-	-	5,849	3,146,053
Derecognition of right-of-use-asset on account of sub-lease					
- Cost	(234,080)	-	-	-	(234,080)
- Accumulated depreciation	89,851	-	-	-	89,851
	(144,229)	-	-	-	(144,229)
Depreciation charge for the year (note 6.2)	(426,297)	(431,022)	(16,771)	(253)	(874,343)
	4,748,658	2,266,846	33,162	5,596	7,054,262
As at December 31, 2020					
- Cost	5,458,269	3,097,058	66,704	5,849	8,627,880
- Accumulated depreciation	(709,611)	(830,212)	(33,542)	(253)	(1,573,618)
	4,748,658	2,266,846	33,162	5,596	7,054,262
Year ended December 31, 2021					
Opening net book value	4,748,658	2,266,846	33,162	5,596	7,054,262
Additions - net	3,702,031	172,777	-	-	3,874,808
Transfer to operating assets (note 5.1)	-	-	-	(5,596)	(5,596)
Derecognition of right-of-use assets					
- Cost	(20,418)	-	-	-	(20,418)
- Accumulated depreciation	5,104	-	-	-	5,104
	(15,314)	-	-	-	(15,314)
Depreciation charge for the year (note 6.1)	(640,678)	(419,364)	(16,772)	-	(1,076,814)
Closing net book value	7,794,697	2,020,259	16,390	-	9,831,346
As at December 31, 2021					
Cost	9,139,882	3,269,835	66,704	-	12,476,421
Accumulated depreciation	(1,345,185)	(1,249,576)	(50,314)	-	(2,645,075)
Net book value	7,794,697	2,020,259	16,390	-	9,831,346

6.1 This represents right-of-use asset recognized against lease agreements by Enfrashare and EPCL in respect of tenanted sites and usage tank for ethylene Di Chloride and storage tank respectively.

6.2 Depreciation charge for the year has been allocated as follows:

	2021	2020
	----------- (Rupees in '000)	-----------
Capital work-in-progress	**23,630**	23,630
Cost of goods sold (note 33.1)	**773,594**	537,642
Cost of services rendered (note 33.2)	**7,327**	7,904
Administrative expenses (note 35)	**272,263**	305,167
	1,076,814	874,343

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

7. INTANGIBLE ASSETS

	Software and licenses	Rights for future gas utilisation	Goodwill (note 7.4)	Total
	------------------	(Rupees in '000)	------------------	
As at January 1, 2020				
Cost	1,617,996	102,312	4,500,401	6,220,709
Accumulated amortisation and impairment	(714,210)	(45,232)	-	(759,442)
Net book value	903,786	57,080	4,500,401	5,461,267
Year ended December 31, 2020				
Opening net book value	903,786	57,080	4,500,401	5,461,267
Transfers from CWIP (note 5.8 & 7.2)	306,987	-	-	306,987
Amortisation charge (note 7.1)	(175,461)	(5,111)	-	(180,572)
Closing net book value	1,035,312	51,969	4,500,401	5,587,682
As at December 31, 2020				
Cost	1,924,983	102,312	4,500,401	6,527,696
Accumulated amortisation and impairment	(889,671)	(50,343)	-	(940,014)
Net book value	1,035,312	51,969	4,500,401	5,587,682
Year ended December 31, 2021				
Opening net book value	1,035,312	51,969	4,500,401	5,587,682
Additions including transfers (note 7.3)	1,665,980	-	-	1,665,980
Write offs / Disposals				
Cost	(100,795)	-	-	(100,795)
Accumulated amortization	24,260	-	-	24,260
	(76,535)	-	-	(76,535)
Amortisation charge (note 7.1)	(240,429)	(5,111)	-	(245,540)
Closing net book value	2,384,328	46,858	4,500,401	6,931,587
As at December 31, 2021				
Cost	3,490,168	102,312	4,500,401	8,092,881
Accumulated amortisation and impairment	(1,105,840)	(55,454)	-	(1,161,294)
Net book value	2,384,328	46,858	4,500,401	6,931,587

7.1 Amortisation charge for the year has been allocated as follows:

	2021	2020
	----------- (Rupees in '000)	-----------
Cost of goods sold (note 34.1)	**37,176**	23,471
Cost of services rendered (note 34.2)	**63**	2
Capital work-in-progress	**191**	615
Selling and distribution expenses (note 35)	**4,756**	844
Administrative expenses (note 36)	**203,354**	155,640
	245,540	180,572

7.2 This includes cost incurred in respect of One SAP project which is being amortised over a period of 8 years.

7.3 This includes acquisition of software from EmpiricAI Limited, UK (a related party) as part of settlement agreement of trade debts as detailed in note 16.10.

7.4 This represents goodwill (which pertains to fertilizer business), arising on acquisition of control of ECL, mainly on account of expected synergies, efficient business management, high standards of policies, compliances with relevant regulatory framework, integrity, experience and other strength of the work force and management. Goodwill represents excess of the fair value of the previously held equity interest over the proportionate share acquired in identifiable net assets at the date when the control was deemed to be acquired in year 2005. For impairment testing, the recoverable amount of the proportionate share in the said fertilizer business has been determined based on fair value less cost of disposal. The management has used the 'Market Approach' to determine the fair value less cost of disposal. Based on the valuation, no impairment was considered necessary to be recorded.

		2021	2020
		------ (Rupees in '000) ------	
8	**LONG TERM INVESTMENTS**		
	Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 8.1 to 8.4)	**-**	-
	Investment in associates (notes 8.5 to 8.8)		
	- FrieslandCampina Engro Pakistan (FECPL) 306,075,948 (2020: 306,075,948) ordinary shares of Rs 10 each	**28,574,139**	27,864,078
	Less: Provision for impairment (note 8.5)	**(1,224,304)**	(1,224,304)
		27,349,835	26,639,774
	- Sindh Engro Coal Mining Company (SECMC) 191,643,025 (2020: 159,602,637) ordinary shares of Rs 10 each	**6,190,488**	4,384,236
	- Others		
	Gross carrying value as at January 1	**1,860,187**	486,514
	Investments made during the year	**-**	49,053
	Asset reclassified from held-for-sale (note 22)	**-**	1,325,595
	Share of loss for the year	**-**	(975)
	Gross carrying value as at December 31	**1,860,187**	1,860,187
	Less: Impairment recognized thereagainst	**1,327,684**	639,110
		532,503	1,221,077
	Others	**144,244**	104,996
		34,217,070	32,350,083

		2021	2020
		------ (Rupees in '000) ------	
8.1	Details of investment in EVTL is as follows:		
	At the beginning of the year	**-**	-
	Add: Share of profit for the year (note 40)	**1,175,457**	1,399,385
	Less: Provision adjustment in respect of tax contingency (note 29.5)	**(20,457)**	(4,385)
	Less: Dividend received during the year	**(1,155,000)**	(1,395,000)
	At the end of the year	**-**	-

8.1.1 As a result of share of profit for the year, the provision for tax contingency amounting to Rs 1,064.885 million previously set off against the carrying value of the Group's investment has increased by Rs 20.457 million representing the difference between the share of profit and dividend received by the Group. Accordingly, the net provision set off against the carrying value of Group's investment in EVTL now amounts to Rs 1,089.727 million (2020: Rs 1,069.270 million).

8.2 As at December 31, 2021, ECL held 45,000,000 ordinary shares (2020: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed and paid-up capital of EVTL.

8.3 Cases for the tax year 2003 to tax year 2011 of EVTL to determine as to whether the income of EVTL is liable to be taxed under the Normal Tax Regime (NTR) or the Final Tax Regime (FTR) are pending in the Honorable Supreme Court of Pakistan (SCP) and the High Court of Sindh (HCS). In this respect, EVTL has disclosed a contingent liability amounting to Rs 4,124.049 million in its financial statements representing potential taxation liability that EVTL may have to recognise if the aforementioned cases are decided against EVTL.

On the basis of legal advice, the Group has reversed its proportionate share of the aforementioned amounting to Rs 2,062.024 million (2020: Rs 2,062.024 million). This potential tax liability has been adjusted against the carrying value of its investment in EVTL to the extent of it being 'Nil' and the balance amount has been recognised as a provision (note 28) depicting the Group's constructive obligation to bear the potential exposure.

8.4 The summary of financial information of EVTL as of December 31, 2021 is as follows:

Statement of financial position

Particulars	2021	2020
	-------- (Rupees in '000) --------	
Cash and cash equivalent	1,003,886	238,084
Current financial liabilties (excluding trade and other payables)	2,052	11,504
Non-current financial liabilities (excluding trade and other payables)	1,390,791	641,937
Non-current assets	3,367,371	3,076,702
Current assets	1,890,857	987,666
Non-current liabilities	(1,429,488)	(984,471)
Current liabilities	(1,614,492)	(906,564)
	2,214,248	2,173,333
The Group's share at 50%% (2020: 50%)	1,107,124	1,086,667
Provision against tax contingency	(1,089,727)	(1,069,270)
Others	(17,397)	(17,397)
Carrying amount	-	-

Statement of profit or loss and other comprehensive income

Particulars	2021	2020
	-------- (Rupees in '000) --------	
Revenue	4,430,160	4,802,639
Depreciation and amortization	271,955	237,902
Interest income	51,344	72,193
Income tax expense	955,157	1,176,356
Total comprehensive income for the year	2,350,915	2,798,770

8.5 FrieslandCampina Engro Pakistan Limited (FCEPL) is a public listed company, incorporated in Pakistan. ECL holds 39.9% shareholding in FCEPL. The principal activity of FCEPL is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. Earlier in 2016, ECL partially disposed of its investment in FCEPL resulting in it being recognized as an associate and retained interest in FCEPL valued at the fair value on the date of disposal in accordance with the IFRS. As per the accounting policy of the Group, investment in associate is carried at cost in the consolidated financial statements which is adjusted for post-acquisition change in net assets.

An impairment loss of Rs 1,224.304 million was recognised in the consolidated financial statements for the year ended December 31, 2019 based on ECL's assessment of the recoverable amount of the investment. However, based on ECL's assessment as at December 31, 2021, no further impairment is required to be recognized in respect of this investment.

8.6 Details of material investments in associates are as follows:

	2021		2020	
Particulars	**FCEPL**	**SECMC**	FCEPL	SECMC
	------------------------- (Rupees in '000) -------------------------			
At beginning of the year	**26,639,774**	**4,384,236**	26,569,181	3,056,865
Add:				
- Investment in associates	**-**	**474,839**	-	-
- Share of profit for the year (note 40)	**719,827**	**1,331,413**	70,593	1,327,371
- Share of Other Comprehensive loss	**(9,766)**	**-**	-	-
	710,061	**1,331,413**	70,593	1,327,371
	27,349,835	**6,190,488**	26,639,774	4,384,236

8.7 The summary of financial information / reconciliations of associates in which the Group held material investments as of December 31, is as follows:

	FCEPL		SECMC	
	2021	2020	**2021**	2020
	---------------- (Rupees in '000) ----------------			
Revenue	**52,094,197**	44,155,023	**39,221,368**	37,205,247
Profit after tax	**1,804,078**	176,926	**11,175,432**	11,140,083
Other comprehensive loss	**(24,478)**	(13,947)	**-**	-
Total comprehensive income	**1,779,600**	162,979	**11,175,432**	11,140,083
Non-current assets	**11,867,687**	13,014,386	**87,056,319**	77,656,756
Current assets	**15,270,425**	10,283,540	**75,731,535**	49,092,055
Total assets	**27,138,112**	23,297,926	**162,787,854**	126,748,811
Less:				
Non-current liabilities	**2,448,015**	5,039,675	**60,899,766**	59,463,271
Current liabilities	**14,362,853**	9,710,607	**49,156,078**	29,705,740
Total liabilities	**16,810,868**	14,750,282	**110,055,844**	89,169,011
Net assets	**10,327,244**	8,547,644	**52,732,010**	37,579,800
Group's share in %	**39.9%**	39.9%	**11.91%**	11.91%
Share of net assets	**4,120,571**	3,410,510	**6,280,382**	4,475,754
Recognition of investment at fair value	**24,337,818**	24,337,818	**-**	-
Others	**115,750**	115,750	**(89,894)**	(91,518)
Provision for impairment	**(1,224,304)**	(1,224,304)	**-**	-
Carrying amount	**27,349,835**	26,639,774	**6,190,488**	4,384,236

8.8 The comparison between quoted fair value and carrying amount of listed associate is given below:

Name of entity	Place of business	Measurement method	Quoted Fair value		Carrying amount	
			2021	2020	**2021**	2020
			----- (Rupees in '000) ----		----- (Rupees in '000) ----	
FrieslandCampina Engro Pakistan Limited	5th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No.5, Clifton, Karachi.	Equity Method	**25,933,815**	25,180,868	**27,349,835**	26,639,774

8.9 During the year, ECL in its Board meeting held on August 12, 2021 decided to resign from the Project management Agreement. In view of the significant project delays to achieve financial close of the power project, impairment loss of Rs 383.929 million has been recognized during the year, representing the write-down of carrying amount of investments in SEL determined with reference to fair value less cost of disposal.

Further, the EEL has also recorded aggregate provision (note 38) amounting to Rs 307.442 million against the performance guarantees provided and Engineering, Procurement and Construction contractor's liability of SEL on the basis of shareholding proportion in SEL.

	2021	2020
	------ (Rupees in '000) ------	
8.10 Other investment - at fair value through profit or loss		
e2e Business Enterprises (Private) Limited - unquoted (note 8.10.1)		
[23,770,701 (2020: 23,770,701) Ordinary shares of Rs 10 each]	**237,707**	237,707
Less: Accumulated impairment	**(237,707)**	(237,707)
	-	-

Percentage of holding 39.00% (2020: 39.00%)

8.10.1 The Holding Company had made aggregate investment amounting to Rs 238 million during the years 2013 and 2014 in e2e Business Enterprises (Private) Limited (e2eBE) representing an equity interest of 39%. e2eBE was set up for the production, sale and marketing of Rice Bran Oil (RBO) and was planned to start commercial operations in year 2014. However, due to certain issues it has not been able to start the commercial operations of the project till date. Further, due to financial and liquidity issues, it has not been able to service its outstanding loans and working capital requirements.

The Holding Company disposed of part of its shareholding i.e. 19.86%, in e2eBE during the year 2015. However, the said disposal was not recorded by e2eBE in its register of members. The Holding Company informed the Securities and Exchange Commission of Pakistan (the SECP) in this respect through its letters dated May 12, 2016 and January 22, 2018.

In view of the pending registration of the transfer of shares in the name of the transferee, during the year ended 2020, the Holding Company, on the basis of legal advice, has entered into an agreement dated May 8, 2020 with the transferee whereby it was agreed to reverse the original share sale-purchase transaction in a manner that the disposed 19.86% shares shall revert to the Holding Company as if those were never sold to the transferee. Accordingly, the sales proceeds amounting to Rs 2 million received by the Holding Company against the disposal of 19.86% shares in e2eBE were returned to the transferee. In this regard, the Holding Company has through its letter dated April 10, 2020 withdrew the matter lodged with the SECP against e2eBE related to its failure to transfer 19.86% shares in the name of the transferee. Further, an intimation to this effect has been made to e2eBE through the Holding Company's letter dated May 15, 2020.

Further, the Holding Company has assessed the carrying amount of its investment in e2eBE in accordance with the requirements of the applicable accounting standard and the investment has been fully impaired as the possibility of commencement of operations of e2eBE is considered remote.

9 DEFERRED TAXATION

	2021 Assets	2021 Liabilities	2020 Assets	2020 Liabilities
	----------------- (Rupees in '000) -----------------			
Engro Corporation Limited	**73,537**	**-**	19,518	-
Engro Fertilizers Limited	**-**	**11,942,999**	-	11,677,783
Engro Energy Limited	**6,809**	**1,038,707**	60,916	708,121
Engro Polymer and Chemicals Limited	**-**	**2,029,290**	-	1,183,219
Engro Elengy Terminal (Private) Limited	**-**	**1,231,789**	-	1,088,434
Dawood Hercules Corporation Limited	**-**	**35,685**	-	99,420
Net effect of consolidation adjustments	**-**	**13,864**	-	(89,219)
	80,346	**16,292,334**	80,434	14,667,758

9.1 Credit / (Debit) balances arising on account of:	2021	2020
	------ (Rupees in '000) ------	
- Accelerated depreciation allowance	**18,061,981**	16,666,539
- Recoupable carried forward tax losses	**(19,245)**	(16,408)
- Recoupable Alternative Corporate Tax	**-**	(45)
- Provisions	**(1,727,308)**	(1,697,100)
- Net investment in lease	**14,064,429**	13,616,786
- Lease liability	**(14,301,989)**	(14,075,132)
- Right-of-use-asset	**51,765**	57,651
- Share issuance cost, net of equity	**(57,830)**	(57,830)
- Others	**140,185**	92,863
	16,211,988	14,587,324

10. FINANCIAL ASSETS AT AMORTIZED COST

	2021	2020
Investment in Term Deposit Receipts - (note 10.1)	**3,092,784**	4,660,833
Investment in Term Finance Certificates - (note 10.2)	**500,000**	500,000
	3,592,784	5,160,833

10.1 The amount is net off current portion amounting to Rs 2,086.711 million (2020: Rs 964.120 million). It denotes term deposits receipts aggregating USD 35 million maintained with Dubai Islamic Bank Pakistan Limited. These carry profit at the rate of six months Libor + 0.89% per annum and are due to mature in six equal semi-annual installments of USD 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

10.2 This represents investment in Term Finance Certificates amounting to Rs 500 million carrying markup at the rate of 3 months KIBOR with a margin of 1.6%.

11. DERIVATIVE FINANCIAL INSTRUMENTS

As at December 31, 2021, Enfrashare has outstanding interest rate swap agreements with Standard Chartered Bank for notional amounts aggregating to notional amount of Rs 5,000 million to hedge its interest rate exposure on floating rate borrowings from various lenders. Under the swap agreements, Enfrashare would receive 3 month KIBOR on respective notional amounts and will pay fix rates. Details of these swap agreements are as follows:

The comparison between quoted fair value and carrying amount of listed associate is given below:

Notional Amount	Effective date	Termination date	Fixed rate %	Fair value as at 2021	Fair value as at 2020
----- (Rupees in '000) ----				----- (Rupees in '000) ----	
1,000,000	July 2, 2021	June 3, 2026	9.85%	**28,313**	-
4,000,000	July 2, 2022	June 3, 2026	10.35%	**64,492**	-
				92,805	-

12. NET INVESTMENT IN LEASE

	2021	2020
	------- (Rupees in '000) -------	
Undiscounted lease payments analysed as:		
Recoverable after 12 months	**65,539,801**	67,683,036
Recoverable within 12 months	**9,225,520**	8,366,519
	74,765,321	76,049,555
Less: unearned finance income	**(25,557,176)**	(28,236,933)
Net investment in lease	**49,208,145**	47,812,622
Net investment in lease analysed as:		
Recoverable after 12 months	**45,203,623**	44,557,411
Recoverable within 12 months	**4,004,522**	3,255,211
	49,208,145	47,812,622
Maturity analysis of net investment in lease:		
within 1 year	**9,186,597**	8,394,231
between 1 and 2 years	**9,186,597**	8,394,231
between 2 and 3 years	**9,211,141**	8,394,231
between 3 and 4 years	**9,186,597**	8,416,421
between 4 and 5 years	**8,958,626**	8,099,535
later than 5 years	**29,035,763**	34,350,906
	74,765,321	76,049,555

12.1 EETPL has entered into lease arrangement with respect to its LNG infrastructure for receipt, storage and regasification of LNG. EETPL's implicit rate of return on net investment in lease is 11.52% per annum.

12.2 Enfrashare is party to an agreement that conveys the right to use energy equipment. This arrangement is classified as finance lease, with Enfrashare as the lessor. Finance lease - gross investment and net investment in lease includes deferred incentive income of Rs 521.106 million and Rs 152.519 million respectively offered to the customer on signing of multiple contracts accounted for as a single arrangement as disclosed in note 27.1 to these consolidated financial statements. The deferred incentive income represents discounted rentals offered to the customer for the above mentioned finance lease arrangement.

12.3 Lease rentals received during the year aggregate to Rs 3,218.108 million (2020: Rs 2,672.534 million).

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

	2021	2020
	------- (Rupees in '000) -------	
Loans and advances to:		
Executives (notes 13.1 to 13.4)	**166,333**	372,420
Other employees (notes 13.2 to 13.4)	**105,221**	26,884
Deposits to suppliers	**9,988**	-
	281,542	399,304
Less: Current portion shown under current assets (note 17)	**(200,052)**	(202,640)
	81,490	196,664
Receivable from Sui Southern Gas Company Limited (SSGCL)	**923,654**	968,542
Less: Current portion shown under current assets (note 16)	**(49,082)**	(44,888)
	874,572	923,654
Direct cost of Floating Storage & Regasification Unit (FSRU) (note 13.6)	**706,545**	793,061
Security deposits (note 13.7)	**99,969**	50,992
Other receivables (note 13.8)	**853,660**	145,546
	2,616,236	2,109,917

		2021	2020
		------- (Rupees in '000) -------	
13.1	**Reconciliation of the carrying amount of loans and advances to executives:**		
	Balance as at January 1	**372,420**	571,757
	Add: Disbursements	**143,702**	145,431
	Less: Repayments / amortisation	**(349,789)**	(344,768)
	Balance as at December 31	**166,333**	372,420

13.2 Long term loans include:

- interest free services incentive loans to executives repayable in equal monthly installments over a five years period or in one lump sum payment at the end of such period and are secured to the extent of the provident fund balance and retirement benefits, if vested, of the respective employees;

- interest free loans given to workers pursuant to Collective Labour Agreement; and

- advances to employees for car earn out assistance, long term incentive and house rent advance.

13.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated Rs 233.816 million (2020: Rs 421.419 million).

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

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

13.6 On June 19, 2015, EETPL received a notice from Model Customs Collectorate (the 'Customs Authorities') seeking information on import of FSRU and contending that the import attracts all leviable duties and taxes i.e. customs duty and advance income tax. EETPL was of the view that the FSRU had been classified as plant, machinery and equipment vide SRO 337(I)/2015 dated April 22, 2015 and accordingly, along with sales tax, custom duty is also exempt under SRO 678(I)/2004 dated August 7, 2004, read with condition (vii) relating to the clause 2(a), being of the nature of import-cum-export or temporary import of plant, machinery and equipment.

Further, since EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations, EETPL is also entitled to exemption from collection of advance income tax. The Customs Authorities were not in agreement with EETPL's views on the same and to treat import of FSRU for 15 years as a temporary import. EETPL in response filed a suit before the High Court of Sindh which through its order dated June 29, 2015 had restrained customs authorities from collection of customs duty and advance income tax.

The High Court of Sindh, in judgement passed on May 26, 2016, held EETPL liable to custom duty and remanded the matter related to advance tax to Customs Authorities with directions. EETPL in response to the aforementioned judgement and demand raised by Customs Authorities has paid an amount of Rs 1,325.103 million in respect of custom duty. This is being amortized over the term of 15 years.

13.7 These mainly represent security deposits paid by Enfrashare to service providers in respect of utility connections.

13.8 This includes accrued infrastructure equalisation revenue of Enfrashare amounting to Rs 853.660 million (2020: Rs 139.126 million) related to the effect of fixed escalation claims that is spread on straight line basis over the non cancellable lease term.

		2021	2020
		------- (Rupees in '000) -------	
14.	**STORES, SPARES AND LOOSE TOOLS**		
	Consumable stores	**10,035,794**	9,326,278
	Spares and loose tools including in-transit Rs 20.122 million (2020: Rs 48.897 million)	**534,592**	815,050
		10,570,386	10,141,328
	Less: Provision for surplus and slow moving items (note 14.1)	**1,260,255**	1,071,934
		9,310,131	9,069,394
14.1	**Provision for surplus and slow moving items**		
	Balance as at January 1	**1,071,934**	1,038,129
	Charge for the year - net (note 34.1)	**195,262**	33,805
	Write off	**(6,941)**	-
	Balance as at December 31	**1,260,255**	1,071,934
15.	**STOCK-IN-TRADE**		
	Raw and packing materials (notes 15.1)	**11,462,838**	7,230,157
	Unprocessed rice	**3,532,912**	1,518,928
	Fuel stock	**464,731**	444,036
	Work-in-process	**177,862**	135,688
	Finished goods:		
	- own manufactured products (note 15.1)	**7,351,417**	7,588,920
	- purchased products (note 15.1)	**-**	1,252,323
	- packaged	**8,669,441**	-
		16,020,858	8,841,243
	Less: Provision for impairment against stock-in-trade (note 15.2)	**146,194**	231,661
		31,513,007	17,938,391

15.1 Includes:

- materials in transit amounting to Rs 2,484.420 million (2020: Rs 1,979.023 million); and

- inventories held at storage facilities of third parties amounting to Rs 2,872.148 million (2020: Rs 1,268.921 million).\

15.1.1 Raw materials and finished goods amounting to Rs 1.665 million (2020: Rs 99.704 million) were written off.

15.2 Provision in respect of net relizable value

	2021	2020
	------- (Rupees in '000) -------	
Balance as at January 1	**231,661**	28,785
Charge for the year (net)	**111,129**	403,276
Written off during the year	**(196,596)**	(200,400)
Balance as at December 31	**146,194**	231,661

16. TRADE DEBTS

	2021	2020
	------- (Rupees in '000) -------	
Considered good		
- secured (notes 16.1 and 16.2)	**57,923,818**	49,322,489
- unsecured	**639,502**	959,848
	58,563,320	50,282,337
Considered doubtful (note 16.4)	**338,007**	84,792
	58,901,327	50,367,129
Less: Provision for impairment (note 16.5)	**338,007**	84,792
Unbilled Revenue	**1,034,595**	467,730
	59,597,915	50,750,067

16.1 Includes trade debts of EPTL and EPQL aggregating to Rs 51,601.480 million (2020: Rs 43,800.050 million) due from Central Power Purchasing Agency (CPPA-G), alongwith delayed payment charges which are secured by a guarantee from the Government of Pakistan under the Implementation Agreements and as such are considered good. This is inclusive of overdue debt of Rs 37,108.764 million (2020: Rs 31,738.162 million) respectively.

16.2 Include an amount of Rs 1,783.800 million (2020: Rs 1,569.852 million) due from SSGCL, in respect of finance income on net investment in lease, operating lease rentals, utilization / regassification services and operations and maintenance services.

16.3 As at December 31, 2021, trade debts aggregating Rs 20,846.974 million (2020: Rs 18,529.902 million) were neither past due nor impaired.

16.4 As at December 31, 2021, trade debts aggregating Rs 338.007 million (2020: Rs 84.792 million) were past due and impaired and have been provided for.

16.5 The movement in provision during the year is as follows:

	2021	2020
	------- (Rupees in '000) -------	
Balance as at January 1		
Add: Provision for doubtful debts (note 38)	**84,792**	66,249
Trade debts written off as uncollectible	**289,094**	68,659
Balance as at December 31	**(35,879)**	(50,116)
	338,007	84,792

16.6 As at December 31, 2021, trade debts aggregating Rs 37,716.346 million (2020: Rs 31,753.328 million) were past due but not impaired. These relate to various customers for which there is no recent history of default.

The ageing analysis of these trade debts is as follows:	2021	2020
	------- (Rupees in '000) -------	
Upto 3 months	**24,464,334**	22,063,762
3 to 6 months	**7,870,592**	5,553,301
More than six months	**5,381,420**	4,136,265
	37,716,346	31,753,328

16.7 Details of amounts due from associates / related parties are as follows:

	2021	2020
	------- (Rupees in '000) -------	
- GEL Utility Limited	**49,849**	61,163
- Tenaga Generasi Limited	**98,158**	143,842
- EmpiricAI Limited, UK (note 16.10)	**-**	125,817
	148,007	330,822

16.8 The ageing analysis of past due receivables from associates / related parties are as follows:

	2021	2020
	------- (Rupees in '000) -------	
- Upto 3 months	**96,880**	138,181
- 3 to 6 months	**-**	27,628
- More than 6 months	**49,849**	37,918
	146,729	203,727

16.9 The maximum amount due from related parties at the end of any month during the year aggregated Rs 361.210 million (2020: Rs 1,279.754 million).

16.10 EmpiricAI (Private) Limited (EMPK) through an email was authorised by EMUK to recover an amount of Rs 33.596 million from Engro Digital Limited (EDL) on its (EMUK's) behalf. The aforementioned amount has been recovered by EMPK through an agreement signed between EMPK and EDL dated December 15, 2021.

Further, EMPK has adjusted an amount of Rs 45.172 million against amount payable to EMUK as consideration for acquisition of software i.e. Industrial Analytics and WorkSafe Analytics. A formal agreement is expected to be finalised in due course in respect of the aforementioned netting off adjustment.

17. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2021	2020
	------- (Rupees in '000) -------	
Current portion of long term loans and advances to executives and other employees (note 13)	**200,052**	202,640
Advances to executives and other employees (note 17.1 and 17.2)	**6,112**	17,477
Advance to associated undertakings (note 17.4)	**4,841**	3,250
Advance to suppliers	**8,529**	1,538
Current portion of receivable from SSGCL (note 13)	**49,082**	44,888
Advances and deposits	**1,883,343**	1,470,194
Prepayments:		
- insurance	**1,372,697**	1,151,199
- freight	**38,251**	-
- others	**1,215,844**	1,025,696
	4,778,751	3,916,882

17.1 This represents interest free advances to executives and employees for house rent, given in accordance with the Group's policy.

17.2 These include Rs 0.017 million (2020: Rs Nil) and Rs Nil (2020: 0.09 million) due from the Chief Executive Officer and Chief Financial Officer respectively.

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

17.4 These include Rs 1.824 million (2020: Rs 0.233 million) and Rs 3.017 million (2020: Rs 3.017 million) due from Inbox Business Technologies (Private) Limited and The Dawood Foundation. The maximum amount due at the end of any month during the year was Rs 8.861 million (2020: Rs 3.017 million).

18. OTHER RECEIVABLES

		2021	2020
		------- (Rupees in '000) -------	
Receivable from Government of Pakistan against:			
- Sales tax refundable		**11,012,377**	4,961,211
- Subsidy (note 18.1)		**6,523,493**	6,523,493
- Others		**-**	54,730
		17,535,870	11,539,434
Less: Loss allowance on subsidy receivable from GoP (note 18.1 and 18.2)	Less:	**1,796,612**	1,238,912
Provision for impairment (note 18.1 and 18.6)		**155,127**	209,857
		15,584,131	10,090,665
Delayed payment charges		**7,075,436**	6,107,755
Workers' profits participation fund		**310,518**	-
Reimbursable cost from CPPA in respect of:			
- Workers' profits participation fund (note 18.9)		**2,082,205**	1,403,324
- expenses (note 18.9)		**21,827**	-
Receivable from:			
- Engro Vopak Terminal Limited		**43,600**	30,765
- Dawood Corporation (Private) Limited		**5,870**	2,476
- Dawood Lawrencepur Limited		**547**	412
- The Dawood Foundation		**2,475**	2,475
- Inbox Business Technologies (Private) Limited, Karachi		**613**	753
- Inbox Business Technologies Pte Ltd.		**-**	5,060
- Sach International (Private) Limited		**3,297**	3,086
- Tenaga Generasi Limited		**538**	2,199
- Reon Energy Limited		**31,080**	10,717
- Patek (Private) Limited		**929**	2,103
- Engro Foundation		**30,973**	222
- Thar Foundation		**5,625**	17
- Sindh Engro Coal Mining Company Limited		**17,001**	38,639
- Thar Power Company Limited		**1,811**	-
- FrieslandCampina Engro Pakistan Limited		**40,724**	6,317
- China East Resources Import and Export Corporation		**93,305**	85,725
Insurance claim receivable		**76,650**	95,937
Asset against take or pay (note 18.7)		**-**	204,286
Retirement benefit funds		**92,830**	-
Others (note 18.8)		**307,799**	589,133
		10,245,653	8,591,401
Less: Provision for doubtful receivables		**-**	(36,791)
		25,829,784	18,645,275

18.1 In the year 2015, the Government of Pakistan (GoP) had notified payment of subsidy on sold product at the rate of Rs 500 per 50 kg bag of Di-Ammonia Phosphate (DAP), Rs 217 per 50 kg bag of Nitrophos (N) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content). This subsidy scheme was effective till May 27, 2016.

In the year 2016, another subsidy scheme was announced by the GoP effective June 25, 2016 whereby subsidy was payable on sold product at the rate of Rs 156 per 50 kg bag of Urea, Rs 300 per 50 kg bag of DAP and for Nitrophos 22:20 & 18:18 grade (based on phosphorus content) and Nitrogen, Phosphorus and Potassium (NPK) fertilizers (based on phosphorus content).

In the year 2017, another subsidy scheme was announced by the GoP, effective July 01, 2017. Under the new subsidy scheme, aforementioned rates were replaced with Rs 100 per 50kg bag for Urea only. This subsidy scheme was effective till June 30, 2018. In line with the notification issued for the said scheme, Ministry of National Food Security and Research has appointed third party auditors for verification of subsidy claims which is underway.

	2021	2020
	------- (Rupees in '000) -------	
Subsidy receivable from the Government of Pakistan - net		
Gross subsidy receivable from the GoP	**6,523,493**	6,523,493
Provision against doubtful receivable	**(155,127)**	(155,127)
Loss allowance on subsidy receivable from the GoP (note 18.2)	**(1,796,612)**	(1,238,912)
	4,571,754	5,129,454

The movement in loss allowance on subsidy receivable from the GoP is as follows:

	2021	2020
	------- (Rupees in '000) -------	
Balance as at January 1	**1,238,912**	-
Loss allowance for the year	**557,700**	1,238,912
Balance as at December 31	**1,796,612**	1,238,912

18.2 As required under IFRS 9, management is required to assess changes in credit risk by taking into account time value of money, reasonable and supportable assumptions regarding past events, current conditions, forecast of future events and economic conditions attached to its receivables and recognize expected credit loss, if any, Based on this management has recomputed expected credit loss amounting to Rs 1,796.612 million (2020: Rs 1,238.912 million) on subsidy receivable giving consideration to the time value of money based on expected recovery of subsidy receivable. EFert, however, is confident of full recovery of the subsidy amount from the GoP.

18.3 As at December 31, 2021, specific provision in respect of subsidy amounts to Rs 155.127 million (2020: Rs 155.127 million).

18.4 The ageing analysis of past due receivables from associates / related parties are as follows:

	2021	2020
	------- (Rupees in '000) -------	
Upto 3 months	**133,896**	47,273
3 to 6 months	**215,780**	107,598
More than 6 months	**79,738**	85,725
	429,414	240,596

18.5 The maximum amount due from related parties at the end of any month during the year amounts to Rs 1,544.589 million (2020: Rs 238.358 million).

(Amounts in thousand)

18.6 As at December 31, 2021, receivables aggregating to Rs Nil (2020: Rs 54.730 million) were deemed to be impaired being outstanding for more than six months and provided for.

18.7 This represents receivable on account of take-or-pay cost in accordance with section 3.3 of the Gas Supply Agreement.

18.8 This includes an amount of Rs 3.636 million (2020: 3.374 million) due from Mr. Hussain Dawood, Mr Abdul Samad Dawood and Mr. Inam-ur-Rahman (i-e members of key management personnel of the Holding Company).

18.9 This includes outstanding invoiced amount of Rs 170.219 million (2020: Rs 131.434 million) which is over due for more than 6 months.

	2021	2020
	------- (Rupees in '000) -------	
19. CONTRACT ASSET		
Capacity Purchase Price component of tariff - EPTL (note 19.1)	**5,452,510**	5,714,977

19.1 This represents unbilled revenue in respect of Capacity Purchase Price (CPP) component of tariff in the Power Purchase Agreement (PPA) for the period July 10, 2019 to December 31, 2021. EPTL expects to raise the invoice for billing and recovery of the amount once the decision of NEPRA in the matter is received.

	2021	2020
	------- (Rupees in '000) -------	
20. SHORT TERM INVESTMENTS		
At fair value through profit or loss		
Investment in units of mutual funds (note 20.1)	**20,005,901**	13,807,537
Treasury bills (note 20.2)	**599,379**	2,024,761
Quoted shares (note 20.4)	**9,491,779**	5,126,625
Pakistan Investments Bonds (note 20.5)	**1,521,602**	12,907,610
Fixed income placements (note 20.6)	**-**	6,000
	31,618,661	33,872,533
At fair value through other comprehensive income		
Pakistan Investments Bonds	**-**	36,345,991
Treasury bills	**-**	17,706,851
	-	54,052,842
At amortised cost		
Fixed income placements (note 20.6)	**39,624,918**	10,513,804
Treasury bills (note 20.3)	**15,835,381**	1,687,175
Pakistan Investment Bonds (note 20.7)	**6,905,851**	
Term Deposit Receipts (TDRs) (notes 20.8 and 20.9)	**1,918,007**	7,218,000
	64,284,157	19,418,979
	95,902,818	107,344,354

20.1 The details of investment in units of mutual funds are as follows:

	2021		2020	
	Number of units	**(Rupees in '000)**	Number of units	(Rupees in '000)
NBP Money Market Fund	**100,701,796**	**1,002,011**	64,470,742	638,241
UBL Special Savings Plan - V	**-**	**-**	20,371,708	2,072,459
NIT Money Market Fund	**176,172,220**	**1,707,172**	169,622,854	1,646,224
ABL Special Savings Plan - II	**-**	**-**	20,078,813	206,890
ABL Special Savings Plan - III	**-**	**-**	248,325,254	2,534,060
ABL Cash Fund	**171,944,185**	**1,756,430**	-	-
Alfalah Cash Fund Class B- Growth units	**1,438,691**	**752,938**	-	-
Alfalah Money market Fund Class B- Growth units	**3,051,888**	**300,203**	-	-
Atlas Money Market Fund	**-**	**-**	1,053,649	533,265
UBL liquidity Plus fiund-Class C	**17,319,411**	**1,755,146**	-	-
UBL Cash Fund Class A	**1,917,737**	**200,000**	-	-
MCB Arif Habib Pakistan Cash Management Fund	**14,906,183**	**752,282**	31,531,991	1,634,883
Meezan Rozana Amdani Fund	**10,020,910**	**501,046**	4,397,512	219,876
JS Cash Fund	**7,048,872**	**750,705**	2,087,964	214,058
HBL Cash Fund	**46,727,363**	**4,764,172**	2,631,654	267,435
Faysal Government Securities Fund	**-**	**-**	23,499,281	2,418,311
Faysal Money Market Fund	**9,774,054**	**1,001,774**	-	-
First Habib Cash fund	**17,175,858**	**1,755,002**	-	-
Alfalah GHP Cash Fund	**3,836,510**	**2,004,597**	2,766,536	1,421,835
Pakistan Cash Management Fund	**19,814,614**	**1,002,423**	-	-
	601,850,292	**20,005,901**	590,837,958	13,807,537

(Amounts in thousand)

20.2 This security has matured subsequent to year end on January 4, 2022. The yield on this security is 10.18% per annum. The security has been lien against the running finance facility obtained as disclosed in note 31.1.

20.3 These represent treasury bills carrying interest at the rate ranging upto 11.35% (2020: 13.76%) per annum. These have maturity dates of upto one year from the reporting date.

20.4 Particulars regarding quoted shares are as follows:

	As at January 1, 2021	Purchased during the year	Bonus shares received during the year	Sold during the year	As at December 31, 2021	Cost as at December 31, 2021	Fair value as at December 31, 2021	Unrealised gain as at December 31, 2021
	---------- Number of shares ----------				----------Rupees in 000----------			
Banking, Insurance & investment Companys	12,915,559	37,224,904	607,423	4,509,752	46,238,134	6,068,182	6,203,121	134,939
Exploration & Production	8,383,340	-	-	-	8,383,340	1,112,989	804,299	(308,690)
Cement	16,943,338	1,594,000	-	2,376,838	16,160,500	871,582	1,183,202	311,620
Textile	2,825,750	157,500	59,002	306,000	2,736,252	125,638	196,575	70,937
Oil Marketing Companies	2,611,941	107,000	-	372,000	2,346,941	346,365	426,885	80,520
Power	4,938,431	125,000	-	225,000	4,838,431	363,655	345,174	(18,481)
Fertilizer	1,027,438	-	-	-	1,027,438	105,869	103,011	(2,858)
Automobile & Automobile Parts	74,350	303,487	-	300,887	76,950	97,006	94,572	(2,434)
IT & Telecom	-	1,297,136	67,500	303,300	1,061,336	120,730	118,876	(1,854)
Glass & Ceremics	-	122,000	-	122,000	-	-	-	-
Food & Personal Care Products	2,815,500	645,000	-	3,460,500	-	-	-	-
Pharmaceuticals	-	12,500	-	2,500	10,000	7,713	7,175	(538)
Engineering	-	172,500	-	172,500	-	-	-	-
Others	-	256,672	-	16,135	240,537	12,494	8,889	(3,605)
						9,232,223	**9,491,779**	**259,556**

20.5 These bonds have original tenor of 3 years and are maturing on June 19, 2023. The yield on these securities is 11.83% (2020: 11.83%) per annum. These securities have been lien against the running finance facility obtained as disclosed in note 31.1 of these consolidated financial statements. The company as part of its investment portfolio has initially classified it as short term investment.

20.6 These represent placements with banks and carry interest ranging upto 12.95% (2020: 12%) per annum.

20.7 These bonds carry interest at rates ranging upto 11.33% (2020: 9%) per annum.

20.8 These carry profit at rates ranging from 6.75% to 11% per annum (2020: 7.2% to 7.75% per annum).

20.9 As of December 31, 2021, the Company held TDR amounting to Rs 18 million with a commercial bank carrying profit at the rate of 6.75% per annum. The TDR is due to mature on April 15, 2022. The Bank has marked lien over this TDR against Corporate Credit Card facilities.

	2021	2020
	------- (Rupees in '000) -------	
21. CASH AND BANK BALANCES		
Balances with banks in:		
- deposit accounts (notes 21.1 and 21.2)	**35,769,020**	19,635,037
- deposit accounts - islamic (note 21.3)	**973**	496,730
- current accounts	**4,708,429**	4,611,060
Cheques / demand drafts in hand	**67,927**	83,811
Cash in hand	**12,403**	11,705
Cash at bank (note 21.4)	**309,183**	-
	40,867,935	24,838,343

21.1 Local currency conventional deposits carry return ranging from 2.14% to 9.35% (2020: 2.32% to 12.25%) per annum.

21.2 Includes Rs 8,538.994 million (2020: Rs 7,807.629 million) held in foreign currency bank accounts and carry return ranging upto 0.10% (2020: 0.10%) per annum.

21.3 These are shariah compliant bank balances and carry profit at rates ranging from 2.94% to 4.22% (2020: 2.35% to 7.06%) per annum.

21.4 This represents deposit under lien with a bank regarding bank guarantees to the Collect of Customs and Excise and Taxation in respect of Sindh Infrastructure Development Cess in Engro Peroxide (Private) Limited.

22. ASSET CLASSIFIED AS HELD FOR SALE

In the year 2020, steam turbine with a husk fueled boiler installed at EEAPL was classified as "held-for-sale" as EEAPL expected to execute the sale within next 12 months from December 31, 2020. However, during the year it has been reclassified to "Property, plant and equipment" as EEAPL believes that sale is not highly probable within next one year.

23. SHARE CAPITAL

23.1 Authorised share capital

2021	2020		2021	2020
-----(Number of shares) -----			------ (Rupees in '000) ------	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	**10,000,000**	10,000,000

23.2 Issued, subscribed and paid-up share capital

2021	2020		2021	2020
-----(Number of shares) -----			------ (Rupees in '000) ------	
13,900,000	13,900,000	Ordinary shares of Rs 10 each fully paid in cash	**139,000**	139,000
467,387,116	467,387,116	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**4,673,871**	4,673,871
481,287,116	481,287,116		**4,812,871**	4,812,871

	2021	2020
	----- (Number of shares) -----	
23.3 Shares held by related parties		
Dawood Lawrencepur Limited Percentage of holding 16.19% (2020: 16.19%)	**77,931,896**	77,931,896
The Dawood Foundation Percentage of holding 3.95% (2020: 3.95%)	**18,991,988**	18,991,988
Cyan Limited Percentage of holding 0% (2020: 0.17%)	**-**	794,380
Patek (Private) Limited Percentage of holding 9.86% (2020: 0%)	**47,450,048**	-
Sach International (Private) Limited Percentage of holding 0.001% (2020: 0.001%)	**6,996**	6,996
Directors and Chief Executive Officer of the Holding Company (including their spouse and minor children) Percentage of holding 2.64% (2020: 12.5%)	**12,726,327**	60,173,844

24. MAINTENANCE RESERVE

In accordance with the Power Purchase Agreement (PPA), Engro Powergen Qadirpur Limited (EPQL) is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund is to remain in the Fund to the extent of any shortfall from the contractual limit.

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is required to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second agreement year and thereafter the Fund may be re-established at such other level that EPQL and CPPA-G mutually agree.

In year 2012 EPQL, due to uncertain cash flows resulting from delayed payments by CPPA-G has, as per flexibility available under the PPA, reduced the amount deposited in a schedule bank, which has been invested in Treasury Bills having a face value of Rs 49.321 million (2020: Rs 49.321 million) as at December 31, 2021. Till such time the amount is deposited again to the required level, EPQL has unutilized short term financing available to meet any unexpected maintenance requirement that may arise in the foreseeable future.

		2021	2020
25.	**BORROWINGS**	------- (Rupees in '000) -------	
	- Secured (Non-participatory)		
	Islamic Finances (note 25.1)	**19,757,432**	27,212,374
	Conventional Finances (note 25.2)	**51,217,560**	43,871,930
	Foreign currency borrowings and others (note 25.3)	**93,216,582**	94,154,333
		164,191,574	165,238,637
	Less: Current portion shown under current liabilities	**(23,110,031)**	(30,008,492)
	Less: Government grant (note 25.5)	**(1,263,327)**	-
		139,818,216	135,230,145

				Installments			
		Note	Mark-up	Number	Commencing from	2021	2020
						------ (Rupees in '000) ------	
25.1	**Islamic Finances**						
	Sukuks	25.4.1	3 months KIBOR + 0.9%	5 half yearly	July 10, 2024	**8,667,709**	8,645,597
	Bilateral Loan	25.4.2	6 months KIBOR + 0%	6 half yearly	July 15, 2021	**4,517,917**	5,421,500
	Islamic long term financing facility (ILTFF)	25.4.3	SBP rate + 1.2%	32 quarterly	December 14, 2022	**1,927,386**	1,925,517
	Islamic Temporary Economic Refinance Facility (ITERF)	25.4.4	Ranging from SBP rate + 0.75% to 1%	32 quarterly	June 12, 2023	**663,115**	-
	Loan under diminishing musharka agreement	25.4.5	3 months KIBOR + 0.4%	6 half yearly	June 28, 2023	**400,000**	-
	Loan under diminishing musharka agreement		6 month KIBOR + 0.8%	Monthly	February 1, 2021	**-**	94,266
	Islamic Facility Agreements	25.4.6	3 months KIBOR + 3.5%	20 half yearly	June 1, 2020	**3,581,305**	3,805,494
	Sukuks Certificates - I		3 months KIBOR + 1%	10 half yearly	May 16, 2019	**-**	3,120,000
	Sukuks Certificates - II		3 months KIBOR + 1%	10 half yearly	September 16, 2019	**-**	4,200,000
						19,757,432	27,212,374
25.2	**Conventional Finances**						
	MCB Bank Limited - Facility 1	25.4.8	3 months KIBOR + 0.95%	28 quarterly	October 1, 2020	**1,000,000**	1,000,000
	Bank Alfalah Limited	25.4.9	3 months KIBOR + 0.8%	28 quarterly	March 1, 2021	**1,000,000**	-
	Habib Bank Limited - Facility 1	25.4.10	3 months KIBOR + 0.95%	28 quarterly	April 1, 2021	**1,700,000**	-
	Meezan Bank Limited	25.4.11	3 months KIBOR + 0.93%	28 quarterly	November 1, 2021	**4,500,000**	-
	Habib Bank Limited - Facility 2	25.4.12	3 months KIBOR + 0.7%	28 quarterly	December 1, 2021	**2,000,000**	-
	MCB Bank Limited - Syndicate Facility	25.4.13	3 months KIBOR + 0.7%	28 quarterly	December 1, 2021	**3,500,000**	-
	Allied Bank Limited		3 months KIBOR + 0.35%	16 half yearly	June 8, 2023	**312,042**	312,042
	Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	**-**	1,000,000
	Allied Bank Limited		3 months KIBOR + 0.35%	6 half yearly	June 17, 2023	**1,000,000**	1,000,000
	National Bank of Pakistan		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	**1,000,000**	1,000,000
	Deutsche Investitions und Entwicklungsgesellschaft		6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	**1,178,246**	1,589,841
	Allied Bank Limited		6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	**2,100,000**	2,100,000
	Allied Bank Limited		3 months KIBOR + 0.35%	6 half yearly	June 20, 2022	**2,500,000**	2,500,000
	Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	**-**	3,044,128
	United Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	**-**	2,000,000
	MCB Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	**-**	2,000,000
	MCB Bank Limited		6 Months KIBOR + 0.05%	4 half yearly	March 28, 2021	**750,000**	1,500,000
	MCB Bank Limited		3 months KIBOR + 0.25%	6 half yearly	June 30, 2022	**2,500,000**	2,500,000
	MCB Bank Limited		6 Months KIBOR + 0.20%	4 half yearly	December 29, 2021	**3,000,000**	3,000,000
	MCB Bank Limited	25.4.14	3 months KIBOR + 0.50%	16 Quarterly	January 25, 2023	**151,800**	-
	MCB Bank Limited	25.4.14	3 months KIBOR + 0.50%	16 Quarterly	January 21, 2023	**235,335**	-
	Habib Bank Limited	25.4.14	3 months KIBOR + 1.00%	36 quarterly	March 21, 2023	**9,015**	-
	Habib Bank Limited	25.4.14	3 months KIBOR + 1.00%	36 quarterly	March 29, 2023	**11,048**	-
	JS Bank Limited		SBP Rate + 2%	20 Quarterly	September 23,2019	**50,000**	70,000
	Bank Alfalah		SBP Rate + 2%	20 Quarterly	May 1,2012	**83,455**	56,057
	National Bank of Pakistan	25.4.6	3 months KIBOR + 3.5%	20 half yearly	June 1, 2020	**2,805,952**	2,981,604
	HBL - led consortium	25.4.6	3 months KIBOR + 3.5%	20 half yearly	June 1, 2020	**15,234,870**	16,188,575
	Allied Bank Limited	25.4.15	6 month KIBOR + 0.8%	4 half yearly	June 15, 2022	**1,048,235**	-
						47,669,998	43,842,247
	TERF Loans - Efert						
	Allied Bank	25.4.7	1.50%	Various	March 30, 2023	**676,310**	29,683
	HBL	25.4.7	2.00%	Various	January 29, 2022	**35,592**	-
	MCB	25.4.7	1.50%	Various	January 13, 2023	**2,835,660**	-
						3,547,562	29,683
						51,217,560	43,871,930
	Less: Fair value adjustment on TERF loan					**(1,079,703)**	-
						50,137,857	43,871,930

				Installments			
25.3	**Foreign Borrowings and Others**	**Note**	**Mark-up**	**Number**	**Commenced/ Commencing from**	**2021**	2020
						------ (Rupees in '000) ------	
	International Finance Corporation		6 month LIBOR + 5%	16 half yearly	June 15, 2016	-	1,105,783
	International Finance Corporation	25.4.16	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	5,114,204	5,539,605
	Asian Development Bank		6 month LIBOR + 5%	16 half yearly	June 15, 2016	-	1,659,644
	Local Syndicate Loan		6 month KIBOR + 1.8%	16 half yearly	June 15, 2016	-	1,368,047
	Allied Bank Limited (Bahrain)	25.4.15 & 25.4.17	6 month LIBOR + 3%	6 half yearly	June 13, 2022	2,297,496	-
	China Development Bank Corporation (CDBC), China Construction Bank Corporation (CCBC) and Industrial and Commercial Bank of China Limited (ICBCL)	25.4.18	6 months LIBOR + 4.2%	20 half yearly	December 21, 2015	91,915,325	91,395,996
						99,327,025	101,069,075
	Less: Transaction costs	25.4.20				6,110,443	6,914,742
						93,216,582	94,154,333

25.4 Detail of the financings are set out as follows:

25.4.1 In the year 2019, EPCL issued sukuk bonds of Rs 8,750 million to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal annual installments of Rs 1,750 million each with the first repayment commencing in July 2024.

25.4.2 In the year 2019, EPCL entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). The principal is repayable in six equal semi-annual installments commencing from July 2021 and carries a markup at a rate of six months KIBOR plus 0%, payable semi annually.

25.4.3 In the year 2020, EPCL obtained Islamic Long Term Financing Facility (ILTFF) of the State Bank of Pakistan through Musharaka agreement entered with financial institutions to finance its PVC-III expansion project. The amount is repayable over 10 years in equal quarterly installments of Rs 60.938 million each with the first payment commencing from December 2022.

25.4.4 On March 12, 2021, EPCL obtained Islamic Temporary Economic Refinance Facility (ITERF) of SBP through Musharaka agreement entered with financial institutions amounting to Rs 1,000 million to finance its capital expenditure.

The amount is repayable over 10 years including 2 years grace period, in 32 quarterly installments of Rs 11.519 million each with the first payment commencing from June 2023 and carries markup at SBP Refinance Rate plus 0.75% to 1% per annum, payable quarterly.

During the year, EPPL has entered into a musharaka agreement with MCB and MCB Islamic Bank Limited (MIBL) for Rs 550 million and Rs 100 million respectively under the Islamic Temporary Economic Refinance Facility (ITERF) of State Bank of Pakistan (SBP) and made drawdown of Rs 123.105 million and Rs 14.560 million in June 14, 2021 and November 15, 2021 respectively.

The principal is repayable over 10 years in 32 equal quarterly installments commencing from June 2023 and carries markup at SBP Refinance Rate plus 1.25% payable quarterly.

25.4.5 On December 28, 2021, EPCL made a draw down of Rs 400 million under Diminishing Musharka agreement entered with Bank of Khyber to finance its long term expenditure. The principal is repayable in six equal semi-annual installments commencing from June 2023 and carries markup at the rate of three months KIBOR plus 0.40% payable quarterly.

25.4.6 EPTL has entered into the following loan agreements:

- Rupee Facility Agreement with a consortium of banks led by Habib Bank Limited for an aggregate amount of Rs 17,016 million.

- Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs 3,134 million.

- Islamic Facility Agreements with Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited for an aggregate amount of Rs 4,000 million.

These loans are repayable in 20 semi-annual installments commencing from June 1, 2020 and carry profit at the rate of 3 months KIBOR plus 3.5%. These loans are secured primarily through first ranking hypothecation charge over project assets of EPTL. Further, the shareholders of EPTL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favour of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided SBLCs as a coverage for their equity commitments in the project.

This includes Rs 1,550 million and Rs 200 million borrowed from Habib Bank Limited, a related party in respect of Rupee Facility agreements and Islamic Facility Agreements, respectively.

25.4.7 During the year, Efert acquired long term borrowings from Allied Bank Limited, Habib Bank Limited and MCB Bank Limited amounting to Rs 646.627 million, Rs 35.592 million and Rs 2,835.660 million respectively under "Temporary Economic Refinance Facility" (TERF) introduced by the State Bank of Pakistan in 2020. These borrowings have the same charge as the borrowings from other Senior Lenders on operating assets. Mark-up is chargeable at the rates ranging from 1.5% to 2.5% and is payable in quarterly and semi-annual installments starting from January 2022. In accordance with IFRS 9 Financial Instruments, the Efert has recognized these loans at their fair value and recognized the difference between the proceeds and fair value as a deferred grant income in accordance with IAS 20 'Accounting for government grants and disclosure of government assistance'.

25.4.8 In October 2020, Enfrashare entered into a secured long term financing facility extended by MCB Bank Limited for an amount up to Rs 1,000 million. Facility availed as at December 31, 2021 is of Rs 1,000 million. The facility carries interest at the rate of three - month Karachi Inter Bank Offer Rate (KIBOR) prevailing as at business day prior to the beginning of each facility/ installment period plus 0.95% per annum and payable on quarterly basis in arrears. The total tenor of loan is seven years from date of disbursement of finance with two years grace period for principal portion.

25.4.9 In March 2021, Enfrashare entered into a secured long term financing facility extended by Bank Alfalah Limited for an amount up to Rs 1,000 million. Facility availed as at December 31, 2021 is of Rs 1,000 million. The facility carries interest at the rate of three - month KIBOR prevailing as at business day prior to the beginning of each facility/ installment period plus 0.8% per annum and payable on quarterly basis in arrears. The total tenor of loan is seven years from date of disbursement of finance with two years grace period for principal portion.

25.4.10 In April 2021, Enfrashare entered into a secured long term financing facility extended by Habib Bank Limited for an amount up to Rs 1,700 million. Facility availed as at December 31, 2021 is of Rs 1,700 million. The facility carries interest at the rate of three - month KIBOR prevailing as at business day prior to the beginning of each facility/ installment period plus 0.95% per annum and payable on quarterly basis in arrears. The total tenor of loan is seven years from date of disbursement of finance with two years grace period for principal portion.

25.4.11 In November 2021, Enfrashare entered into a secured long term musharka financing facility extended by Meezan Bank Limited for an amount up to Rs 4,500 million. Facility availed as at December 31, 2021 is of Rs 4,500 million. The facility carries interest at the rate of three - month KIBOR prevailing as at business day prior to the beginning of each facility/ installment period plus 0.93% per annum and payable on quarterly basis in arrears. The total tenor of loan is seven years from date of disbursement of finance with two years grace period for principal portion.

25.4.12 In December 2021, Enfrashare entered into a secured long term financing facility extended by Habib Bank Limited for an amount up to Rs 2,000 million. Facility availed as at December 31, 2021 is of Rs 2,000 million. The facility carries interest at the rate of three - month KIBOR prevailing as at business day prior to the beginning of each facility/ installment period plus 0.70% per annum and payable on quarterly basis in arrears. The total tenor of loan is seven years from date of disbursement of finance with two years grace period for principal portion.

25.4.13 In December 2021, Enfrashare entered into a secured syndicated long term musharka financing facility and secured syndicated term finance facility extended by the Participants (i.e. MCB Bank Limited, The Bank of Punjab and Habib Metropolitan Bank Limited) for an amount up to Rs 2,000 million and Rs 1,500 million respectively. Facilities availed as at December 31, 2021 is of Rs 2,000 million and Rs 1,500 million. The facility carries interest at the rate of three - month KIBOR prevailing as at business day prior to the beginning of each facility/ installment period plus 0.70% per annum and payable on quarterly basis in arrears. The total tenor of loan is seven years from date of disbursement of finance with two years grace period for principal portion.

25.4.14 During the year, Efert obtained long-term finances from Habib Bank Limited and MCB Bank Limited amounting to Rs 20.063 million and Rs 387.135 million respectively. These borrowings have the same charge as the borrowings from other Senior Lenders on Operating Assets.

25.4.15 The loans have been secured by way of the following:

- First pari passu hypothecation charge over fixed asset (excluding land and building) of EETPL with 25% margin (disbursement of loan made on ranking charges which will subsequently be upgraded to pari passu in 90 days of disbursement);

- First pari passu mortgage charge over immovable assets (including land and building) of EETPL with 25% margin; (This security is condition subsequent, creation and perfection of this security shall be completed in 180 days from the date of drawdown);

- Assignment of EETPL's receivable /cashflows and any interests in the documents and contract related to EETPL's operations; and

- Establishment and lien over debt payment account of EETPL.

Securities provided under CTA will be vacated in 90 days from the date of prepayment after securing No Objection Certificate from lender. As at year end following securities are marked under CTA:

- 1st pari passu charge by way of hypothecation on all moveable and immovable assets of EETPL with 25% margin;

- Exclusive assignment over EETPL's receivables due under the LSA with 25% margin;

- Letter of lien and set - off in respect of funds accruing to the Project accounts;

- Pledge by the ETPL of all shares of EETPL and by the Holding Company of 51% shares of the ETPL; and

- Equitable mortgage on all immoveable property owned by EETPL.

25.4.16 In 2018, EPCL had entered into a Financing Agreement with International Finance Corporation for a total of US Dollars 35 million the draw down of which has been made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

25.4.17 In 2015, EETPL entered into a Common Terms Agreement (CTA) and financing agreements with Asian Development Bank (ADB), International Finance Corporation (IFC), Askari Bank Limited and MCB Bank Limited as arrangers and ADB, IFC, Allied Bank Limited (ABL), MCB and Pak Brunei Investment Company Limited (PBICL) as lenders. During the year, EETPL entered into a new financing arrangement with ABL and prepaid the lenders of EETPL under the CTA through single payment.

25.4.18 EPTL has entered into a USD Facility Agreement on December 21, 2015 with three commercial banks namely China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited for an aggregate amount of USD 621 million for a period of 14 years. The amount is repayable in 20 semi-annual instalments commencing from June 1, 2020. The loan carries mark-up at the rate of 6 month LIBOR plus 4.2% per annum.

25.4.19 On March 5, 2021, the Financial Conduct Authority (FCA) announced the dates on which the panel bank submissions for all LIBOR settings will cease, after which LIBOR rates will no longer be available. The FCA confirmed that all LIBOR settings will cease to be provided by any administrator immediately after December 31, 2021 for 1-week and 2-month USD settings. This will not impact the Group's foreign borrowings since the 6-month LIBOR rate is applicable on the foreign borrowings which will be discontinued after June 30, 2023.

25.4.20 These primarily represent payments made to China Export and Credit Insurance Bank (Sinosure), in connection with insurance cover obtained over financing arrangements relating to Chinese lenders, and payments to various financial institutions in respect of transaction and related cost for loan arrangements. Transaction cost have been adjusted against related borrowings and is being amortized over the term of the respective borrowing.

25.4.21 These finances are secured primarily through first ranking hypothecation charge over all the present and future assets, including all types of investments of the Group except for present and future trademarks, copyrights and certain investments.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

25.4.22 Following are the changes in the long term borrowings for which cash flows have been classified as financing activities in the consolidated statement of cash flows:

	2021	2020
	-------- (Rupees in '000) --------	
Balance as at January 1	**165,238,637**	167,955,291
Add:		
Borrowings availed during the year	**21,234,460**	16,974,257
Exchange loss	**9,997,743**	2,661,789
Amortisation of transaction cost	**1,015,851**	927,461
Less:		
Repayment of borrowings	**(33,183,034)**	(22,234,212)
Management fee paid	**(42,818)**	-
Transaction costs	**(69,265)**	(1,045,949)
	(1,047,063)	(2,716,654)
	164,191,574	165,238,637
Less: Current portion shown under current liabilities	**(23,110,031)**	(30,008,492)
Less: Government grant (note 25.5)	**(1,263,327)**	-
Balance as at December 31	**139,818,216**	135,230,145

25.5 Government grant

Grant recognized on loan at below market interest rate	**1,326,638**	-
Less: released to the consolidated statement of profit or loss	**(63,311)**	-
	1,263,327	-
Less: Current portion of Government grant	**(183,624)**	-
	1,079,703	-

26. LEASE LIABILITIES

	2021	2020
	-------- (Rupees in '000) --------	
Non-current portion	**53,163,136**	50,651,455
Current portion	**6,131,558**	4,954,748
Total lease liability as at December 31	**59,294,694**	55,606,203

26.1 This mainly represents EETPL's lease liability amounting to Rs 46,928.886 million (2020: Rs 45,926.859 million). The remaining term of the lease is 8 years and 3 months and carries interest at 8.29% per annum.

	2021	2020
	-------- (Rupees in '000) --------	
27. DEFERRED LIABILITIES		
Retirement and other service benefits obligations	**523,087**	498,457
Deferred incentive revenue (note 27.1)	**918,817**	1,270,004
Deferred liability on FSRU (note 27.2)	**1,854,129**	1,444,189
Provision for dismantling & restoration cost (note 27.3)	**293,606**	235,189
	3,589,639	3,447,839
Less: Current portion shown under current liabilities	**(736,953)**	(730,648)
	2,852,686	2,717,191

27.1 Deferred incentive revenue has been recorded in respect of the following agreements entered into by Enfrashare with its customers for construction, maintenance and operation of telecommunication infrastructure and allied equipment, provision of energy solutions and energy management services whereby Enfrashare provided a discount:

- in respect of service fee charged to it for an initial period of three years from the respective site commencement date. The related discount was provided against the discounted cash consideration under the asset sale and purchase agreements. Present value of the discount amounted to Rs 696 million. The said amount has been recognized as part of the total consideration against assets acquired under the asset sale and purchase agreements and a corresponding deferred incentive revenue has been recognized in this respect which is amortized over a three years period from the site commencement date on the basis of monthly service fee accrued under the agreement.

- against total amount of consideration to be charged to the customers for provision of energy solutions and energy management services. Present value of the discount amounted to Rs 475 million. The said amount has been recognized as part of the total consideration against assets acquired under the asset sale and purchase agreements and a corresponding deferred incentive revenue has been recognized in this respect which is amortized over a period of four and a half years from the date after six months of the project completion date.

27.2 This represent excess of billing over operating lease income in respect of Elengy Terminal. Income is recognized over a straight line basis.

27.3 Represents provision recognized for cost of dismantling of infrastructure and allied equipment for tenanted sites acquired by Enfrashare from PMCL and Deodar under sale and purchase agreement. The provision has been recorded using a discount rate of 11.00% (2020: 10.50%) per annum and an average anticipated inflation rate of 9.81% (2020: 8.50%) per annum. IAS 37 requires to select a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to liability.

	2021	2020
	-------- (Rupees in '000) --------	
28. LONG TERM PROVISIONS		
Provision for Gas Infrastructure Development Cess (GIDC) (note 28.1)	**26,165,260**	25,662,962
Provision for gas price revision (note 28.2)	**517,392**	517,392
	26,682,652	26,180,354
Less: Current portion of provision for GIDC and gas price revision	**(18,510,399)**	(11,691,978)
	8,172,253	14,488,376

28.1 The Honorable Supreme Court of Pakistan ("SCP") through its judgment dated August 13, 2020 ("Judgment") declared that the levy imposed under the Gas Infrastructure Development Cess ("GIDC") Act, 2015 ("the Act") is valid and in accordance with the provisions of the Constitution of Pakistan 1973 ("the Constitution"). The SCP issued the following directions:

- It restrained the Federal Government from charging further GIDC until such time that the GIDC already collected and accrued (but not yet collected), is expended on projects listed under the Act;

- As all industrial and commercial entities which consume gas for their business activities pass on the burden to their customers, therefore, GIDC that has become due up to July 31, 2020, and has not been recovered so far, shall be recovered by the gas companies responsible under the Act to recover from their consumers in twenty-four equal monthly installments, without the component of Late Payment Surcharge ("LPS"); and

- In case, no work is carried out on the gas infrastructure pipelines in the manner and/or time specified in the Judgment, the purpose of levying GIDC shall be deemed to have been frustrated and the Act would become completely in-operational and considered dead for all intents and purposes.

Pursuant to the Judgement, the gas suppliers began invoicing the GIDC installments for recovery with effect from August 01, 2020.

Aggrieved by the Judgment, EFL and EPCL filed review petitions before the SCP on various grounds, which were dismissed by the SCP on November 02, 2020, ("Review Decision"). However, the Review Decision noted that the Government of Pakistan is agreeable to recover the unpaid arrears in 48 monthly installments instead of 24 monthly installments provided the time period for the projects was extended to 12 months from 6 months; and (ii) upheld the validity of Section 8(2) of the GIDC Act, 2015. The SCP protected the rights of the Industrial Sector (excluding Fertilizer Fuel Stock) to approach the appropriate fora for enforcement of the exemption provided under the proviso to Section 8(2) of the 2015 Act.

EPCL and EFL have also filed suits before Sindh High Court ("SHC") against collection of GIDC on the grounds that factual determination of the GIDC passed-on to the customers is to be carried out. The SHC granted interim stay to EPCL and EFL restraining the impleaded gas companies from taking coercive action against the Company for non-payment of GIDC installments till the finalization of the matter.

Considering the recent events and developments in GIDC case (including the Judgement), the Institute of Chartered Accountants of Pakistan (ICAP) released financial reporting guidance on the "Accounting of GIDC" via Circular No. 1/2021 dated January 19, 2021 (the Circular) which discusses key accounting considerations for gas consumer companies. Keeping in view the financial reporting guidance of ICAP and giving due consideration to the latest available information and the expected timing of the settlement (i.e. in 48 monthly instalment commencing from August 2020, as referred to in the aforementioned decision on the review petition by the SCP), the Group has remeasured its previously undiscounted provision at its present value using the risk free rate to incorporate the effect of time value of money arising from the expected settlement based on an installment plan and has accordingly, recognized remeasurement gain amounting to Rs 2,904.978 million in the year 2020. During the year, the amount has been unwinded and resulted in remeasurement losses of Rs 1,123.547 million.

Further, against the GIDC instalment invoice received from Sui Northern Gas Pipelines Limited (SNGPL) to EFL on concessionary gas supplied under the fixed price gas sale and purchase agreement dated April 11, 2007 ("GSPA"), EFL approached the Sindh High Court ("SHC") to challenge this imposition. EFL has obtained a stay order in its favour and the SHC has restrained SNGPL from taking any coercive action against EFL on collecting GIDC on feed stock gas supplied under the GSPA. EFL's management has made an assessment (as confirmed by the legal advisor) that there are reasonable chances of a favourable outcome in relation to the legal proceedings filed against SNGPL for feed gas supplied under the GSPA. Hence no provision on account of GIDC has been recorded by EFL in respect of feed gas received under the GSPA.

28.2 In the year 2017, EPCL had filed suits in the Court, against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regularity Authority (OGRA) vide SRO no.(1)/2016 dated December 30, 2016 whereby EPCL cited the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of EPCL which is still operational. However, EPCL has recognized a provision for the period from December 2017 to September 2018.

29. TRADE AND OTHER PAYABLES

	2021	2020
	-------- (Rupees in '000) --------	
Creditors	**14,042,026**	14,342,367
Accrued liabilities (notes 29.1 to 29.4)	**39,235,902**	30,568,620
Provision against tax contingency of EVTL (note 29.5)	**972,297**	992,754
Advances from customers	**6,248,748**	12,104,234
Contractors'/ suppliers' deposits and retention money (note 29.6)	**278,131**	252,142
Workers' welfare fund	**1,377,860**	1,598,435
Workers' profits participation fund	**1,533,031**	1,132,395
Sales tax payable	**74,116**	18,137
Payable to retirement benefit funds	**280,671**	112,555
Contract Liability (note 29.7)	**1,102,086**	705,053
Withholding tax payable	**749,276**	1,178,877
Payable to:		
- Thar Power Company Limited	**269,527**	
- FrieslandCampina Pakistan Holdings B.V.	**734,033**	417,298
- Sindh Engro Coal Mining Company	**28,312,314**	21,713,796
- Engro Vopak Terminal Limited	**261,856**	31,695
Others	**893,139**	1,784,244
	96,365,013	86,952,602

29.1 These include accrual in respect of gas charges amounting to Rs 602.625 million (2020: Rs 167.582 million).

29.2 On June 4, 2021, the Sindh High Court (SHC) through its judgment upheld the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (the Cess) promulgated retrospectively with effect from July 1, 1994 as valid and declaring it within the competence of provincial legislature. EFert and EPCL filed a petition against the judgment before the Honorable Supreme Court of Pakistan (SCP) challenging the SHC judgement. In September 2021, SCP suspended the Judgement of SHC along with the recovery of Cess. Management is confident that ultimate outcome of the case will come in its favor, however, on prudence basis, has recognized a provision of the Cess in these consolidated financial statements amounting to Rs 3,668.213 million (2020: Rs 854.698 million).

29.3 On June 10, 2021, Efert filed a Suit before the SHC in which it prayed that Sui Northern Gas Pipeline Limited be directed to supply the contracted / committed volume of feed gas at concessionary pricing under the Gas Sale & Purchase Agreement and in accordance with the Fertilizer Policy 2001, Instructions to Bidders and various Economic Coordination Committee decisions.

The SHC was pleased to grant an ad interim stay order dated June 21, 2021, directing the parties to maintain status quo with regard to disconnection of gas supply and pricing. Efert, without prejudice to the pending Suit and any admission of liability, has on prudent basis recorded a provision of Rs 2,494.496 million (2020: Nil) in these consolidated financial statements.

29.4 Includes accruals recorded in respect of the following related parties:

	2021	2020
	-------- (Rupees in '000) --------	
Thar Power Company Limited	**-**	299,890
The Dawood Foundation	**21,658**	921
Engro Foundation	**150,000**	-
Sindh Engro Coal Mining Company Limited	**4,231,636**	4,992,329
	4,403,294	5,293,140

29.5 The movement in provision is as follows:

	2021	2020
Balance at January 1,	**992,754**	1,395,698
(Reversed) / provision recognised during the year	**-**	(398,559)
	992,754	997,139
Provision adjustment in respect of tax contingency (note 8.1)	**(20,457)**	(4,385)
	972,297	992,754

29.6 This includes deposits amounting to Rs 269.452 million (2020: Rs 204.767 million) which have been kept in separate bank accounts. This also includes deposits amounting to Rs 4.90 million (2020: Rs 30.752 million) which are fully utilized in business in accordance with the requirements of written agreements and in terms of section 217 of the Companies Act, 2017.

29.7 This includes unrecognised revenue, amounting to Rs 982.675 million (2020: Rs 637.126 million), relating to 'Monthly Energy Shortfall' which CPPA-G is required to pay in the event net electrical output dispatched is lower than minimum monthly energy in accordance with Section 9.6 of the PPA. CPPA-G is entitled to dispatch of this undelivered and unexpired aggregate minimum energy shortfall in accordance with Section 9.2 of the PPA. Revenue recognized during the year also includes utilization of contract liability.

30. ACCRUED INTEREST / MARK-UP

	2021	2020
	-------- (Rupees in '000) --------	
Accrued interest / mark-up on secured:		
- long term borrowings	**877,720**	1,099,433
- short term borrowings	**538,677**	334,581
	1,416,397	1,434,014

31. SHORT TERM BORROWINGS

	2021	2020
Running finances utilised under mark-up arrangements (note 31.1)	**20,864,577**	9,505,120
Shariah compliant short term finance (note 31.2)	**3,000,000**	3,000,000
Export refinance facility (note 31.3)	**5,900,214**	-
	29,764,791	12,505,120

31.1 The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs 58,527 million (2020: Rs 53,077 million). The rates of mark-up on these finances are KIBOR based and range from 0.0% to 1.5% per annum over the relevant period KIBOR (2020: 0.0% to 1.5% over the relevant period KIBOR). The aggregate running finances are secured by way of hypothecation of ranking floating charge over present and future loans, advances, receivables, stocks, book debts, and other current assets and pledge over shares.

31.2 EPTL has entered into a Musharakah agreement with Meezan Bank Limited as Investment Agent and issued Sukuks of face value of Rs 3,000 million (2020: Rs 3,000 million) for the period of five years with a call option exercisable towards the end the of every year. These Sukuks are issued to cater the working capital requirements of EPTL and carry profit at the rate of 3-Month KIBOR plus 1.1% per annum, payable quarterly.

31.3 This represents export refinancing facility obtained by EPCL and EEAPL carrying mark-up at the rate of 3% on rollover basis for six months. This facility is secured by a floating charge over stocks and book debts of EPCL and EEAPL.

31.4 The facilities for short term finance arranged by ECL from various banks, amounting to Rs 1500 million (2020: Rs 1500 million) are secured through a pledge over shares of Efert and FCEPL, as well as through Pakistan Investment Bonds.

32. CONTINGENCIES AND COMMITMENTS

32.1 Contingencies

32.1.1 The Holding Company

- The Holding Company had pledged 15.131 million shares of ECL with Meezan Bank Limited (as agent) in favour of Fatima Fertilizer Company Limited (FFCL) as collateral against guarantee given in favour of DH Fertilizer Limited (DHFL) - ex subsidiary (now FFCL) against potential tax liabilities, WPPF liabilities and WWF liabilities in respect of periods ending on or prior to June 30, 2015. These pledged shares are to be released upon completion of two years from the filing date of Income Tax Return for the year ended December 31, 2015, i.e. September 30, 2016, in case no demand / notice is received from respective authorities.

  During the year ended December 31, 2018 out of 15.131 million shares of ECL, 4.639 million shares were released upon expiration of the period stated in the agreement relating to the WPPF liabilities.

  The Holding Company had also issued a corporate guarantee which will remain in full force and effective for five years and will be released on the date on which the above tax liabilities are finally settled / disposed of or withdrawn.

32.1.2 Engro Corporation Limited

(i) In the year 2017, FrieslandCampina Engro Pakistan Limited (FCEPL) received an order from the Competition Commission of Pakistan (CCP) imposing a penalty of Rs 62.293 million in respect of FCEPL's marketing activities relating to one of its products. FCEPL has filed an appeal against the aforementioned order. As per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), ECL is required to reimburse 51% of the amount together with all reasonable cost and expenses to FCP in case any such penalty materializes. ECL, based on the opinion of the legal advisor, is confident of a favourable outcome of the appeal, and accordingly, no provision has been recognized in these consolidated financial statements in this respect.

(ii) During 2016, the ECL entered into a Share Purchase Agreement (SPA) with FCP for the sale of 47.1% of the total issued shares of FCEPL. In accordance with the terms of the SPA, ECL is required to pay to FCP, an amount equivalent to 47.1% of any tax liability (as defined in the SPA) together with all reasonable costs and expenses incurred, in case any tax contingency materializes. ECL, based on the opinion of FCEPL's tax and legal advisors, is confident of favorable outcomes in respect of various tax matters being contested by FCEPL, and accordingly no provision has been recognized in these consolidated financial statements in this respect.

(iii) Following are the details of securities pledged by ECL:

- Standby Letters of Credit (Equity SBLC) have been provided by EEL, a wholly owned subsidiary, through National Bank of Pakistan amounting to US Dollars 8.635 million (2020: US Dollars 9.155 million) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Company (i.e. SECMC). Equity SBLC will expire on earlier of (i) June 30, 2023; or (ii) fulfilment of sponsor obligations under Sponsor Support Agreements. This has been secured by ECL by pledging Pakistan Investment Bonds.

- Standby Letter of Credit (Put Option SBLC) has been provided by EEL, a wholly owned subsidiary company, through Allied Bank Limited amounting to US Dollars 21.070 million (2020: US Dollars 21.070 million) in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) January 31, 2029; or (ii) fulfilment of sponsor obligations pursuant to Put Option SSA. These guarantees were secured by ECL by pledging Treasury Bills amounting to Rs 4,250 million. During the year, these Treasury Bills were released and shares of Engro Fertilizer Limited (Efert) and Friesland Campina Engro Pakistan Limited (FCEPL) of quantities 70,278,512 and 13,032,238 respectively were pledged against this facility.

(iv) Engro Elengy Terminal Pakistan Limited has issued SBLCs amounting to US Dollars 22.500 million (2020: US Dollars 22.500 million). This has been secured by ECL by pledging Pakistan Investment Bonds.

(v) ECL, as Sponsor Support, has permitted a bank to create ranking charge over its receivables of ECL against the SBLC facility amounting to USD 4.673 million and Rs 411.949 million granted to Engro Elengy Terminal (Private) Limited.

32.1.3 Engro Fertilizers Limited and its subsidiary company

(i) EFert has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs 4,500 million (2019: Rs 4,500 million) consequent to which the banks will provide financial assistance to dealers approved by EFert. In respect of DFAs amounting to Rs 334.095 million , the banks is entitled to demand repayment from Efert in the event of default by the dealers. As at December 31, 2021, the banks have made disbursements to dealers under the DFAs amounting to Rs 804.141 million (2020: Rs 2,937.099 million) maturing on various future dates.

(ii) EFert filed a constitutional petition in the High Court of Sindh (HCS) against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmscfd gas per day to EFert's new plant (Enven) and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. Through its order dated October 18, 2011, HCS ordered that SNGPL should supply 100 mmscfd of gas per day to the EFert's new plant. However, five petitions have been filed in the SCP against the aforementioned order of the HCS by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited alongwith twenty one other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. EFert's management, as confirmed by the legal advisor, considers the chances of these petitions being allowed to be remote.

Further, EFert upon continual curtailment of gas after the aforementioned decision of the HCS has filed an application in respect of Contempt of Court under Article 199 and 204 of the Constitution of Pakistan. EFert, in the aforementioned application has submitted that SNGPL and MPNR have failed to restore full supply of gas to the EFert's plant despite the judgment of the HCS in EFert's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the HCS. The application is pending for hearing and no orders have yet been passed in this regard.

(iii) All Pakistan Textile Processing Mills Association (APTMA), Agritech Limited (Agritech), Shan Dying & Printing Industries (Private) Limited and twenty seven others have each contended, through separate proceedings filed before the Lahore High Court that the supply to EFert's new plant is premised on the output from Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and, therefore, the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 between EFert and Sui Northern Gas Pipeline Company Limited (SNGPL) be declared void ab initio because the output of Qadirpur gas field has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. EFert has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 mmscfd gas has been allocated to EFert through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA guarantees uninterrupted supply of gas to the new plant, with right to first 100 mmcfd gas production from the Qadirpur gas field; and (iii) both EFert and the Qadirpur gas field are located in Sindh. Also neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply from Qadirpur gas field producing 100 mmscfd over 500 mmscfd. No orders have been passed in this regard and the petition has also been adjourned sine die given that similar matter is pending in SCP. However, EFert's management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

(iv) EFert in the year 2013 along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to the alleged unreasonable increase in fertilizer prices. EFert has responded in detail that factors resulting in such increase were mainly due to the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that EFert enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another major fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs 3,140 million and Rs 5,500 million on EFert and other fertilizer company, respectively. An appeal has been filed before the Competition Appellate Tribunal (CAT) and a writ has been filed in the SHC wherein stay has been granted in favour of the EFert restraining CCP and Federation of Pakistan (i.e. Respondents) from taking any coercive action.

In case of the other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. EFert has also challenged the composition of the CAT before HSC and has secured an interim order in its favour whereby the CAT is restrained from passing any final order against EFert during the pendency of the petition. EFert's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in these consolidated financial statements.

(v) In the year 2015, EFert received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs 402.875 million and on presumption that output tax liability is not being discharged by EFert on advances received from dealers amounting to Rs 1,844.075 million. EFert filed an appeal thereagainst with the CIRA which decided the matters in favour of EFert. The department thereafter challenged the decision of the CIRA with the ATIR, which is pending to be heard. No provision has been made in these consolidated financial statements.

(vi) In 2018, the tax department [i.e. Large Taxpayers Unit (LTU)] raised an order for the period June 2016 to July 2017 with a demand of Rs 1,006 million mainly on account of further sales tax to be charged on fertilizers sales to unregistered persons. EFert filed an appeal before the CIRA who disposed off the appeal in favour of the tax department. Thereafter, EFert filed an appeal before the ATIR and it also decided the same in favour of the tax department. EFert challenged the AITR Order, to the extent of its ruling in relation to exemption from further sales tax, before the HCS by filing Sales Tax Reference Application. On October 11, 2021, the HCS granted an ad-interim order restraining the tax department from taking coercive action against EFert in respect of the recovery of the impugned demand. EFert's management believes that the chances of ultimate success are good, hence, no provision has been made in this respect in these consolidated financial statements.

(vii) In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 held that the income derived by the Contractor from its contract with EFert is subject to tax as per Article 5(4) of Double Taxation Treaty between Pakistan and the Netherlands, thus confirming the demand raised in the respective orders aggregating to Rs 1,178.391 million. In respect thereof, the Contractor preferred an appeal in the Supreme Court of Pakistan (SCP). In year 2019, the SCP decided the case on ex-parte basis against the contractor. During the year, review application for this case restoration has been accepted by SCP. No provision has been made in this respect in these consolidated financial statements.

(viii) During the year, the income tax department initiated income tax audits of the EFert u/s 177 of the Income Tax Ordinance, 2001 for the Tax Year (TY) 2015, 2016, 2018 and 2020 and sales tax audits u/s 25 of the Sales Tax Act, 1990 for TY 2017, 2018 and 2019 in accordance with the sectoral audit directive issued by FBR. As such, EFert received audit selection notices for all these years.

In respect of income tax audits, the tax department completed the audits and issued amendment orders for all tax years creating an aggregate demand of Rs 18,566.262 million. Disallowances raised in the orders mainly include credit entries in bank statements treated as revenue / suppressed sales, inadmissibility of expenses, proration of expenses to exempt income and chargeability of WWF and Super Tax on the revised taxable income. EFert has filed appeal before CIR(A) against all amendment orders.

In respect of sales tax audits, the tax department has only issued a Show Cause Notice (SCN) for TY 2017. EFert filed Constitutional Petitions before the Sindh High Court (SHC) (CP 7249 of 2021 and CP 7250 of 2021) challenging the SCN issued for TY 2017 as well as the audit selection notices for TY 2017, 2018 and 2019. On December 13, 2021, the SHC granted ad-interim orders in favour of EFert for all three tax years.

Management considers based on the legal / tax advisor's opinion that it has reasonable grounds to defend the case and therefore will not be exposed to any additional liability in this respect.

(ix) As a result of merger of Engro Eximp (Private) Limited (EXIMP) with EFert, all pending tax issues of EXIMP have been transferred to EFert. Major pending issue pertains to exercise of option to be taxed under the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs 796 million. The tax department had not accepted the said treatment for tax year 2013, however, the matter was decided in favor of EFert by the Commissioner Income Tax Appeals(CIT(A)), against which the tax department has filed an appeal with the ITAT. However, the department has given appeal effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013.

In the year 2019, in respect of tax year 2013, the matter was decided by the ITAT in favor of EFert and the department's appeal in this respect was rejected. The management is confident for a favorable outcome on this case.

32.1.4 Elengy Terminal Pakistan Limited and its subsidiary company

(i) The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The law for infrastructure fee thereafter was last amended through the Sindh Finance Act, 2014 according to which infrastructure fee will range from 0.9% to 0.95% of the total value of goods as assessed by the Custom Authorities plus one paisa per kilometer against various slab of net weight of goods.

On July 11, 2014, Engro Elengy Terminal (Private) Limited (EETPL) filed a petition against the aformentioned levy before HCS where it is currently pending. Earlier, HCS through an interim order on November 11, 2014 petitions filed by others, directed companies to clear the goods on paying 50% of the amount of levy and furnishing bank guarantee / security for the balance amount.

On June 4, 2021, the HCS through its judgement upheld the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 ("the Cess") promulgated retrospectively with effect from July 1, 1994 as valid and declaring it within the competence of provincial legislature. However, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs 17 million (2020: Rs 16 million) in favour of the Custom Authorities to comply with interim orders of the Court dated November 14, 2014 for the above levied cess. EETPL has filed a petition against the judgement dated June 04, 2021 before SCP challenging the judgement. The SCP in its interim order dated September 01, 2021 decided till further orders, position of the impugned judgement of the HCS dated June 04, 2021 and the recovery of the levy shall remain suspended and that EETPL will continue to comply with the interim order of HCS dated November 14, 2014. EETPL based on the merits of the case and as per the opinion of its legal advisor expects a favourable outcome on the matter and accordingly no provision has been made on remaining 50% of the levy in these consolidated financial statements.

(ii) EETPL in connection with the import of FSRU received a demand from Customs Authority amounting to Rs 1,530.494 million contending that the import of FSRU attracts payment of advance income tax. EETPL is of the view that the EETPL's profits and gains were exempt from income tax for 5 years from the date of commercial operations. EETPL in response to the above demand filed an appeal based on which the Chief Commissioner Inland Revenue (CCIR) through its order dated August 22, 2016 remanded the case back to the concerned commissioner, which again rejected the request for exemption against which EETPL filed an appeal before CCIR. Last year, CCIR decided appeal against EETPL vide order dated July 24, 2020 against which EETPL filed an appeal before the HCS on August 6, 2020 and has obtained stay in this regard. EETPL based on the merits of the case and as per the opinion of its legal advisor, expects a favorable outcome on the matter and accordingly, no provision has been made in this respect in these consolidated financial statements.

(iii) In accordance with the Clause 18.1 of the Time Charter Party and LNG Storage and Regasification Agreement (TCP) except for the bunkers present onboard the Floating Storage and Regasification Unit (FSRU) upon delivery at the commencement of the term of TCP, EETPL is responsible for the bunkers used onboard the FSRU during the term of TCP. EETPL is also required to ensure that at the end of the term of TCP, the FSRU contains bunkers in the same quantities that were present at the time of delivery at the commencement of the Term. During the year, the FSRU was substituted for the purpose of dry docking and thereafter redelivered however no intimation was given to EETPL by master of ship under clause 18.3 for bunkers and LNG remaining on board nor any amounts have been claimed by Excelerate Energy Middle East, LLC (EE) so far during the term in this respect. Considering the events during the year, lack of information from EE and/or master of the ship and interpretation of relevant clauses of TCP, EETPL reassessed its position and is of the view that the amount of liability cannot be measured with sufficient reliability at this stage.

32.1.5 Engro Polymer and Chemicals Limited and its subsidiary companies

Through the notice dated January 20, 2020, the Additional Commissioner Inland Revenue (ACIR) raised issues inter alia with respect to the adjustment of carried forward minimum taxes from the tax liability of Tax Year 2019 and required EPCL to pay Rs 552.331 million being the amount short paid with the return. EPCL filed a Constitutional Petition in the Court challenging the notice, which through order dated February 4, 2020, dismissed the case based on the decision of the Court in respect of another company. However, the Court directed the department to refrain from passing the order on the bases of the aforesaid notice for a period of thirty days which was then extended for further 30 days to enable the Company to approach the Supreme Court of Pakistan (SCP). EPCL has filed Civil Petition for Leave to Appeal against Court order in Supreme Court, which was heard on March 18, 2020 and an interim stay has been granted to EPCL subject to the submission of Bank Guarantee equivalent to the order amount, which has been duly submitted by EPCL. EPCL based on the advice of legal advisor, is confident of a favourable decision.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

32.1.6 Engro Energy Limited (EEL) and its subsidiary companies

(i) EEL's income tax return for the tax year 2014 was selected for audit under section 214C of the Income Tax Ordinance, 2001 (the Ordinance). The DCIR after conducting the audit made certain additions and disallowances, and, hence amended the return filed by EEL vide order dated January 12, 2017, framed under section 122(1)/(5) of the Ordinance and raised a tax demand of Rs 268.584 million. EEL being aggrieved filed an appeal before CIRA. EEL also approached the HCS for a stay against recovery of said demand which was duly granted till the adjudication of appeal by the CIRA.

In the year 2019, EEL received an order of CIRA in which certain issues were remanded back to the DCIR while other issues were decided in favour of tax authorities. EEL filed an appeal before the ATIR on the issues decided against it which is currently pending. Based on the views of tax advisor and legal consultant of EEL, the management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly, no provision has been made in respect of the aforementioned demand in these consolidated financial statements.

(ii) The ACIR through separate show cause notices dated December 11, 2017 and December 12, 2017, issued in respect of tax years 2012, 2013, 2015 and 2016, raised an issue with respect to the inter-corporate dividend claimed as exempt. The ACIR also showed an intention to levy super tax on dividend income for tax years 2015 and 2016. EEL challenged these notices before the HCS which has restrained the tax authorities from taking any coercive action including passing an order on the basis of the said notices. Accordingly, no provision has been made in this respect in these consolidated financial statements.

(iii) EEL's income tax return for the tax year 2016 was selected for audit under section 214C of the Ordinance. The DCIR after conducting audit made certain additions and disallowances, and hence, amended the return filed by EEL vide order dated November 2, 2018, framed under section 122(1)/(5) of the Ordinance. These additions primarily relate to treating reimbursement from subsidiary as services, additions on account of apportionment of administrative expenses and receipts on account of the project management services to be taxed under normal tax regime / minimum tax regime and resulted in tax demand of Rs 80,888. EEL being aggrieved filed an appeal before the CIRA. EEL also approached the HCS for stay against recovery of demand which was duly granted till the adjudication of appeal by the CIRA.

In the year 2019, EEL received an order from the CIRA in which certain issues were remanded back to the DCIR while the other issues were decided in favour of tax authorities. EEL filed an appeal before the ATIR on the issues decided against it which is currently pending.

Based on the views of tax advisor and legal consultant of EEL, the management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly, no provision has been made in respect of the aforementioned demand in these consolidated financial statements.

(iv) In the year 2020, the ACIR under section 122 (5A), in respect of tax year 2017, amended the tax return filed by EEL vide order dated November 30, 2020 and made certain additions and disallowances that primarily pertains to apportionment of administrative expenses against profit on debt and receipts on account of project management services to be taxed under Normal Tax Regime (NTR) / Minimum Tax Regime (MTR).

EEL has filed an appeal before CIR(A) dated December 28, 2020, which is pending for hearing.

(v) During the period, the ACIR under section 122 (5A), in respect of tax year 2020, amended the tax return filed by the EEL vide order dated September 28, 2021 and made certain additions and disallowances that primarily pertains to profit on debt on account of loans from Parent Company claimed as a deduction and receipts on account of project management services to be taxed under Normal Tax Regime (NTR) / Minimum Tax Regime (MTR). EEL intends to file an appeal before CIR(A).

32.1.7 In the year 2017, EPTL received a demand from ACIR amounting to Rs 1,489.327 million, inclusive of default surcharge of Rs 202.994 million, on account of non-withholding of tax on payments made by EPTL to its contractors China Machinery Engineering Corporation (CMEC) and China East Resources Import and Export Corporation (CERIEC) under the 'Offshore Supply and Services Agreement for Power Plant' and 'Onshore Supply and Services Agreement for Power Plant', respectively. In relation to the construction of the power plants of EPTL. The ACIR was of the view that the aforementioned payments attract the requirements of withholding of taxes under the Income Tax Ordinance, 2001 (ITO) and as such EPTL was required to withhold tax from such payments. EPTL filed an appeal to CIRA with the view that payments to CERIEC fall under the ambit of a specific exemption from withholding of taxes under ITO for coal mining and coal based power generation projects in Sindh. Furthermore, payments to CMEC are made for supply of plant and machinery and EPTL, being an importer, is not liable to withhold taxes.

In the year 2018, CIRA decided the matter in favour of tax authorities and maintained the order of ACIR. EPTL filed an application to the ATIR who through an order has remanded back the case to ACIR for review of facts and to issue a fresh order in the light of emerging facts. EPTL, as a result of various discussions with the tax authorities, agreed and paid Rs 1,400 million being the lump sum settlement of withholding tax demands for all payments under the contracts with CMEC and CERIEC during the project phase. As at December 31, 2021, EPTL has received formal tax orders for all tax years (i.e. 2017 to 2020) and there is no further tax liability.

32.1.8 EPTL's income tax return for tax year 2020 has been amended under section 122(5) of the Income Tax Ordinance, 2001. The ACIR has issued order dated August 30, 2021, under which other income has been taxed which was partially treated by EPTL as exempt business income while the remaining was set-off against business losses. This has resulted in a tax demand of Rs 190.963 million. Based on the advice of its tax advisor, EPTL has filed an appeal before CIR(A) dated September 8, 2021, which is pending for hearing. EPTL based on the advice of its tax advisor, is confident that chances of ultimate success are good, hence, no provision has been made in this respect in these consolidated financial statements.

32.2 Engro Eximp Agriproducts (Private) Limited - EEAP

In the year 2017, the tax department had raised a demand of sales tax of Rs 250 million for not charging sales tax on rice husk / rice bran for the tax year 2015. There was an error in the order as the department had treated all the by-products falling under the category of rice bran or rice hull / husk; though in reality the proportion of these two products among by-products is comparatively low while rice bran was admittedly exempt during that period. As the value of rice husk was wrongly taken, the CIRA has vacated the order and demand but upheld the legal position regarding charging of sales tax on rice husk. EEAP has gone in appeal as it is of the view that the department is not treating husk correctly. Currently, the matter is pending before the Appellate Tribunal and based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and, accordingly sales tax recoverable has not been reduced by the effect of aforementioned order.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

32.3 Associated Companies and Joint Venture

32.3.1 Details of material contingencies which might affect share of profit from associates and joint venture are as follows:

32.3.2 The DCIR issued show cause notices to FCEPL 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 million challenging the exemption / zero rating on these products. Against the show cause notices the FCEPL had filed Constitutional Petitions before HCS for year 2013 on October 25, 2017 and for years 2014, 2015 and 2016 on March 15, 2018, and had obtained an interim injunction against adverse action by tax authorities on the same day. The HCS vide its order dated November 18, 2020 has upheld FCEPL's view with respect to 'Tarang' in view of the decision of the Classification Committee obtained by FCEPL on February 11, 2019. With respect to 'Omung' the HCS has suspended the notice, advising that the FBR may refer the matter to the Classification Committee, for a decision afresh; and till such time no action can be taken against FCEPL. The amount of show cause notices pertaining to 'Omung' aggregate to Rs 1,480.841 million. In case the Classification Committee (for Omung) decides against FCEPL, FCEPL can avail all legal remedies available to it. FCEPL has filed an appeal against this decision with respect to Omung in the SCP. Further, FBR has also challenged the order dated November 18, 2020 in the SCP. Both the appeals are pending for adjudication. Based on the opinion of its legal advisor, FCEPL is confident of a favorable outcome of this matter. Further, during the year, the Classification Committee issued notices to various companies including FCEPL to initiate Pakistan Customs Tariff (PCT) reclassification hearings for tea whiteners. Various hearings were conducted during the year, however, to-date no order has been issued to FCEPL in this respect. Further, FCEPL can avail all legal remedies available to it, in case of any adverse order / notification. Based on the opinion of its legal advisor, FCEPL is confident of a favorable outcome of this matter, hence, no provision has been recognized in this respect in these consolidated financial statements.

32.3.3 FCEPL has provided bank guarantees to the Government of Sindh amounting to Rs 268.387 million (2020: Rs 245.886 million), in relation to Sindh Infrastructure Development Cess (SIDC). During the year the Supreme Court of Pakistan through its order dated September 1, 2021 has directed that till further orders operation of the impugned judgement of the High Court of Sindh dated June 4, 2021 which validated SIDC and its recovery shall remain suspended. The Supreme Court's order further stated that the petitioners (including FCEPL) shall keep the bank guarantees already submitted with the Government of Sindh and shall furnish fresh bank guarantees equivalent to 100% of the amount of SIDC against release of all future consignments of imported goods.

32.3.4 Details relating to tax contingencies are disclosed in note 41.

32.4 Commitments

Details of commitments as at December 31, 2021 entered by the Group are as follows:

32.4.1 Commitments in respect of capital and operational expenditure contracted but not incurred amount to Rs 14,777.771 million (2020: Rs 11,939.640 million).

32.4.2 The aggregate facilities available to Group for opening Letter of credits and bank guarantees, and other commitments other than those disclosed elsewhere in these consolidated financial statements, amounts to Rs 26,059.756 million (2020: Rs 34,035.823 million).

32.4.3 In the year 2019, Engro Peroxide (Private) Limited, a subsidiary of EPCL, entered into a contract with Chematur Engineering AB to establish a plant of Hydrogen Peroxide at a consideration of EUR 6.993 million. As at December 31, 2021 commitment for civil works and equipment procurement amounts to EUR 0.367 million (2020: EUR 1.082 million).

32.4.4 During the year, Engro Peroxide (Private) Limited, a subsidiary of EPCL, entered into a contract with China National Air Separation Engineering Company Limited for design, procurement and engineering services for Hydrogen Peroxide Plant at a consideration of CNY 104.400 million. As at December 31, 2021, outstanding commitment for civil works and equipment procurement amounts to CNY 104.400 million (2020: Nil).

32.4.5 During the year, Engro Peroxide (Private) Limited, a subsidiary of EPCL, entered into a contract with Etimaad Engineering (Private) Limited for construction and installation services in respect of Hydrogen Peroxide Plant at a consideration of Rs 927 million. As at December 31, 2021, outstanding commitment amounts to Rs 741.6 million (2020: Nil).

32.4.6 EPCL has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited for the storage and handling of Ethylene Di Chloride (EDC) in respect of which future lease commitments aggregate to Rs 2.500 million (2020: Rs 3.805 million).

32.4.7 EETPL under the Time Charter Party and LNG Storage and Re-gasification Agreement (Agreement) with Excelerate Energy Middle East, LLC (EE) has furnished SBLC through National Bank of Pakistan amounting to USD 22.500 million (2020: USD 22.500 million) to EE. This SBLC is valid till March 7, 2022 and is renewable annually. The aforementioned guarantee is secured against ECL owned Pakistan Investment Bonds equivalent to 10% margin of the facility amount and a corporate guarantee and project assets of EETL.

32.4.8 National Bank of Pakistan (NBP) has issued Standby Letters of Credit (Equity SBLCs) worth USD 18.900 million and USD 51.100 million (in Pak Rupee equivalent), respectively, on behalf of EEL for its equity commitments related to Sindh Engro Coal Mining Company Limited (SECMC) and EPTL in favour of the Inter-creditor Agent (Habib Bank Limited) and the Project Companies (SECMC and EPTL). The Equity SBLCs have been furnished for subscription and / or contribution of sponsor equity pursuant to the Sponsor Support Agreements (SSAs) originally dated February 26, 2016 and February 1, 2016, respectively, and both as amended and restated from time to time. Equity SBLCs expire as per the terms of the relevant SSAs. These SBLCs are secured through lien over cash or cash equivalent of ECL. As of October 31, 2021, the outstanding amount of these SBLCs are USD 18.635 million (2020: USD 18.635 million) for SECMC and the Equity SBLC issued for EPTL has been fully utilized and stands discharged.

32.4.9 Allied Bank of Pakistan (ABL) has issued a Standby Letter of Credit (Put Option SBLC) worth USD 21.070 million on behalf of EEL relating to EPTL in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) dated March 22, 2016 and expires on earlier of (i) August 31, 2022 or (ii) on payment of the Maximum Amount. It is secured through lien over cash and cash equivalents of ECL.

32.4.10 EEL has also provided sponsor support contractual commitment for cost overrun, among other commitments, in favour of Senior Lenders amounting to cumulative USD 6.300 million for SECMC Phase I and Phase II Expansion pursuant to the Amended and Restated Sponsor Support Agreements (A&R SSA) dated September 02, 2019 for SECMC and USD 41.600 million pursuant to Amendment and Restatement Sponsor Support Agreement dated February 12, 2016 in case of EPTL.

32.4.11 EEL has also provided sponsor support contractual commitment for cost overrun and equity commitment in favour of Siddiqsons Limited amounting to Rs 55 million of which the amount remaining unutilized as at year end is Rs 2,573.897 million.

32.4.12 Commitments in respect of rentals of storage tanks at EVTL for the handling of Ethylene aggregate to USD 22.680 million valid till 31 March 2026, Ethylene Di Chloride (EDC) aggregate to USD 6.144 million valid till 31 December 2028 and Vinyl Chloride Monomer (VCM) aggregate to USD 0.585 million valid till December 31, 2023.

32.4.13 In the year 2018, the EEL took over the operations and maintenance of the power plant owned by Tenega Generasi Limited (TGL) under an agreement signed between both parties. EEL needs to submit a performance bond equivalent to USD 930 million on an annual basis as per the agreement. The bond was furnished by the EEL on October 21, 2019 and expired on October 20, 2020. The Performance bond has been extended upto October 20, 2022.

32.4.14 EEAP has entered into export selling contracts of 26,202 tons (2020: 15,373 tons) of Super Basmati Rice to various parties on a agreed terms for delivery on various date subsequent to the year end. The sales value of these open commitments at year end amounts to Rs 3,687.500 million (2020: Rs 1,959.868 million).

32.4.15 Following bank guarantees have been extended:

- EETPL has provided a Letter of Guarantee through National Bank of Pakistan amounting to Rs 1,620 million (2020: Rs 1,620 million) and Rs 810 million (2020: Rs 810 million) in favour of SSGCL to guarantee performance of its obligations under the LSA. The aforementioned guarantee is secured against project assets of EETL and ECL's corporate guarantee. Both of the guarantees in favour of SSGCL are valid till April 30, 2022 and are renewable annually.
- EFert has issued bank guarantees amounting to Rs 5,332.652 million (2020: Rs 4,474.555 million) in favour of third parties.
- EPCL has availed aggregate facilities for issuance of performance guarantees by the banks on its behalf as at December 31, 2021 amounting to Rs 3,898 million (2020: Rs 3,298 million). The amount utilised there against as at December 31, 2021 is Rs 3,916.166 million (2020: Rs 3,272.974 million).
- EETPL has provided bank guarantee amounting to Rs 1,881.115 million (2020: Rs 1,127.350 million) from MCB Bank Limited in favor of Nazir of the Court to comply with the interim orders of the Court. During the year, tax department filed application to the Court to adjust payment of advance tax against the bank guarantee provided above which was duly allowed by the Court.
- EEL, in order to provide the collateral to all the Bank Guarantees issued by Bank Alfalah Limited, Allied Bank Limited has issued counter guarantee on behalf of ECL amounting to Rs 400 million in favor of Bank Alfalah Limited.
- Bank guarantees amounting to Rs 2,496.126 million (2020: Rs 2,496.126 million) have been given by EPQL to Sui Northern Gas Pipelines Limited (SNGPL) representing an amount equivalent to three months contractual quantities of gas in accordance with the terms of Gas Supply Agreement (GSA) between EPQL and SNGPL.
- National Bank of Pakistan Limited, Askari Bank Limited and Faysal Bank Limited, have issued a guarantees of Rs 1,500 million, Rs 1,000 million and Rs 2,066.8 million respectively, each expiring on December 31, 2022, December 28, 2022 and September 6, 2022 respectively while Meezan Bank Limited has issued two guarantees of Rs 1,459.655 million and Rs 900 million each expiring on November 21, 2022 and December 27, 2022 respectively. These guarantees have been issued on behalf of EPTL in favour of Sindh Engro Coal Mining Company Limited to secure EPTL payment obligations under the Coal Supply Agreement. The SBLC Issuing Banks have entered into a non-funded financing facility with EPTL as Junior Creditors and acceded the Intercreditor Agreement and security accordingly.

32.4.16 Commitments given by the associated companies and joint venture in respect of capital and operational expenditure including bank guarantees amount to Rs 1,716.093 million (2020: Rs 2,732.952 million). Other commitments include arrangements in respect of standby letters of credit and Ijarah which are not material to the Group.

	2021	2020
	-------- (Rupees in '000) --------	
33. REVENUE		
Own manufactured products (notes 33.1 and 33.2)	**273,152,534**	218,240,284
Less:		
- Sales tax	**(16,600,268)**	(14,182,414)
- Discounts	**(1,827,474)**	(795,459)
	254,724,792	203,262,411
Purchased product (note 33.3)	**44,445,348**	34,516,870
Services rendered (note 33.4)	**18,797,816**	15,788,627
Less: Sales tax	**(6,187,257)**	(4,685,350)
	57,055,907	45,620,147
	311,780,699	248,882,558

33.1 These includes export sales amounting to Rs 7,916.927 million (2020: Rs 4,072.034 million).

33.2 These include revenue from sale of Energy which comprises of:

	2021	2020
	-------- (Rupees in '000) --------	
Capacity purchase price (note 33.2.1)	**34,031,257**	36,216,602
Energy purchase price	**53,087,941**	51,934,080
	87,119,198	88,150,682

33.2.1 This includes amount subject to Commercial Operation Date (COD) tariff adjustment. The COD tariff adjustment is a variable consideration based on the management's best estimate. Variable consideration is not constrained as the potential reversal of cumulative revenue recognized will not be significant.

33.3 This primarily includes sale of Di-Ammonium Phosphate (DAP) by EAPL.

33.4 This includes revenue from services rendered by ETPL which comprises of:

	2021	2020
	-------- (Rupees in '000) --------	
Operating lease rental income	**983,699**	889,254
Revenue from O&M services	**3,137,001**	3,015,535
Finance income on sublease	**5,153,362**	5,400,497
Revenue from utilization / regasification services	**3,685,727**	3,845,381
	12,959,789	13,150,667

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

	2021	2020
	-------- (Rupees in '000) --------	
34. COST OF REVENUE		
Cost of goods sold (note 34.1)	**200,479,021**	160,433,271
Cost of services rendered (note 34.2)	**8,235,005**	8,630,098
Finance cost on lease liability	**3,675,852**	3,876,418
	212,389,878	172,939,787
34.1 Cost of goods sold		
Raw and packing materials consumed including unprocessed rice	**104,702,163**	80,392,283
Salaries, wages and staff welfare (note 34.1.2)	**5,767,405**	4,948,827
Fuel and power	**25,920,306**	21,785,376
Operation and management	**3,730,876**	2,386,441
Repairs and maintenance	**3,671,968**	2,091,775
Depreciation - Right of use Asset (note 6.2)	**773,594**	537,642
Depreciation - PPE (note 5.6)	**11,035,865**	12,400,031
Amortisation (note 7.1)	**37,176**	23,471
Consumable stores	**2,057,542**	1,664,270
Staff recruitment, training, safety and other expenses	**733,977**	646,907
Purchased services	**2,040,589**	1,276,913
Storage and handling / product transportation	**2,329,666**	1,350,514
Travel	**357,868**	229,342
Communication, stationery and other office expenses	**77,786**	68,517
Insurance	**2,351,378**	1,998,622
Rent, rates and taxes	**259,316**	239,575
Provision against surplus and slow moving spares	**195,262**	33,805
Write-off Stores and Spares	**98,719**	66,003
Write-off Stock in trade - net of proceeds	**4,567**	96,329
Write-off Capital work-in-progress	**-**	6,000
Other expenses	**108,947**	132,844
Manufacturing cost	**166,254,970**	132,375,487
Add: Opening stock of work-in-process (note 15)	**135,688**	73,289
Less: Closing stock of work-in-process (note 15)	**(177,862)**	(135,688)
	(42,174)	(62,399)
Cost of goods manufactured	**166,212,796**	132,313,088
Add: Opening stock of finished goods manufactured (note 15)	**7,588,920**	4,900,819
Less: Closing stock of finished goods manufactured (note 15)	**(7,351,417)**	(7,588,920)
	237,503	(2,688,101)
Cost of goods sold		
- own manufactured product	**166,450,299**	129,624,987
- purchased product (note 34.1.1)	**34,028,722**	30,808,284
	200,479,021	160,433,271

34.1.1 Cost of goods sold - purchased product

	2021	2020
	-------- (Rupees in '000) --------	
Opening stock - net of NRV	**1,020,662**	9,075,785
Add: Purchases	**41,531,307**	22,753,161
Less: Closing stock - net of NRV	**(8,523,247)**	(1,020,662)
	34,028,722	30,808,284

34.1.2 These include Rs 337.450 million (2020: Rs 321.827 million) in respect of staff retirement benefits.

34.2 Cost of services rendered

	2021	2020
	-------- (Rupees in '000) --------	
Fixed expenses	**1,852,227**	1,747,621
Variable expenses (notes 34.2.2 and 34.2.3)	**2,367,451**	2,530,880
Operational and maintenance services	**1,193,140**	2,203,030
Depreciation - PPE (note 5.6)	**401,165**	417,191
Depreciation - Right-of-use-Asset (note 6.2)	**7,327**	7,904
Amortisation of intangible assets (note 7.1)	**63**	2
Amortisation of direct cost on FSRU	**86,516**	86,516
Salaries, wages and benefits (note 34.2.1)	**925,011**	729,309
Fuel & Power	**541,992**	208,443
Purchased services	**214,630**	160,646
Communication and other office expenses	**100,727**	81,982
Stores and spares consumed	**77,983**	45,041
Repairs and maintenance	**284,008**	252,020
Travelling and entertainment	**68,671**	46,445
Security and other expense	**96,054**	88,629
Others	**18,040**	24,439
	8,235,005	8,630,098

34.2.1 These includes Rs 55.073 million (2020: Rs 7.142 million) in respect of staff retirement benefits.

34.2.2 This includes Rs 1,724.391 million (2020: Rs 1,684.500 million) in respect of royalty charges paid to Port Qasim Authorities as per LSA.

34.2.3 This includes reversal of provision of diesel amounting to Rs 198.432 million as further explained in note 32.1.4.

35. SELLING AND DISTRIBUTION EXPENSES

	2021	2020
	-------- (Rupees in '000) --------	
Salaries, wages and staff welfare (note 35.1)	**1,435,788**	1,307,780
Staff recruitment, training, safety and other expenses	**196,309**	85,620
Product transportation and handling	**4,684,979**	4,725,473
Repairs and maintenance	**10,258**	69,213
Advertising and sales promotion	**435,539**	447,978
Rent, rates and taxes	**577,379**	702,713
Communication, stationery and other office expenses	**31,004**	15,173
Travel	**98,513**	140,618
Depreciation - PPE (note 5.6)	**138,007**	53,411
Amortisation (note 7.1)	**4,756**	844
Purchased services	**121,366**	166,958
Others	**85,393**	129,288
	7,819,291	7,845,069

35.1 These include Rs 119.723 million (2020: Rs 105.339 million) in respect of staff retirement benefits.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

36. ADMINISTRATIVE EXPENSES

	2021	2020
	-------- (Rupees in '000) --------	
Salaries, directors' remuneration and other benefits (note 36.1)	**3,937,322**	3,585,872
Staff recruitment, training, safety and other expenses	**206,122**	147,755
Repairs and maintenance	**76,126**	226,980
Advertising	**235,118**	178,079
Rent, rates and taxes	**389,672**	341,354
Communication, stationery and other office expenses	**481,475**	444,940
Travel	**446,676**	285,579
Depreciation - Right of use Asset (note 6.2)	**272,263**	305,167
Depreciation - PPE (note 5.6)	**332,477**	291,933
Amortisation of intengibles (note 7.1)	**203,354**	155,640
Purchased services	**1,792,365**	1,546,365
Donations (note 55)	**1,270,030**	1,220,932
Legal and professional charges	**164,260**	109,524
Insurance	**11,031**	9,092
Subscription and periodicals	**91,809**	100,038
Others	**84,471**	315,432
	9,994,571	9,264,682

36.1 These include Rs 318.761 million (2020: Rs 338.710 million) in respect of staff retirement benefits.

37. OTHER INCOME

	2021	2020
	-------- (Rupees in '000) --------	
Financial assets:		
Income on deposits / other financial assets	**8,171,029**	11,605,086
Income on shariah compliant deposits	**-**	49,030
Exchange gain	**11,418**	-
Interest on receivable from SSGCL	**170,749**	178,094
Other investment in quoted shares	**4,378**	5,599
Non financial assets:		
Insurance claims	**54,803**	2,501
Gain on disposal of property, plant and equipment	**7,642**	2,703
Income from sale of spares / scrap	**120,418**	74,041
Reversal of provision for Worker's Welfare Fund	**-**	180,079
Reversal of provision for Tax contingencies of EVTL (notes 8.4 and 29.5)"	**-**	398,559
Delayed payment charges on overdue receivables	**3,702,727**	3,543,812
Remeasurement gain on provision for GIDC (note 28)	**-**	2,904,978
Others	**422,635**	402,767
	12,665,799	19,347,249

38. OTHER OPERATING EXPENSES

	2021	2020
	-------- (Rupees in '000) --------	
Workers' profits participation fund	**2,566,039**	1,463,560
Workers' welfare fund	**745,505**	495,989
Legal and professional charges	**823,958**	906,203
Human resources development	**134,701**	197,428
Research and development	**1,579,583**	867,587
Exchange loss	**724,598**	192,627
Impairment against long-term investments and off balance sheet obligation of investee company (note 8.9)	**691,371**	484,550
Write off of property, plant and equipment	**120,968**	11,945
Auditors' remuneration (note 38.1)	**100,166**	127,615
Provision for doubtful debts (note 16.5)	**289,094**	3,294
Remeasurement loss on Provision for GIDC	**1,123,547**	-
Others (note 38.2)	**334,062**	629,944
	9,233,592	5,380,742

38.1 Auditors' remuneration

The aggregate amount charged in these consolidated financial statements in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2021	2020
	-------- (Rupees in '000) --------	
Fee for:		
- audit of annual financial statements	**19,251**	17,647
- review of half yearly financial statements	**5,865**	4,606
Special audit, certifications, review of compliance with Code of Corporate Governance and other advisory services	**30,759**	42,739
Tax services	**39,422**	57,530
Reimbursement of expenses	**4,869**	5,093
	100,166	127,615

38.2 Under the Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP), ECL is required to pay FCP an amount equal to 51% of the sales tax receivable of FrieslandCampina Engro Pakistan Limited (FCEPL), an associated company, recognized in the financial years 2012 to 2016, if it is not recovered by FCEPL within six years after it is recognized. Accordingly, on prudence basis, ECL has recognized its liability under the SPA equivalent to 51% of the sales tax receivable pertaining to FCEPL being sales tax short recovered till December 31, 2021.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

39. FINANCE COST

	2021	2020
	-------- (Rupees in '000) --------	
Interest / mark-up on:		
- long term borrowings	**10,128,459**	14,395,488
- short term borrowings	**1,303,857**	1,336,841
Markup on Shariah compliant borrowings	**136,315**	289,642
Interest on lease liabilities	**909,677**	618,966
Unwinding of deferred incentive revenue	**121,417**	194,458
Foreign exchange loss - net	**344,883**	165,658
Amortisation of transaction cost	**1,012,054**	861,018
Delayed payment charges	**2,055,404**	1,852,855
Financial / bank charges	**1,115,181**	1,654,298
Default surcharge on GIDC	**156,583**	18,048
Others	**135,514**	107,789
	17,419,344	21,495,061

40. SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES

	2021	2020
	-------- (Rupees in '000) --------	
Joint venture:		
Engro Vopak Terminal Limited		
Share of profit before taxation	**1,653,036**	1,987,563
Less: Share of provision for taxation	**(477,579)**	(588,178)
	1,175,457	1,399,385
Associates		
Share of profit / (loss) from:		
- Sindh Engro Coal Mining Company Limited	**1,331,413**	1,327,371
- Friesland Campina Engro Pakistan Limited	**719,827**	70,593
- Others	**-**	(975)
	2,051,240	1,396,989
	3,226,697	2,796,374

41. TAXATION

	2021	2020
Current		
- for the year	**19,367,438**	12,156,976
- for prior years	**(1,460,424)**	(3,248,128)
	17,907,014	8,908,848
Deferred		
- for the year	**1,652,645**	1,037,539
- for prior years	**(6,092)**	285,300
	1,646,553	1,322,839
	19,553,567	10,231,687

Details of significant income tax matters are as follows:

41.1 The Holding Company

41.1.1 During the year ended December 31, 2017, the Holding Company's ex-subsidiary was served with an order from the Additional Commissioner of Inland Revenue (CIR) – Federal Board of Revenue under Section 122(5A) of the Income Tax Ordinance, 2001 to amend the original assessment for the Tax Year 2016 being prejudicial to the revenue of the Federal Government and raised additional demand of Rs 3,380.650 million.

The issues mainly related to the levy of tax on sale of 'Bubber Sher' brand to wholly owned subsidiary, Bubber Sher (Private) Limited, taxation of capital gain on sale of shares of ECL and HUBCO and levy of super tax on the income claimed to be exempt from tax. The ex-subsidiary being aggrieved with the order filed an appeal with the Commissioner Inland Revenue Appeals (CIRA) and CIRA in its order dated August 7, 2017 decided the matter in favour of the ex-subsidiary. The Deputy CIR served the ex-subsidiary with an appeal effect order on January 11, 2018, under which the tax liability (primarily on account of Alternate Corporate Tax) was worked out to be Rs 1,051.140 million.

Additionally, the CIR filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIRA, which is currently pending. The ex-subsidiary, on the basis of advice of its tax consultant, filed an appeal with CIRA on February 12, 2018, considering the demand of Rs 1,051.140 million to be still prejudicial to its interests. CIRA in its order dated April 26, 2018 decided the matter against the ex-subsidiary. The ex-subsidiary has filed an appeal with the ATIR on May 9, 2018, against the order passed by CIRA and for grant of stay in respect thereof. The appeal against the order of CIRA is still pending. Meanwhile, the ex-subsidiary has also obtained stay from the Lahore High Court against the recovery of demand. The tax advisor of the ex-subsidiary is of the view that the appeal effect order passed on January 11, 2018 and the subsequent order of CIRA dated April 26, 2018, are either based on a misinterpretation of the provisions of law or are in violation of the directions given by CIRA in its order dated August 7, 2017. Based on these views, the management of the Holding Company is confident that the matter will eventually be decided in favour of the ex-subsidiary. Hence, no provision has been recorded in this respect in these consolidated financial statements.

41.1.2 During the year ended December 31, 2017, the Holding Company received a show cause notice dated May 11, 2017 from the Additional CIR – Federal Board of Revenue under Section 122(9) of the Income Tax Ordinance, 2001 in respect of Tax Year 2016. In the notice, the Additional CIR expressed intention to reject exemption of intercorporate dividend amounting to Rs 18,008.795 million, to make an addition to capital gain amounting to Rs 615.101 million and also to impose a super tax liability amounting to Rs 666.963 million. The Holding Company being aggrieved, filed a Constitutional Petition before the High Court of Sindh against the proposal to reject the exemption claimed on intercorporate dividend. Further, a Constitutional Petition was filed with the High Court of Sindh against the levy of super tax. The High Court of Sindh issued stay orders in respect of the aforementioned matters with the instruction to the taxation authorities to not finalise the proceedings until the cases were disposed of. The management and the tax consultant of the Holding Company believe that there are meritorious grounds available to defend the foregoing demand. Consequently, no provision has been recorded in these consolidated financial statements.

41.1.3 During the year ended December 31, 2020, the Holding Company received an income tax demand amounting to Rs 201.196 million in relation to the tax year 2019. Out of such demand, an amount of Rs 92 million seemed an apparent error for which a rectification application was submitted to the tax authorities and order against the same was issued on December 16, 2020 by the authorities in favour of the Holding Company granting complete credit of Rs 92 million. The remaining demand of Rs 109 million was made to the Holding Company as the taxation authorities are of the view that the Holding Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result of which the common expenses incurred by the Holding Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Holding Company is of the view that the earning interest / money market income is one of the principal revenue streams of the Holding Company and should be treated as 'income from business'. An appeal has been filed by the Holding Company before the Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The Holding Company in view of the tax consultant's advice is expecting a favourable outcome of the appeal. However, on a prudent basis tax accrual amounting to Rs 109 million is being maintained by the Holding Company.

During the year on February 26, 2021, the Holding Company received an income tax demand amounting to Rs 168 million in relation to the tax year 2015. The demand was made to the Holding Company as the taxation authorities disallowed certain expenses on the basis that no tax was withheld and deposited by the Holding Company on these expenses. The authorities were also unable to verify the amount of capital gain tax paid by the Holding Company on sale of shares during the tax year 2015. An appeal has been filed by the Holding Company before the Commissioner Inland Revenue (Appeals) along with the evidences for payment of taxes. On September 20, 2021, the Commissioner Appeals issued an order in favor of the Holding Company, sustaining the Holding Company's stance and remanded back the previous order to the Taxation Officer for reassessment.

During the year on March 31, 2021, the Holding Company received an income tax demand amounting to Rs 159.66 million in relation to the tax year 2020. Out of such demand, an amount of Rs 15.9 million has been paid in protest to obtain the stay order till the decision of appeal by the Commissioner (Appeals). The taxation authorities are of the view that the Holding Company's interest income does not meet the criteria of the 'income from business' and should be treated as 'income from other sources'. As a result, the common expenses incurred by the Holding Company cannot be allocated to 'income from other sources' resulting in increased tax liability. However, the Holding Company is of the view that the earning interest / money market income is one of the principal revenue streams of the Holding Company and should be treated as 'income from business'. On April 21, 2021 an appeal has been filed by the Holding Company before the Commissioner Inland Revenue (Appeals), the decision of which is pending to date. The Holding Company in view of the tax consultant's advice is expecting a favorable outcome of the appeal. Hence, no provision has been recorded in these consolidated financial statements.

41.2 Engro Corporation Limited

41.2.1 Through Finance Act 2015, levy of 'Super Tax for rehabilitation of temporarily displaced persons' under section 4B of the Income Tax Ordinance, 2001 was introduced for tax year 2015. The said levy was extended and made applicable on succeeding years via subsequent Finance Acts upto financial year ended December 31, 2018. In the year 2019, through Finance Supplementary Act, 2019, the levy of Super Tax has been abolished from financial year ended December 31, 2019 onwards for companies other than banking companies.

In the year 2020, the petition filed by ECL along-with other taxpayers against the imposition of Super Tax in the High Court of Sindh (HCS) was rejected vide order dated July 21, 2020. ECL, in consultation with its legal and tax advisors, has filed an appeal against the decision of the HCS in the Supreme Court of Pakistan (SCP). Consequent to the High Court judgement, the tax authorities issued notices to ECL and subsequently framed orders for recovery of Super Tax for tax years 2017 to 2019 with total tax demand of Rs 2,241.400 million. Appeal was filed against these orders with the Commissioner Inland Revenue (Appeals) (CIR (Appeals)) on certain contentious and factual grounds. The CIR (Appeals) has decided all appeals against ECL and maintained the levy of Super Tax considering the HCS judgement. ECL has filed further appeal before the Appellate Tribunal Inland Revenue which is pending to be heard.

In the year 2020, SCP granted leave to appeal and passed an interim order restraining the Respondents from taking any coercive action against the Petitioner taxpayers (including ECL) subject to them depositing 50% of the impugned outstanding tax amount.

During the year, the ECL's management has re-assessed its income tax provisions including provision on account of Super Tax, based on the finalization of its income tax assessments of tax year 2017 by the income tax department. Upon such assessment, the ECL's management has recognized reversal of tax provision amounting to Rs 1,642.232 million in these consolidated financial statements. Adequate provision for super tax is maintained for all assessments which has not been finalized to date.

41.2.2 In the year 2016, an amendment was introduced in the Income Tax Ordinance 2001, (the Ordinance) via the Finance Act, 2016 imposing tax on Inter-Corporate Dividends (ICD) which were previously exempt to companies designated as a Group under section 59B of the Ordinance. Subsequently, the exemption on ICD was restored through amendment in the Ordinance vide Tax Laws (Second Amendment) Ordinance, 2019 (the Amendment Ordinance). However, in respect of the dividends received before the said amendment, ECL had challenged the imposition of tax on ICD in the High Court of Sindh and has been granted a stay in this respect.

In the year 2020, the Amendment Ordinance was laid down before the Parliament and enacted as Tax Laws (Amendment) Act 2020 (the 2020 Act). The 2020 Act ratified the exemption on ICD restored by the Amendment Ordinance, however, the provision granting exemption from application of withholding tax on ICD, as previously deleted by Finance Act 2016, was not restored. Hence, in respect of the ICD received by ECL from its subsidiaries during the year, ECL obtained stay from the High Court against deduction of withholding of tax.

During the year, the exemption of income tax on ICD was again withdrawn via Tax Laws (Second Amendment) Ordinance, 2021 in March 2021 and subsequently by Finance Act 2021. ECL has again challenged the amendment before High Court and stay has been granted in this respect. The management of ECL, on prudent basis, has recognized tax charge of Rs 6,303.953 million (2020: Rs 3,571.402 million) in these consolidated financial statements pertaining to periods during which exemption of income tax on ICD remained withdrawn.

41.2.3 Following is the position of the ECL's open tax assessments:

41.2.3.1 In the year 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs 218.790 million and raised a demand of Rs 139.575 million whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. ECL filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs 184,191 and revised the demand to Rs 104.976 million. ECL paid Rs 53.250 million there against and simultaneously filed an appeal against the CIR - Appeals decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to ECL. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the ECL's contention. The income tax department, in response there against, had filed an appeal with ATIR, which was dismissed during 2016.

41.2.3.2 In the year 2014, the income tax department in respect of tax year 2012, amended the assessment and raised an additional demand of Rs 250.773 million on similar grounds as above. ECL filed an appeal against the said order with CIR - Appeals, who based on ATIR's order for tax year 2011, has remanded back the order to assessing officers for denovo proceedings.

41.2.3.3 In the year 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, ECL received notices of demand amounting to Rs 105.955 million and Rs 250.773 million, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. ECL filed appeals there against with the CIR - Appeals and also obtained stays from the High Court of Sindh from initiating any recovery proceedings in respect of both tax yeaRs During 2016, in respect of both tax years, the CIR - Appeals accepted the Company's plea and annulled the order passed by the DCIR. In response, the DCIR filed appeals before the ATIR for rectification of the orders passed by the CIR - Appeals for both tax years, which were subsequently dismissed. In 2017, ECL has reversed excess provision of Rs 168.896 million in respect of tax years 2011 and 2012 consequent to denovo proceedings after which the amended orders were passed in respect of the aforementioned tax years, wherein, the Commissioner has maintained the classification of income from interest on bank deposits and from subordinated loans as ""income from other sources"". In response, ECL has filed an appeal challenging this contention and ECL is confident of favourable decision based on earlier ATIR judgment. The CIR - Appeals has passed the orders dated January 10, 2019 for both the years in relation to ECL appeal and has again remanded the matter to the assessing officer for denovo proceedings.

In the year 2020, ECL received appeal effect orders both dated June 29, 2020 along with notices of demand amounting to Rs 75.308 million and Rs 112.681 million, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit has again maintained the classification of income from interest on bank deposits and from subordinated loans as “income from other sources”. ECL has again challenged these orders before CIR (Appeals) and the matter is still pending to be heard. ECL, based on the advice of its tax consultant, is confident of a favourable decision based on earlier ATIR judgement.

41.2.3.4 In the year 2017, the income tax department in respect of the tax year 2015, determined an additional income tax liability of Rs 128.400 million, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, Super Tax including on exempt income, the effects of classification of 'Interest Income' as "Income from Other Sources" as well as not allowing the adjustment of the minimum tax paid under section 113(1)(c) of the Ordinance. In the year 2019, the CIR(A) vide order dated May 6, 2019 has maintained the matter relating to taxation of intercorporate dividend, Super Tax under section 4B, the classification of the interest income and carry forward of minimum tax for adjustment whereas the rectificatory matters including the levy of Super Tax on exempt income was remanded back. ECL has preferred appeal before ATIR on all issues adjudicated against it. ECL, based on advice of its tax consultant, is confident that these matters will be decided in favour of ECL. However, on prudence, ECL has recorded provision against Super Tax.

41.2.3.5 In the year 2017, the ACIR through order dated June 13, 2017 amended the return for the tax year 2016 creating tax demand of Rs 1,573.876 million mainly on account of tax levied on inter-corporate dividend, Super Tax including on exempt income and disallowance on account of allocation of expenses to dividend and capital gains including minimum tax paid under section 113 of the Ordinance. The CIR(A) while disposing off ECL's appeal maintained the order of ACIR with respect to certain issues which were further contested before the ATIR. In the year 2019, the ATIR in its order dated July 31, 2019 has annulled the order of ACIR and validated the exemption on intercorporate dividend as well as the non-applicability of Super Tax on such exempt income whereas the issues relating to the levy of Super Tax under section 4B and the carry forward of minimum have been linked to the pending decisions of the Sindh High Court (where the matter is separately being contested by ECL) and the carry forward under section 113(1)(c) has been linked to the decision of the Supreme Court in the case of another taxpayer.

41.2.3.6 Against the order dated June 13, 2017, ECL had filed an application for rectification. The ACIR through rectified order dated August 29, 2017 reduced the demand to Rs 1,084.733 million. Through the said order, the ACIR accepted ECL's contention relating to various matters except the issue of allocation of expenses to capital gains. ECL contested this matter in appeal before the CIR(A) who has maintained the order of ACIR through order dated December 18, 2018. In the year 2020, ECL filed an appeal before the ATIR against the CIR(A) order.

In the year 2020, ECL received appeal effect order dated November 20, 2020 issued by the ACIR giving effect to the findings of appellate orders of CIR (Appeals) and ATIR by deleting the tax levied on inter-corporate dividends and Super Tax on exempt income which resulted in revised demand of Rs 149.257 million. Moreover, the issue of classification of income from interest on bank deposits and from subordinated loans has been decided in ECL's favour as "income from business".

In addition to above, the ACIR issued a further amendment order dated November 24, 2020 for the same tax year and determined additional income tax liability of Rs 21.808 million on account of capital gain tax on debt securities. The same has been discharged by ECL.

41.2.3.7 In the year 2020, the ACIR - Audit through order dated December 22, 2020 amended the return for the tax year 2017 by creating tax demand of Rs 4,335.176 million mainly on account of tax levied on undistributed profits under section 5A and Super Tax under section 4B. The ECL has obtained stay from HCS against the levy of tax on undistributed profits, therefore the said demand is not recoverable by the tax department, as also confirmed by tax consultants. The HCS vide order dated April 2, 2021 disposed of the petitions filed by various taxpayers including the company declaring section 5A as ultra virus to the Constitution. As a normal recourse, ECL filed appeal against the order of ACIR before the CIR - Appeals and is pending to be heard. ECL, based on the advice of its legal and tax consultants, is confident that chances of ultimate success are good, hence, no provision has been made in these consolidated financial statements.

41.3 Engro Fertilizers Limited (EFert) and its subsidiary companies

41.3.1 In the year 2020, the income tax department amended the assessment filed by EFert for tax year 2019. EFert has filed an appeal before the Commissioner Inland Revenue (Appeals) (CIRA) against the disallowances, which mainly pertained to proration of expenses to exempt / FTR incomes, tax credit on investment in plant and machinery, disallowance of deductible allowances for WWF / WPPF resulting in demand of Rs 1,145.227 million (additions to taxable income of Rs 3,305.905 million). In addition, the tax department raised demand for Super tax amounting to Rs 476.629 million. Adequate provision has made in these consolidated financial statements and EFert's management is confident of an ultimate favourable outcome on this amendment.

41.3.2 In the year 2015, the income tax department amended the assessment filed by the EFert for tax year 2014. EFert filed an appeal before the CIRA against the disallowances, which mainly pertained to exchange gain and loss, loss on derivatives and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in demand of Rs 1,231.201 million (additions to taxable income of Rs 3,191.963 million). In addition the tax department raised demand for the Alternative Corporate Tax (ACT) through the same order, for which the EFert specifically obtained a stay order. The matter was heard by CIRA and favorable decision was made in respect of exchange losses and acceptance of prior years tax refunds, whilst other additions made by the tax department in respect of ACT, loss on derivatives and group relief under section 59B were maintained in the order. EFert has filed an appeal against the order of CIRA before the Income Tax Appellate Tribunal which is pending to be heard. Adequate provision has made in these consolidated financial statements and EFert's management is confident of an ultimate favourable outcome.

41.3.3 In the year 2019, the income tax department amended the assessment filed by EFert for the tax years 2015, 2016 and 2017. EFert filed appeals before CIRA for disallowances made in the orders which mainly included proration of expenses to exempt / FTR incomes, exchange loss disallowances, loss on derivatives and losses purchased from Engro Eximp Agriproducts Limited under section 59B of the Income Tax Ordinance, 2001, resulting in cumulative demand of Rs 1,980.698 million (cumulative addition of Rs 16,173.826 million) for these tax years. Subsequently, CIRA passed an order for tax years 2015, 2016 and 2017 maintaining most of the additions made by taxation officer in the amendment order, whilst allowing deletion of expenses on allocation basis to exempt income and claim of exchange losses on realised basis. EFert, as well as the tax department filed appeals against CIRA's order before the Appellate Tribunal Inland Revenue (ATIR).

Through order dated February 26, 2020, ATIR decided the amendment orders for TY 2015 and 2016 mainly in favor of EFert, except for certain disallowances including provisions on other receivables, retirement benefits and disallowance of loss on fair valuation of embedded derivative which were maintained or remanded back to the tax department for verification. On June 01, 2020, the tax department filed reference application before SHC for questions of law arising out of the ATIR order.

EFert maintains adequate provision in these consolidated financial statements and is confident of an ultimate favorable outcome on these amendments.

41.3.4 In the year 2014, the income tax department amended the assessment filed by EFert for tax years 2010 and 2011. EFert filed appeals thereagainst before the Appellate Tribunal Inland Revenue (ATIR) against the said disallowances, which through its decision provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011, and loss on derivative for tax year 2011 raising a demand in respect of these years in aggregate of Rs 1,075.466 million. EFert had challenged the said decision before the High Court of Sindh (HCS). In the year 2020, the matter was heard, and was reserved for judgement. EFert maintains adequate provision in these consolidated financial statements and is confident of an ultimate favorable outcome on these amendments.

41.3.5 In the year 2018, EFert received recovery notice from the Federal Board of Revenue for payment of Super Tax, in accordance with Section 4B of the Income Tax Ordinance 2001 (ITO), for TY 2018. EFert filed a Constitutional Petition before the SHC challenging the notice as well as the vires of Section 4B of the ITO. An interim order was granted in favour of EFert. On July 21, 2020, SHC held that of Section 4B was intra vires the Constitution (SHC Judgment). Thereafter, EFert filed a Civil Petition for Leave to Appeal (CPLA) before the SCP challenging the SHC Judgment. The CPLA was filed by EFert only in relation to TY 2018 i.e. the year which was challenged before the SHC as well.

41.3.6 In Tax Year ("TY") 2019, EFert received recovery notice from the Federal Board of Revenue for payment of Super Tax, in accordance with Section 4B of the Income Tax Ordinance 2001 ("ITO"), for TY 2018. EFert filed a Constitutional Petition before the SHC challenging the notice as well as the vires of Section 4B of the ITO. An interim order was granted in favour of EFert. On July 21, 2020, SHC held that of Section 4B was intra vires the Constitution ("SHC Judgment"). Thereafter, EFert filed a Civil Petition for Leave to Appeal ("CPLA") before the SCP challenging the SHC Judgment. The CPLA was filed by the EFert only in relation to TY 2018 i.e. the year which was challenged before the SHC as well.

Pursuant to the SHC Judgement, the tax department passed orders against the Company for TY 2015 to 2019 in relation to recovery of Super Tax amounting in aggregate of Rs 2,110.491 million. EFert filed appeals against the orders before CIRA.

On November 26, 2020, SCP granted leave to appeal and passed an interim order restraining the Respondents from taking any coercive action against the Petitioner taxpayers (including EFert) subject to them depositing 50% of the impugned outstanding tax amount.

EFert has till date paid Super Tax amounting to Rs 1,121.724 million against the relevant tax years. Adequate provision for Super Tax for the respective TYs is being maintained in these consolidated financial statements.

41.3.7 As a result of demerger in 2009, all pending tax issues of then ECL, Engro Chemical Pakistan Ltd. had been transferred to EFert. Major issues pending before the tax authorities are described below:

In previous years, the taxation department had filed reference applications in the HCS against the below-mentioned ATIR's decisions in EFert's favor. No hearing has been conducted to-date. The reference application includes the following matters:

- Group Relief (Financial years 2006 to 2008): Rs 1,500.847 million
- Inter-Corporate Dividend (Financial years 2007 and 2008): Rs 336.5 million
- G.P. Apportionment (Financial years 1995 to 2002): Rs 653 million

Adequate provision has been maintained in these consolidated financial statements and Efert is confident of an ultimate favorable outcome.

41.3.8 In the year 2020, EFert's management re-assessed its income tax provisions based on the finalisation of its income tax assessments of prior tax years by the income tax department. Upon such assessment, EFert's management recognized reversal of tax provisions amounting in aggregate to Rs 3,379.336 million in these consolidated financial statements.

41.4 Engro Polymer & Chemicals Limited (EPCL) and its subsidiary companies

41.4.1 The Deputy Commissioner Inland Revenue (DCIR) through an order dated November 26, 2009, raised a tax demand of Rs 213.172 million for tax year 2008. The demand arose as a result of additions on account of trading liabilities of Rs 47.582 million under Section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance), disallowance of provision for retirement benefits of Rs 5.899 million; addition of imputed interest on loans to employees and executives of Rs 16.069 million to income, disallowance of finance cost of Rs 134.414 million and also of adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

EPCL filed an appeal against the aforesaid order before the CIRA but discharged the entire demand through adjustment against assessed refunds of Rs 180.768 million and payment of the balance of Rs 32.404 million 'under protest'. Through the appellate order, the CIRA maintained certain additions aggregating Rs 189.810 million including finance cost amounting to Rs 134.414 million and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period from tax years 2004 to 2007. An appeal against the said appellate order was filed by EPCL before the ATIR. The department also filed an appeal against the said appellate order challenging the actions of the CIRA.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021

(Amounts in thousand)

In the year 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting EPCL's position on all the disallowances made earlier except for additions on account of trading liabilities to the extent of Rs 20.280 million and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs 19.692 million and Rs 7.3 million respectively, which were maintained.

In the year 2013, EPCL filed a reference with the HCS against the additions maintained by ATIR. Likewise, the tax department also filed reference with the HCS against the order passed by the ATIR in favor of the EPCL. In the year 2018, the HCS disposed of EPCL's appeal on the ground that the issues raised by EPCL requires factual verification whereas the petition of the tax department is still pending before the HCS. EPCL based on the advice of its tax consultants, decided to accept the decision of the HCS and accordingly, has recognized the provision of Rs 108.882 million in respect of additions maintained by ATIR in these consolidated financial statements.

41.4.2 The DCIR through order dated November 30, 2010 raised a tax demand of Rs 163.206 million. The demand arose as a result of disallowance of finance cost of Rs 457.282 million, additions to income of trading liabilities of Rs 21.859 million under section 34(5) of the Ordinance, disallowance of provision for retirement benefits of Rs 14.239 million, disallowance of provision against Special Excise Duty (SED) refundable of Rs 36.687 million, addition of imputed interest on loans to employees and executives of Rs 20.599 million and not considering net loss.

In the year 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting EPCL's position except for additions on account of SED provision of Rs 36.687 million and imputed interest on loans to employees and executives to the extent of Rs 17.430 million, which were maintained. EPCL filed a reference with HCS against the additions maintained by ATIR. Likewise, the tax department has also filed reference with HCS against the order passed by the ATIR in favour of EPCL. The management of EPCL, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favourable and, accordingly, has not recognized the effects for the same in these consolidated financial statements.

Through Finance Act 2015, section 4B of Income Tax Ordinance, 2001 was inserted which levied super tax at specified rates on income for the tax year 2015. This levy was subject to the threshold of taxable income of Rs 500 million. The levy was extended uptil tax year 2020 vide subsequent Finance Acts. Through Finance Supplementary Act, 2019, the levy of super tax has amended the rate of super tax to 0% from tax year 2020 and onwards for companies other than banking companies. On August 1, 2018, EPCL filed petition against the levy of super tax in the Court and based on the opinion of its legal advisor, EPCL has made a provision for full amount of Super tax of Rs 328 million. In the year 2020, super tax was declared intra virus by the Court and has been declared a tax rightly introduced through Finance Act and vacated all the stays filed in this respect. Consequently, EPCL received various notices from tax authorities for recovery of super tax for the tax years 2017 to 2019. EPCL filed appeal against the said notices with CIRA whereby the action of Officer has been confirmed by CIRA for tax years 2017 to 2019. EPCL filed an appeal before Appellate Tribunal against the decision of CIRA which is pending adjudication.

In the meanwhile, EPCL also filed petition in Supreme Court against the order of the Court, which is pending adjudication. In November 2020, the Supreme Court conditionally granted stay subject to deposit of 50% of super tax demand. EPCL accordingly has discharged 50% of the said liability.

41.5 Elengy Terminal Pakistan Limited (ETPL) and its subsidiary company

41.5.1 The ETPL's tax exemption period ended on March 28, 2020. In the post exemption period, ETPL applied for issuance of nil deduction certificate on the premise that its income from terminal services falls under clause 42 of Part IV of Second Schedule. However, the Commissioner Inland Revenue (the Commissioner) rejected the ETPL's request. Thereafter, ETPL filed Revision Application with the Chief Commissioner Inland Revenue, who maintained the action of the Commissioner. ETPL in consultation with the lawyer filed Constitution Petition before the HCS and through the interim orders the Court has directed SSGCL not to withhold tax on payments made to ETPL, however, this is subject to submission of Bank Guarantee [BG] of equal amount with the Nazir of HCS. ETPL in compliance with the HCS directions is submitting BG and, based on assessment, has recognized the current tax charge based on the withholding tax deductible considering this as a minimum tax liability of ETPL as per the applicable provisions of the ITO, 2001.

Associated Company and Joint Venture

41.6 FrieslandCampina Engro Pakistan Limited (FCEPL)

Following is the position of the FCEPL's open tax assessments:

41.6.1 FCEPL in accordance with section 59B 'Group Relief' of the Income Tax Ordinance (ITO), 2001 had surrendered to ECL, its tax losses amounting to Rs 4,288.134 million out of the total tax losses of Rs 4,485.498 million for the financial years ended December 31, 2006, 2007 and 2008 (i.e. tax years 2007, 2008 and 2009) for cash consideration aggregating to Rs 1,500.847 million, being equivalent to tax benefit / effect thereof.

FCEPL had been designated as part of ECL 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 notified by the SECP on December 31, 2008.

The Appellate Tribunal Inland Revenue (ATIR), in respect of surrender of aforementioned tax losses by the Company to ECL for the financial years ended December 31, 2006 and 2007, decided the appeals on July 1, 2010 in favor of ECL, whereby, allowing the surrender of tax losses by the Company to ECL. The tax authority has filed reference application dated October 23, 2010 there against before the High Court of Sindh, which is under the process of hearings. On May 20, 2013, ATIR also decided similar appeal filed by ECL for the year ended December 31, 2008 in favor of ECL. The FCEPL based on the merits of the case expects a favorable outcome of the matter.

41.6.2 On January 29, 2009, DCIR reduced tax loss from Rs 1,224.964 million to Rs 1,106.493 million for the tax year 2007. Being aggrieved with the impugned order, the Company has filed appeal before the CIRA on March 11, 2009, which is pending for adjudication. However, FCEPL, based on the opinion of its tax consultant, is confident of a favorable outcome of the appeal, and hence no provision has been recognized in these consolidated financial statements.

41.7 Relationship between tax expense and accounting profit

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Group's applicable tax rate as follows:

	2021	2020
	-------- (Rupees in '000) --------	
Profit before taxation	**70,258,819**	52,861,928
Tax calculated at the rate of 29% (2020: 29%)	**20,375,058**	15,329,959
Effect of exemption from tax on certain income	**(4,319,691)**	(5,559,674)
Effect of applicability of lower tax rate, FTR and other tax credits / debits	**2,333,604**	2,032,204
Tax effect of expenses not allowed for tax purposes	**1,214,697**	499,032
Effect of prior year charges and deferred tax charge	**(1,466,516)**	(2,962,828)
Un-recoupable minimum turnover tax	**5,298**	-
Tax effect of minimum tax liability on imports, exports and local trading	**541,986**	-
Others	**869,131**	892,993
Tax charge for the year	**19,553,567**	10,231,687

42. PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS

As stated in note 2.1.3.1, the Board of Directors of EDL has decided to discontinue its operations. As a result, financial performance of EDL has been classified as discontinued operations, a summary of which is as follows:

	2021	2020
	-------- (Rupees in '000) --------	
Revenue		
Cost of sales	**-**	8,804
Gross (loss) / profit	**-**	(44,401)
	-	(35,597)
Administrative expenses		
Other operating expenses	**(2,642)**	(98,460)
Other income	**(4,365)**	(161,757)
Loss from operations	**32,389**	15,054
	25,382	(280,760)
Finance cost	**(7,308)**	(6)
Loss before taxation	**18,074**	(280,766)
Taxation	**11,209**	1,402
Loss for the year	**29,283**	(279,364)

43. EARNINGS PER SHARE - BASIC AND DILUTED

43.1 Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

As at December 31, 2021, there is no dilutive on the basic earnings per share of the Group earnings per share is based on following:

	2021	2020
	-------- (Rupees in '000) --------	
Profit / (loss) for the year, attributable to:		
- continuing operations	**8,512,767**	7,686,565
- discontinued operations	**10,900**	(103,990)
	8,523,667	7,582,575
	-----(Number in thousands) -----	
Weighted average number of ordinary shares for determination of basic and diluted EPS	**481,287**	481,287
Earnings / (loss) per share - Basic and Diluted		
- continuing operations	**17.69**	15.97
- discontinued operations	**0.02**	(0.21)
	17.71	15.76

44. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

41.1 The aggregate amounts for remuneration, including all benefits, to the Chief Executive Officer and Directors of the Holding Company and Executives of the Group are as follows:

	2021			2020		
	Chief Executive Officer	**Directors**	**Executives**	Chief Executive Officer	Directors	Executives
	(Rupees in '000)			(Rupees in '000)		
Managerial remuneration	**18,581**	**-**	**6,886,315**	15,557	-	5,715,571
Remuneration to non-executive directors	**-**	**263,401**	**-**	-	234,567	-
Retirement benefits funds including ex-gratia	**4,335**	**-**	**734,455**	3,629	-	546,337
Rent and utilities	**10,220**	**37,816**	**62,040**	8,556	37,709	29,394
Medical	**1,548**	**4,075**	**6,222**	1,296	3,745	4,666
Other benefits	**481**	**7,842**	**797,078**	546	6,741	774,687
Total	**35,165**	**313,134**	**8,486,110**	29,584	282,762	7,070,655
Number of persons including those who worked part of the year	**1**	**4**	**1,254**	1	4	1,145

44.2 In addition, the Chief Executive Officer (CEO), certain directors and executives are provided with Group owned and maintained cars.

44.3 Meeting fees aggregating Rs 16 million (2020: Rs 18.75 million) were paid to 5 directors (2020: 7 directors).

44.4 The names of the key management personnel of the Group and directors are stated in note 53.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

45. RETIREMENT BENEFITS

45.1 Defined benefit plans

The Group offers a defined post-employment gratuity benefit plans to permanent management and non-management employees. In addition, until June 30, 2005, the Group offered a defined post-employment pension benefit to management employees in service which has been discontinued and the plan now only covers a handful of retired pensioners.

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Act, 2017, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

Responsibility for governance of plan, including investment decisions and contribution schedule lie with the Board of Trustees of the Fund.

The Group faces the following risks on account of defined benefit plans:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Group has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments of 3, 5 or 10 year Special Savings Certificates, Regular Income Certificates, Defence Savings Certificates or Government Bonds. However, investments in equity instruments are subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contributions to the Fund as advised by the actuary.

In addition to the above, the pension fund exposes the Group to Longevity Risk i.e. the pensioners survive longer than expected.

45.1.1 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2021 for the Holding Company, ECL and its subsidiary companies, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

45.1.2 Consolidated statement of financial position reconciliation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2021	2020	**2021**	2020
	(Rupees in '000)			
Present value of defined benefit obligation	**476,398**	570,000	**22,324**	26,836
Fair value of plan assets	**(357,626)**	(540,631)	**(42,821)**	(38,820)
Deficit / (Surplus)	**118,772**	29,369	**(20,497)**	(11,984)
Payable to Defined Gratuity Fund	**-**	10,110	**-**	-
Payable in respect of inter group transfers	**-**	46	**-**	-
Unrecognised asset	**-**	-	**20,497**	11,984
Net liability recognised in the statement of financial position	**118,772**	39,525	**-**	-

45.1.3 Movement in net (assets) / liability recognised in the Statement of financial position

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2021	2020	**2021**	2020
	(Rupees in '000)			
Net liability at beginning of the year	**39,525**	227,131	**-**	-
Expense / (income) for the year	**35,471**	57,353	**(978)**	(1,521)
Net contribution by the Group	**(7,704)**	(224,385)	**-**	-
Remeasurement loss / (gain) recognised in Other Comprehensive Income	**61,636**	(20,574)	**978**	1,521
Payments made to outgoing members	**(10,156)**	-	**-**	-
			-	-
Net liability at end of the year	**118,772**	39,525	**-**	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021
(Amounts in thousand)

45.1.4 Movement in present value of defined benefit obligation

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2021	2020	**2021**	2020
	(Rupees in '000)			
As at beginning of the year	**570,000**	545,983	**26,836**	24,018
Current service cost	**33,777**	33,541	**-**	-
Interest cost	**47,951**	60,691	**2,118**	2,488
Benefits due but not paid	**(7,922)**	-	**-**	-
Benefits paid during the year	**(220,529)**	(46,108)	**(3,192)**	(3,910)
Remeasurement loss / (gain) recognised in Other Comprehensive Income	**53,121**	(24,107)	**(3,438)**	4,240
As at end of the year	**476,398**	570,000	**22,324**	26,836

45.1.5 Movement in fair value of plan assets

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2021	2020	**2021**	2020
	(Rupees in '000)			
As at beginning of the year	**540,631**	329,008	**38,820**	38,277
Expected return on plan assets	**46,257**	36,879	**3,096**	4,009
Contributions by the Group	**7,704**	224,385	**-**	-
Benefits paid during the year	**(220,529)**	(46,108)	**(3,192)**	(3,910)
Benefits due but not paid	**(7,922)**	-	**-**	-
Remeasurement (loss) / gain recognised in Other Comprehensive Income	**(8,515)**	(3,533)	**4,097**	444
As at end of the year	**357,626**	540,631	**42,821**	38,820

45.1.6 Charge for the year

Current service cost	**33,777**	33,541	**-**	-
Net Interest cost / (income)	**1,694**	23,812	**(978)**	(1,521)
	35,471	57,353	**(978)**	(1,521)

	2021	2020	2021	2020
45.1.7 Principal actuarial assumptions used in the actuarial valuation				
Discount rate	**11.75%**	8.5% - 9.75%	**11.75%**	11.25%
Expected rate of return on plan assets - per annum	**11.75%**	8.5%	**11.75%**	-
Expected rate of increase in future salaries - per annum	**10.75% - 11.75%**	10.3% - 11.3%	**-**	-
	-------------------- (Rupees in '000) --------------------			
45.1.8 Actual return on plan assets	**37,742**	34,066	**7,193**	4,453

45.1.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the consolidated statement of financial position date.

45.1.10 Expected contribution for the year ending December 31, 2022 is as follows:

	(Rupees in '000)
Defined benefit gratuity plans	32,063
Defined benefit pension plan	(2,278)

45.1.11 Remeasurement (loss) / gain recognised in Other Comprehensive Income

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2021	2020	**2021**	2020
	-------------------- (Rupees in '000) --------------------			
(Loss) / gain from change in experience adjustments	**(52,058)**	23,723	**(286)**	(832)
Gain / (loss) from change in financial assumptions	**(1,063)**	384	**3,724**	(3,408)
Remeasurement (loss) / gain of Obligation	**(53,121)**	24,107	**3,438**	(4,240)
Actual return on plan assets	**37,742**	34,066	**7,193**	4,453
Expected return on plan assets	**(46,257)**	(36,879)	**(3,096)**	(4,009)
Difference in opening fair value of plan assets	**-**	(720)	**-**	-
Remeasurement (loss) / gain of Plan Assets	**(8,515)**	(3,533)	**4,097**	444
Effect of asset ceiling	**-**	-	**(8,513)**	2,275
	(61,636)	20,574	**(978)**	(1,521)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

(Amounts in thousand)

45.1.12 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Defined Benefit Gratuity Plans Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	Increase in Assumption	Decrease in Assumption	**Increase in Assumption**	Decrease in Assumption
	------------------------ (Rupees in '000) ------------------------			
Discount rate	**384,306**	514,530	**21,281**	23,353
Long term salary increases	**514,556**	442,370	**-**	-
Long term pension increases	**-**	-	**23,468**	21,266

45.1.13 Maturity Profile

	Gratuity Plans	Pension Plan
	-------- (Rupees in '000) --------	
Time in years		
1	25,872	3910
2	58,114	3910
3	102,088	3910
4	44,897	3910
5-10	370,547	3910
11-15	520,841	3910
16-20	626,973	3910
20+	2,254,331	3910
Weighted average duration	4.72	4.22

45.2 Defined contribution plans

An amount of Rs 555.428 million (2020: Rs 408.759 million) has been charged during the year in respect of defined contribution plans maintained by the Group.

		2021	2020
		-------- (Rupees in '000) --------	
46.	**CASH GENERATED FROM OPERATIONS**		
	Profit before taxation	**75,887,915**	58,220,509
	Adjustment for non-cash charges and other items:		
	Depreciation on PPE	**11,911,999**	13,193,606
	Depreciation ROU assets	**1,076,814**	808,174
	Return on Investment	**(6,012,505)**	(6,970,128)
	Remeasurement gain on provision for GIDC	**1,123,547**	(2,904,978)
	Rent concession on lease liability	**(24,205)**	(44,704)
	Gain on termination of lease liability	**18**	(22,493)
	Reversal of provision of Workers Welfare Fund	**-**	(180,079)
	Impairment charge to e2e - net	**-**	2,000
	Amortization of intangible assets	**245,540**	179,957
	Amortization of direct cost on FSRU	**86,516**	86,516
	Charge in respect of defined benefit liabilities	**8,616**	7,862
	Provisions, net	**811,707**	2,447,451
	Gain on disposal of property, plant and equipment - net	**(7,642)**	(2,703)
	Income on deposits / other financial assets	**(7,756,358)**	(10,054,078)
	Share of income from joint venture and associated companies	**(3,226,697)**	(2,796,374)
	Financial charges	**12,494,284**	17,965,071
	Foreign currency translation	**754,554**	429,241
	Impairment of investment	**-**	484,550
	Finance income on net investment in lease	**(5,153,362)**	(5,400,497)
	Finance cost on lease liability	**3,933,976**	3,876,418
	Amortization of deferred income	**(177,078)**	-
	Write-off assets and liabilities - net	**130,662**	-
	Impairment of long term investment	**691,371**	-
	Default surcharge on GIDC	**156,583**	-
	Loss allowance on subsidy receivable from GoP	**557,700**	-
	Working capital changes (note 46.1)	**(26,765,720)**	8,861,345
		60,748,235	78,186,666
46.1	**Working capital changes**		
	(Increase) / decrease in current assets		
	- Stores, spares and loose tools	**(1,853,932)**	(1,414,087)
	- Stock-in-trade	**(12,476,649)**	1,519,587
	- Trade debts	**(8,178,465)**	748,147
	- Loans, advances, deposits and prepayments	**(192,677)**	382,206
	- Other receivables - net	**(10,270,944)**	(3,558,316)
		(32,972,667)	(2,322,463)
	Increase in current liabilities		
	- Trade and other payables and provisions	**6,206,947**	11,183,808
		(26,765,720)	8,861,345

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

		2021	2020
		-------- (Rupees in '000) --------	
47.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances (note 21)	**40,825,163**	24,736,213
	Short term investments (note 20)	**72,639,373**	47,879,477
	Short term borrowings (note 31)	**(26,333,204)**	(12,505,120)
		87,131,332	60,110,570
48.	**FINANCIAL INSTRUMENTS BY CATEGORY**		
48.1	**Financial assets**		
	- Financial assets at amortised cost		
	Long term investments	**3,592,784**	5,160,833
	Net investment in lease	**49,208,145**	47,812,622
	Long term loans and other receivables	**2,158,825**	1,564,384
	Trade debts	**59,597,915**	50,750,067
	Loans, advances and deposits	**1,902,825**	1,492,459
	Other receivables	**10,245,653**	8,554,610
	Accrued income	**647,250**	653,244
	Short term investments	**64,284,157**	19,418,979
	Cash and bank balances	**40,867,935**	24,838,343
		232,505,489	160,245,541
	- Financial assets measures at fair value through other comprehensive income		
	Short term investments	**-**	54,052,842
	Derivative financial instruments	**92,805**	-
		92,805	54,052,842
	- Financial assets measured at fair value through profit or loss		
	Short term investments	**31,618,661**	33,872,533
48.2	**Financial liabilities**		
	- Financial liabilities at amortised cost		
	Borrowings	**162,928,247**	165,238,637
	Lease liabilities	**59,294,694**	55,571,440
	Trade and other payables	**84,307,599**	69,117,430
	Short term borrowings	**29,764,791**	12,505,120
	Unclaimed dividend	**1,565,689**	652,103
	Accrued interest / mark-up	**1,416,397**	1,434,014
		339,277,417	304,518,744

49. FINANCIAL RISK MANAGEMENT

49.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

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

Risk managed and measured by the Group are explained below:

a) Market risk

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

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

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

This exists due to the Group's exposure resulting from outstanding import payments, foreign commercial transactions, foreign currency loan liabilities, related interest payments and foreign currency bank accounts. A foreign exchange risk management policy has been developed and approved by the management. The policy allows the Group to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Group ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

At December 31, 2021, if the foreign exchange rate had weakened / strengthened by 1% against Pakistani Rupee with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs 913.247 million.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from short and long-term borrowings and short term investments. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

Fair value risk - Presently, fair value risk to the Group arises from 'balances with banks' and T-bills which are based on fixed interest rates. As at December 31, 2021, the impact of increase / decrease in fixed interest rates by 100 basis points would not have a material impact on the profit after tax of the Group.

Future cash flow risk - Presently, future cash flow risk to the Group arises from long term financings and short term investments (PIBs and TDRs) which are based on floating interest rates. As at December 31, 2021, had there been increase / decrease of 100 basis points in KIBOR, with all other variables held constant, profit after taxation for the year then ended would have been higher / lower by Rs 1,047.239 million mainly as a result of interest income (net).

The Group analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether to enter into hedging alternatives.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group is exposed to price risk on its equity and mutual fund investments.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by management.

The Group's fertilizer segment is exposed to concentration of credit risk on its trade debts by virtue of all its customers being agri-based business in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing a majority of trade debts against bank guarantees inland letter of credits and by the fact that the exposure is spread over a wide customer base.

The Group's power segment is not exposed to any credit risk on its trade debts as these are secured by sovereign guarantee from the Government of Pakistan.

The Group's polymer / chemical segment is not materially exposed to credit risk on trade debts as unsecured credit is provided to selected parties with no significant default in recent history and a major part is secured by bank guarantees.

The Group's terminal segment is not materially exposed to credit risk on trade debt, other and lease receivables from SSGC considering history, no default has been made by the customer and payments are received on a timely basis.

The Group's connectivity and telcom segment is not materially exposed to credit risk on balances with banks and financial institution, deposits, trade debts and other receivables.

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2021	2020
	-------- (Rupees in '000) --------	
Loans and advances	**3,094,426**	1,939,419
Trade debts	**20,846,974**	31,753,328
Other receivables	**2,384,219**	10,686,134
Short term investments	**88,996,967**	102,217,729
Bank balances	**40,867,935**	24,838,343
Accrued income	**647,250**	598,940
	156,837,771	172,033,893

c) Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available.

The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

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

	2021			2020		
	Maturity upto one year	**Maturity after one year**	**Total**	Maturity upto one year	Maturity after one year	Total
	(Rupees)					
Financial liabilities						
Borrowings	**58,753,357**	**143,349,916**	**202,103,273**	42,513,612	135,230,145	177,743,757
Lease liabilities	**10,426,259**	**78,538,247**	**88,964,506**	9,119,311	73,237,332	82,356,643
Trade and other payables	**84,216,038**	**-**	**84,216,038**	69,117,430	-	69,117,430
Unclaimed Dividend	**1,565,689**	**-**	**1,565,689**	275,406	-	275,406
Accrued interest / mark-up	**1,416,075**	**-**	**1,416,075**	1,434,014	-	1,434,014
	156,377,418	**221,888,163**	**378,265,581**	122,459,773	208,467,477	330,927,250

50. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

51. FAIR VALUE ESTIMATION

The carrying value of all financial assets and liabilities reflected in these consolidated financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different fair value 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); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
As at December 31, 2021				
Fair value through profit or loss				
- Short term investments	9,491,779	22,126,882	-	31,618,661
Fair value through other comprehensive income				
- Derivative financial statements	-	92,805	-	92,805
As at December 31, 2020				
Fair value through profit or loss				
- Short term investments	5,126,625	28,745,908	-	33,872,533
Fair value through other comprehensive income				
- Short term investments	-	54,052,842	-	54,052,842

Level 1 fair value instruments comprise quoted shares.

Level 2 fair value instruments have been recorded on the basis of PKRV rates and closing net asset values for government securities and mutual fund units respectively.

There were no transfers amongst the levels during the year. Further, there were no changes in the valuation techniques during the year.

52. SEGMENT REPORTING

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

Type of segments	**Nature of business**
Fertilizer	This part of the business manufactures, purchases and markets fertilizers. The operations of this segment includes a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro and Engro DAP optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phospatic fertilizers.
Polymer	This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries.
Terminal	This part of the business includes operating and maintaining integrated liquid chemical terminal and storage farm, and LNG terminal for receipt, storage and regasification of LNG.
Power and mining	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and operations and management services in Pakistan and Nigeria.
Connectivity and telcom	This part of the business includes buying, building, maintaining and operating telecommunication infrastructure and ancillary products and services.
Other operations	It includes management of investments in associates and joint ventures. It also includes investments made in the foods, telecommunication infrastructure and digital and technology services and products.

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

52.2 The following information presents operating results regarding operating segments for the year ended December 31, 2021 and asset information regarding operating segments as at December 31, 2021:

	Fertilizer		Polymer		Terminal		Power and mining		Connectivity and telcom		Other operations		Elimination - net		Consolidated	
	(Rupees in '000)															
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue from external customers (note 33)	132,363,138	105,846,314	70,021,678	35,331,398	12,959,789	13,150,667	87,525,307	88,552,644	4,489,277	1,409,042	25,186,074	19,767,477	(20,764,564)	(15,174,984)	311,780,699	248,882,558
Segment gross profit / (loss)	44,074,160	34,254,688	24,035,625	10,949,269	4,281,671	4,207,071	24,139,901	26,474,655	2,085,645	315,403	21,209,766	15,449,064	(20,435,947)	(15,707,379)	99,390,821	75,942,771
Segment expenses - net of other income	(13,655,222)	(11,159,261)	(3,439,552)	(1,623,531)	(723,140)	(400,410)	1,096,415	973,121	(929,772)	(578,371)	(6,085,347)	(11,269,204)	997,389	1,567,163	(22,739,229)	(22,490,493)
Income on deposits / other Interest income	1,631,204	1,439,335	1,294,603	1,099,166	486,850	561,468	1,065,730	1,360,486	835,351	25,816	10,149,985	13,737,031	(7,106,149)	1,123,947	8,357,574	19,347,249
Finance cost (note 39)	(1,602,197)	(3,236,285)	(1,903,508)	(2,191,135)	(811,304)	(727,203)	(11,755,063)	(14,042,514)	(2,711,648)	(1,015,387)	(474,706)	(1,285,759)	1,839,082	1,003,222	(17,419,344)	(21,495,061)
Loss allowance on subsidy receivable from GoP	(557,700)	(1,238,912)	-	-	-	-	-	-	-	-	-	-	-	-	(557,700)	(1,238,912)
Share of income from joint venture and associates (note 40)	-	-	-	-	1,175,457	1,399,385	1,331,413	1,326,396	-	-	719,827	70,593	-	-	3,226,697	2,796,374
Income tax (charge) / credit (note 41)	(8,797,588)	(3,165,130)	(4,926,657)	(2,503,533)	(1,672,342)	(1,281,697)	(1,230,392)	(1,165,069)	139,515	(27,854)	(2,658,070)	(2,078,650)	(408,033)	(9,754)	(19,553,567)	(10,231,687)
Segment profit / (loss) after tax - continued operations	21,092,657	16,894,435	15,060,511	5,730,236	2,737,192	3,758,614	14,648,004	14,927,075	(580,909)	(1,280,393)	22,861,455	14,623,075	(25,113,658)	(12,022,801)	50,705,252	42,630,241
Segment profit / (loss) after tax from discontinued operations																
Segment gain / (loss) - discontinued operations	-	-	-	-	-	-	-	-	29,283	(279,364)	-	-	-	-	29,283	(279,364)
	21,092,657	16,894,435	15,060,511	5,730,236	2,737,192	3,758,614	14,648,004	14,927,075	(551,626)	(1,559,757)	22,861,455	14,623,075	(25,113,658)	(12,022,801)	50,734,535	42,350,877
Segment assets	132,818,383	131,713,375	77,985,743	69,093,661	64,339,032	62,338,352	243,371,269	214,364,787	44,859,768	17,918,151	122,676,956	121,778,170	(57,421,977)	(48,322,057)	628,629,174	568,884,439
Investment in joint venture / associates (note 8)	-	-	-	-	-	-	6,722,991	5,605,313	-	-	27,349,835	26,639,774	-	-	34,072,826	32,245,087
Total segment assets	132,818,383	131,713,375	77,985,743	69,093,661	64,339,032	62,338,352	250,094,260	219,970,100	44,859,768	17,918,151	150,026,791	148,417,944	(57,421,977)	(48,322,057)	662,702,000	601,129,526
Total segment liabilities	85,731,575	84,982,635	48,017,833	42,967,530	56,715,706	55,528,898	178,169,148	163,108,406	27,071,529	20,001,170	24,750,246	22,583,363	(11,744,341)	(19,704,051)	408,711,696	369,467,951
Capital expenditure	10,567,296	5,175,376	3,600,670	7,318,314	102,530	224,959	1,469,212	481,723	4,323,274	4,960,390	458,388	491,752	-	(18,337)	20,521,370	18,634,177
Impairment of long term investment	-	-	-	-	-	-	383,829	484,550	-	-	-	-	-	-	383,829	484,550
Depreciation	2,884,200	5,236,004	2,251,063	1,740,206	400,486	433,315	5,718,469	5,650,980	1,156,702	389,367	577,893	559,734	-	30,100	12,988,813	14,039,706
Amortization of intangible assets (note 7.1)	144,891	107,257	33,740	25,193	9,250	10,160	26,741	12,575	2,749	1,050	32,035	28,199	(3,866)	(3,862)	245,540	180,572

52.3 Revenue derived from CPPA-G which is in excess of 10% or more of the Group's revenue amounting to Rs 87,525.307 million (2020: Rs 88,150.682 million), attributable to power and mining segment.

53. TRANSACTIONS WITH RELATED PARTIES

Following are the details of associated undertakings and other related parties with whom the Group entered into transactions or had agreements and arrangements in place during the year:

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
1	Abrax (Private) Limited	N/A	Associate / Common Directorship
2	Grid Egde (Private) Limited	N/A	Associate / Common Directorship
3	HERE (Amsterdam)	N/A	Associate / Common Directorship
4	Karachi Education Initiative	N/A	Associate / Common Directorship
5	Mozart (Private) Limited	N/A	Associate / Common Directorship
6	Pakistan Society of Human Resource Management	N/A	Associate / Common Directorship
7	SETI Institute	N/A	Associate / Common Directorship
8	Sirius (Private) Limited	N/A	Associate / Common Directorship
9	Teach the World Foundation	N/A	Associate / Common Directorship
10	Arabian Sea Country Club	N/A	Associated Company
11	FrieslandCampina Engro Pakistan Limited	N/A	Associated Company
12	GEL Utility Limited	N/A	Associated Company
13	Habib Bank Limited	N/A	Associated Company
14	International Finance Corporation	N/A	Associated Company
15	IQ Nexus Management Cooperatie U.S.A	N/A	Associated Company
16	Mitsubishi Corporation	N/A	Associated Company
17	Siddiqsons Energy Limited	N/A	Associated Company
18	Sindh Engro Coal Mining Company Limited	N/A	Associated Company
19	Thar Power Company Limited	N/A	Associated Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021
(Amounts in thousand)

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
20	Vopak LNG Holding B.V., Incorporated in Netherlands	N/A	Associated Company
21	Engro Foundation	N/A	Associated Company
22	Thar Foundation	N/A	Associated Company
23	Engro Vopak Terminal Limited	N/A	Joint Venture
24	Mr. Ghias Khan	N/A	Chief Executive Officer of ECL
25	Mr. Mazhar Abbas Hasnani	N/A	Chief Financial Officer of ECL
26	Brainchild Communication Pakistan (Private) Limited	N/A	Common Directorship
27	Dawood Industries (Private) Limited	N/A	Common Directorship
28	Meezan Bank Limited	N/A	Common Directorship
29	Pakistan Institute of Corporate Governance	N/A	Common Directorship
30	Pakistan Oxygen Ltd (formerly known as Linde Pakistan Limited)	N/A	Common Directorship
31	Mr. Khawaja Iqbal Hassan	0.01%	Director of ECL
32	Mr. Mohammad Abdul Aleem	0.04%	Director of ECL
33	Mr. Raihan Merchant	N/A	Director of ECL
34	Mr. Rizwan Diwan	N/A	Director of ECL
35	Ms. Dominique Russo	N/A	Director of ECL
36	Ms. Henna Inam	N/A	Director of ECL
37	Mrs. Ayesha Dawood	N/A	Spouse of Director
38	Mrs. Humera Aleem	0.01%	Spouse of Director
39	Mr. Asad Said Jafar	N/A	Director of other Group Company
40	Mr. Asim Murtaza Khan	N/A	Director of other Group Company
41	Mr. Eram Hasan	N/A	Director of other Group Company
42	Mr. Feroz Rizvi	N/A	Director of other Group Company
43	Mr. Hideki Adachi	N/A	Director of other Group Company
44	Mr. Jahangir Piracha	N/A	Director of other Group Company
45	Mr. Jarmo Stoopman	N/A	Director of other Group Company
46	Mr. Javed Akbar	N/A	Director of other Group Company
47	Mr. Khusrau Nadir Gilani	N/A	Director of other Group Company
48	Mr. Nadir Salar Qureshi	N/A	Director of other Group Company
49	Mr. Nazoor Ali Baig	N/A	Director of other Group Company
50	Mr. Noriyuki Koga	N/A	Director of other Group Company
51	Mr. Shahab Qader	N/A	Director of other Group Company
52	Mr. Syed Manzoor Hussain Zaidi	N/A	Director of other Group Company
53	Mr. Vakar Zakaria	N/A	Director of other Group Company
54	Mr. Wang Pu	N/A	Director of other Group Company
55	Mr. Yusuf Siddiqui	N/A	Director of other Group Company
56	Mr. Zafaryab Khan	N/A	Director of other Group Company
57	Mr. Zeeshan Taj Khan	N/A	Director of other Group Company
58	Ms. Anne-Marie Kroon	N/A	Director of other Group Company

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
59	Ms. Ayesha Aziz	N/A	Director of other Group Company
60	Mr. Abdul Qayoom	N/A	Key Management Personnel
61	Mr. Adil Mushtaq	N/A	Key Management Personnel
62	Mr. Ahmad Shakoor	N/A	Key Management Personnel
63	Mr. Ahsan Zafar Syed	N/A	Key Management Personnel
64	Mr. Aman Ul Haque	N/A	Key Management Personnel
65	Mr. Amir Iqbal	N/A	Key Management Personnel
66	Mr. Aneeq Ahmed	N/A	Key Management Personnel
67	Mr. Asghar Ali Khan	N/A	Key Management Personnel
68	Mr. Athar Abrar Khawaja	N/A	Key Management Personnel
69	Mr. Chaudhary Muhammad Azhar Nawaz	N/A	Key Management Personnel
70	Mr. Fahd Khawaja	N/A	Key Management Personnel
71	Mr. Faisal Imran Hussain Malik	N/A	Key Management Personnel
72	Mr. Faiz Chapra	N/A	Key Management Personnel
73	Mr. Farooq Barkat Ali	N/A	Key Management Personnel
74	Mr. Farooq Nazim Shah	N/A	Key Management Personnel
75	Ms. Fatima Khusnood	N/A	Key Management Personnel
76	Mr. Hasnain Moochhala	N/A	Key Management Personnel
77	Mr. Imran Ahmed	N/A	Key Management Personnel
78	Mr. Kaiser Bengali	N/A	Key Management Personnel
79	Mr. Kalimuddin A Khan	N/A	Key Management Personnel
80	Mr. Kan Li	N/A	Key Management Personnel
81	Mr. Kashif Ahmed Soomro	N/A	Key Management Personnel
82	Mr. Khawaja Bilal Hussain	N/A	Key Management Personnel
83	Mr. Mahmood Siddiqui	N/A	Key Management Personnel
84	Mr. Mohammad Azhar Malik	N/A	Key Management Personnel
85	Mr. Mohammed Saqib	N/A	Key Management Personnel
86	Mr. Muhammad Danial Ali	N/A	Key Management Personnel
87	Mr. Muhammad Idrees	N/A	Key Management Personnel
88	Mr. Muhammad Imran Khalil	N/A	Key Management Personnel
89	Mr. Muhammad Majid Latif	N/A	Key Management Personnel
90	Mr. Rizwan Masood Raja	N/A	Key Management Personnel
91	Mr. Salman Goheer	N/A	Key Management Personnel
92	Mr. Salman Hafeez	N/A	Key Management Personnel
93	Mr. Shahzad Nabi	N/A	Key Management Personnel
94	Mr. Shariq Abdullah	N/A	Key Management Personnel
95	Mr. Sulaiman Ijaz	N/A	Key Management Personnel
96	Mr. Syed Abbas Raza	N/A	Key Management Personnel
97	Mr. Syed Ali Akbar	N/A	Key Management Personnel
98	Mr. Syed Ammar Shah	N/A	Key Management Personnel
99	Mr. Syed Kaleem Asghar Naqvi	N/A	Key Management Personnel
100	Mr. Syed Mohsin Hassan	N/A	Key Management Personnel
101	Mr. Syed Zaheer Mehdi	N/A	Key Management Personnel
102	Mr. Xiangwei Duan	N/A	Key Management Personnel
103	Mr. Zamin Zaidi	N/A	Key Management Personnel
104	Mr. Zeshan Taj Khan	N/A	Key Management Personnel

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
105	Mrs. Fauzia Viqar	N/A	Key Management Personnel
106	Mrs. Sadaf Aslam	N/A	Key Management Personnel
107	Ms. Ekta Sitani	N/A	Key Management Personnel
108	Ms. Rabia Wafah Khan	N/A	Key Management Personnel
109	Ms. Rizwana Halepoto	N/A	Key Management Personnel
110	Ms. Shomaila Loan	N/A	Key Management Personnel
111	Engro Corporation Limited DC Gratuity Fund	N/A	Post Employment Benefit Fund
112	Engro Corporation Limited DC Pension Fund	N/A	Post Employment Benefit Fund
113	Engro Corporation Limited MPT DB Gratuity Fund	N/A	Post Employment Benefit Fund
114	Engro Corporation Provident Fund	N/A	Post Employment Contribution Fund
115	Engro Fertilizers Limited NMPT Gratuity Fund	N/A	Post Employement Benefit Fund
116	Engro Fertilizers Limited Pension Fund	N/A	Post Employement Benefit Fund
117	EmpiricAI Limited (UK)	N/A	Associated company
118	Dawood Lawrencepur Limited	16.19%	Associated company
119	Cyan Limited	N/A	Associated company
120	Inbox Business Technologies Limited	N/A	Associated company
121	The Dawood Foundation	3.95%	Associated company
122	Dawood Corporation (Private) Limited	N/A	Associated company
123	Sach International (Private) Limited	0.001%	Associated company
124	Tenaga Generasi Limited	N/A	Associated company
125	Reon Energy Limited	N/A	Associated company
126	Reon Alpha Limited	N/A	Associated company
127	Patek (Private) Limited	9.86%	Associated company
128	Shell Pakistan Limited	N/A	Associated company
129	Pakistan Business Council	N/A	Associated undertaking
130	Muller & Phipps Pakistan (Private) Limited	N/A	Associated company
131	Karachi School of Business & Leadership	N/A	Associated undertaking
132	WWF – Pakistan (World Wide Fund For Nature)	N/A	Associated undertaking
133	Overseas Investors Chambers of Commerce and Industry	N/A	Associated undertaking
134	Mr. Shabbir Hussain Hashmi	N/A	Director of the Holding Company
135	Mr. Muhammad Imran Sayeed	N/A	Director of the Holding Company
136	Mr. Hussain Dawood	N/A	Director of the Holding Company
137	Ms. Kulsoom Dawood	N/A	Spouse of Director
138	Ms. Azmeh Dawood	N/A	Family member of Director of the Holding Company.
139	Mr. Shahzada Dawood	N/A	Director of the Holding Company
140	Ms. Sabrina Dawood	N/A	Director of the Holding Company
141	Mr. Parvez Ghias	N/A	Director of the Holding Company
142	Mr. Hasan Reza Ur Rahim	N/A	Director of the Holding Company
143	Mr. Abdul Samad Dawood	N/A	Director of the Holding Company
144	Mr. Kamran Nishat	N/A	Director of the Holding Company
145	Mr. Inam ur Rehman	N/A	Director of the Holding Company
146	DHCL Staff Provident Fund	N/A	Post Employment Contribution Fund
147	DHCL Staff Gratuity Fund	N/A	Post Employment Benefit Fund

53.1 Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

	2021	2020
	-------- (Rupees in '000) --------	
Associated Companies of ECL		
Purchases and services	**45,654,241**	43,345,203
Sale of goods and rendering of services	**16,814**	28,741
Donations	**859,478**	788,225
Payments against EPC contract	**289,825**	-
Short term loan received	**3,500,000**	4,548,437
Reimbursement of expenses made to associated companies	**240,466**	3,042,424
Expenses paid on behalf of associated companies	**482,415**	912,449
Dividends paid / payable	**2,292,461**	-
Loans repaid	**98,083**	3,810,096
Finance costs	**2,277,706**	2,270,758
Repayment of overdraft facility	**500,000**	-
Joint Ventures		
Purchase of services	**2,540,891**	1,662,612
Reimbursements	**35,041**	-
Dividend received	**1,155,000**	1,395,000
Expenses paid on behalf of joint venture company	**177,884**	1,077,739
Repayment of loan	**-**	200,000
Mark-up on loan	**-**	6,068
Retirement funds		
Contribution to retirement benefit and contribution funds	**1,073,795**	789,598
Key management personnel		
Dividend paid	**120,900**	615,317
Directors' fees	**16,000**	18,750
Remuneration and other benefits paid	**136,252**	135,699
Sale of vehicle to key management personnel	**765**	-
Reimbursement to key management personnel	**1,458**	1,754,399
Remuneration of key management personnel	**1,685,167**	1,750,448

53.2 Details of balances with related parties are stated in respective notes to these consolidated financial statements.

53.3 Details of related parties incorporated outside Pakistan with whom the Group had transactions or arrangements in place during the year are as follows:

Related Party	GEL Utility Limited	China Machinery Engineering Corporation	China East Resources Import & Export Corporation	Engro Power Services Limited (EPSL)	Engro Power Investment International B.V. (EPII B.V.)	Engro Power Services Holding B.V. (EPSH B.V.)	Engro Power International Holding B.V. (EPIH)	Engro Eximp FZE
Country of Incorporation	Nigeria	People's Republic of China	People's Republic of China	Netherlands	Netherlands	Netherlands	Netherlands	United Arab Emirates
Effective Holding	16.75% (indirectly through subsidiary)	N/A (indirectly through subsidiary)	N/A (indirectly through subsidiary)	37.22% (indirectly through subsidiary)	37.22% (indirectly through subsidiary)	37.22% (indirectly through subsidiary)	37.22% (indirectly through subsidiary)	37.22% (indirectly through subsidiary)

PROVIDENT FUND

The employees of the Group participate in the provident funds maintained by the Holding Company and ECL and ECL's subsidiaries. Monthly contributions are made both by the companies and the employees to the fund at the rate ranging from 10% to 15% of basic salary.

The investments out of the provident funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified there under.

DONATIONS

Donations include the following in which the Directors of the Holding Company or Group companies are interested:

Director	**Interest in Donee**	**Name of donee**	**2021**
			---(Rupees in '000)---
Hussain Dawood	Director	Karachi Education Initiative	37,936
Sabrina Dawood	Director		
Dominique Russo	Director		
Abdul Samad Dawood	Director		
Ghias Khan	Director		
Hussain Dawood	Chairman	Engro Foundation	632,740
Ghias Khan	Chairman		
Hussain Dawood	Trustee		
Shahzada Dawood	Trustee		
Sabrina Dawood	Trustee		
Abdul Samad Dawood	Trustee	The Dawood Fondation	41,216

Director	**Interest in Donee**	**Name of donee**	2020
			---(Rupees in '000)---
Ghias Khan	Chairman, Board of Trustees	Engro Foundation	664,750
Nadir Salar Qureshi	Trustee		
Ahsan Zafar Syed	Trustee		
Imran Anwar	Trustee		
Jahangir Piracha	Trustee		
Ahsan Zafar Syed	Trustee	Thar Foundation	138,010
Hussain Dawood	Trustee		
Shahzada Dawood	Trustee		
Sabrina Dawood	Trustee		
Abdul Samad Dawood	Trustee	The Dawood Fondation	196,965

55.2 In addition to the details stated in note 55.1, during the year the Group made / accrued the following donations which are above 10% of Group's total amount of donation that is i.e. Rs 1,404.731 million:

	2021
	---(Rupees in '000)---
Engro Foundation	**632,740**
Thar Foundation	**147,568**
Construction of Hospital - Shikarpur	**160,000**

56. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2021	2020	**2021**	2020
Urea (note 56.1)	Metric Tons	**2,275,000**	2,275,000	**2,104,722**	2,263,806
NPK (note 56.1)	Metric Tons	**100,000**	100,000	**144,564**	140,552
PVC Resin (note 56.1)	Metric Tons	**295,000**	195,000	**243,000**	153,000
EDC (note 56.1)	Metric Tons	**127,000**	127,000	**94,000**	79,000
Caustic soda (note 56.1)	Metric Tons	**106,000**	106,000	**92,000**	77,000
Caustic flakes (note 56.1)	Metric Tons	**20,000**	20,000	**8,000**	2,000
VCM (note 56.1)	Metric Tons	**254,000**	204,000	**203,000**	148,000
Power (note 56.2)	Mega Watt Hours	**7,141,295**	7,159,097	**5,076,068**	4,582,884
Power	Mega Watt	**66**	66	**55**	48
Milling / Drying unit of rice processing plant (note 56.3)	Metric Tons	**414,000**	361,000	**148,839**	132,115

56.1 Production planned as per market demand and in house consumption needs.

56.2 Output produced by the plants of EPQL and EPTL is dependent on the load demanded by NTDC and plants' availability.

56.3 Three months season design capacity and production is dependent on availability of rice paddy.

56.4 The annual capacity of EETPL as service provider to SSGCL is 4.5 MTPA and there has been no shortfall during the year.

57. NUMBER OF EMPLOYEES OF THE GROUP

	Number of Employees as at		Average Number of Employees as at	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Management employees	**2,397**	2,263	**2,325**	2,164
Non-management employees	**469**	536	**469**	535
	2,866	2,799	**2,794**	2,699

58. SEASONALITY

The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.

The Group's agri business is subject to seasonal fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in the business through appropriate inventory management.

59. NON-ADJUSTING EVENT AFTER REPORTING DATE

59.1 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company of ECL, in its meeting held on February 4, 2022 has proposed a final cash dividend of Rs 6.61 per share for the year ended December 31, 2021, amounting to Rs 595 million, of which the proportionate share of ECL amounts to Rs 297.5 million.

59.2 These consolidated financial statements do not include the effect of the aforementioned proposed dividends, which will be accounted for in the consolidated financial statements for the year ending December 31, 2022.

60. LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of Subsidiary	Financial year end
Engro Corporation Limited	December 31
EmpiricAI (Private) Limited	December 31
Name of Subsidiaries of ECL	
Engro Fertilizers Limited (EFert)	December 31
EFERT Agritrade (Private) Limited (EAPL)	December 31
Engro Polymer and Chemicals Limited (EPCL)	December 31
Think PVC (Private) Limited	December 31
Engro Peroxide (Private) Limited	December 31
Engro Plasticizer (Private) Limited	December 31
Engro Energy Limited (EEL)	December 31
Engro Power Services Limited (EPSL)	December 31
Engro Power International Holding B.V. (EPIH)	December 31
Engro Power Services Holding B.V. (EPSH B.V.)	December 31
Engro Power Investment International B.V. (EPII B.V.)	December 31
Kolachi Portgen (Private) Limited (KPPL)	December 31
Engro Powergen Qadirpur Limited (EPQL)	December 31
Engro Powergen Thar (Private) Limited (EPTPL)	December 31
Elengy Terminal Pakistan Limited (ETPL)	December 31
Engro Elengy Terminal (Private) Limited (EETPL)	December 31
Engro Eximp FZE (FZE)	December 31
Engro Eximp Agriproducts (Private) Limited (EEAPL)	December 31
Engro Digital Limited (EDigital)	December 31
Engro Connect (Private) Limited	December 31
Engro Infiniti (Private) Limited	December 31
Engro Enfrashare (Private) Limited	December 31
Engro Energy Services Limited (EESL)	December 31
Name of Joint Venture of ECL	
Engro Vopak Terminal Limited (EVTL)	December 31
Name of Associates of ECL	
EFrieslandCampina Engro Pakistan Limited (FCEPL)	December 31
Sindh Engro Coal Mining Company Limited (SECMC)	December 31
Gel Utility Limited (GEL)	December 31
Siddiqsons Energy Limited (SEL)	June 30
Pakistan Energy Gateway Limited (PEGL)	December 31
Magboro Power Company Limited (MPCL)	December 31

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(Amounts in thousand)

Set out below is summarised financial information of ECL which has Non-Controlling Interests (NCI). The amounts disclosed are before inter-company eliminations:

	2021 EPCL ----(Rupees in '000)----
Total Assets	644,321,045
Total Liabilities	401,521,358
Total Comprehensive Income	52,956,203
Total Comprehensive Income allocated to NCI	24,652,718
Accumulated NCI	81,060,639
Cash and cash equivalents	91,662,651
Cash generated from / (utilized in)	
- operating activities	48,605,354
- investing activities	35,750,276
- financing activities	(44,876,716)
Dividend paid / payable to NCI	9,404,642
Interest of NCI	62.78%

61. CORRESPONDING FIGURES

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

62. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorised for issue on March 01, 2022 by the Board of Directors of the Holding Company.

Kamran Hanif	Mohammad Shamoon Chaudry	Shabbir Hussain Hashmi
Chief Financial Officer	Chief Executive	Director

PATTERN OF SHAREHOLDING

As at December 31, 2021

Number of Shareholders	SHARESHOLDINGS From	To	Numbers of Shares Held
689	**1**	100	28,505
742	**101**	500	242,565
411	**501**	1,000	351,689
1,504	**1,001**	5,000	3,292,865
268	**5,001**	10,000	1,997,078
105	**10,001**	15,000	1,316,480
46	**15,001**	20,000	802,279
22	**20,001**	25,000	490,901
20	**25,001**	30,000	573,886
15	**30,001**	35,000	497,990
13	**35,001**	40,000	492,430
11	**40,001**	45,000	471,109
18	**45,001**	50,000	888,116
7	**50,001**	55,000	363,852
3	**55,001**	60,000	175,964
2	**60,001**	65,000	127,816
4	**65,001**	70,000	271,920
3	**70,001**	75,000	224,000
1	**75,001**	80,000	76,241
2	**80,001**	85,000	166,446
2	**85,001**	90,000	173,519
1	**90,001**	95,000	94,200
3	**95,001**	100,000	292,020
1	**100,001**	105,000	102,000
2	**105,001**	110,000	216,000
1	**115,001**	120,000	115,411
1	**120,001**	125,000	120,596
1	**140,001**	145,000	141,000
1	**150,001**	155,000	155,000
1	**155,001**	160,000	160,000
1	**170,001**	175,000	175,000
2	**195,001**	200,000	397,352
1	**230,001**	235,000	231,000
4	**245,001**	250,000	1,000,000
1	**295,001**	300,000	300,000
1	**325,001**	330,000	327,500
1	**335,001**	340,000	336,072
1	**340,001**	345,000	344,500
1	**360,001**	365,000	362,500
1	**555,001**	560,000	558,700
1	**630,001**	635,000	631,192
1	**645,001**	650,000	649,205
2	**995,001**	1,000,000	2,000,000
1	**1,690,001**	1,695,000	1,690,316
1	**2,220,001**	2,225,000	2,220,100
1	**2,995,001**	3,000,000	3,000,000
1	**3,995,001**	4,000,000	3,998,097
1	**4,180,001**	4,185,000	4,181,200
1	**5,905,001**	5,910,000	5,906,612
1	**5,995,001**	6,000,000	6,000,000
2	**10,465,001**	10,470,000	20,930,568
1	**12,200,001**	12,205,000	12,204,788
1	**16,805,001**	16,810,000	16,809,280
4	**18,120,001**	18,125,000	72,481,592
1	**18,990,001**	18,995,000	18,991,988
4	**19,185,001**	19,190,000	76,752,016
2	**21,640,001**	21,645,000	43,281,216
2	**22,860,001**	22,865,000	45,722,500
1	**47,450,001**	47,455,000	47,450,048
1	**77,930,001**	77,935,000	77,931,896
3,944			**481,287,116**

CATEGORIES OF SHAREHOLDING

As at December 31, 2021

Shareholder's Category	Number of sharehoders	Total shares held	Percentage %
Directors, Chief Executive Officer, and their spouse and minor children	**12**	**12,726,327**	**2.64%**
Associated Companies, Undertakings and Related Parties	**4**	**144,380,928**	**30.00%**
NIT and ICP	**-**	**-**	**-**
Banks, Development Financial Institutions, Non Banking Financial Institutions	**12**	**8,669,699**	**1.80%**
Insurance Companies	**2**	**14,424,888**	**3.00%**
Modarabas and Mutual Funds	**4**	**748,305**	**0.16%**
Shareholders holding 10%	**1**	**77,931,896**	**16.19%**
General Public :			
Local	**3,848**	**22,141,268**	**4.60%**
Foreign	**14**	**259,167,892**	**53.85%**
Others			
Others	**48**	**19,027,809**	**3.95%**
Total (excluding : shareholders holding 10% or more)	**3,944**	**481,287,116**	**100.00%**

PATTERN OF SHAREHOLDING

As at December 31, 2021

	Shareholders' Category	Number of shares
1	**Associated Companies, Undertaking and Related Parties**	
	Dawood Lawrencepur Limited	77,931,896
	Patek (Pvt.) Ltd.	47,450,048
	Dawood Foundation	18,991,988
	Sach International (Private) Limited	6,996
2	**Mutual Funds**	
	CDC - Trustee National Investment (Unit) Trust	649,205
	CDC - Trustee Akd Index Tracker Fund	83,946
	CDC - Trustee Nit-equity Market Opportunity Fund	10,000
		743,151
3	**Directors and their spouse**	
	Hussain Dawood	6,000,000
	Kulsum Dawood (w/o. Mr. Hussain Dawood)	3,000,000
	Abdul Samad Dawood	1,690,316
	Sabrina Dawood	1,000,000
	Shahzada Dawood	1,000,000
	Inam ur Rahman	35,111
	Parvez Ghias	250
	Ayesha Zeba Gias (w/o. Mr. Parvez Ghias)	250
	Hasan Raza Ur Rahim	100
	Kamran Nishat	100
	Muhammad Imran Sayeed	100
	Shabbir Hussain Hashmi	100
4	**Executives**	1,000
5	**Public Sector Companies and Corporations**	**16,203,212**
6	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**	**7,240,152**
7	**Shareholder Holding five percent or more voting Rights in the Listed Company (name wise details)**	
	Dawood Lawrencepur Limited	77,931,896
	Patek (Pvt.) Ltd.	47,450,048
	Calfran Limited	45,722,500
	Hercules EnterprisSes Limited	43,281,216
	Zincali Limited	38,376,008
	Alzarat Limited	38,376,008
	Palmrush Investments Limited	36,240,796
	Persica Limited	36,240,796

8 TRADES IN THE SHARES OF THE COMPANY

Trades in the shares of the Company

Following trades in the shares of the Company were made by the Directors/Spouse, Executives:

Name	Date of transaction	Nature of transaction	Price per share	No. of Share
Mr. Hussain Dawood	2-Mar-21	Sold	119.83	29,245,616
Mrs. Kulsum Dawood	2-Mar-21	Sold	119.83	8,371,000
Mr. Shahzada Dawood	2-Mar-21	Sold	119.83	5,052,416
Mrs. Sabrina Dawood	2-Mar-21	Sold	119.83	4,781,016
Mr. Inam ur Rehman	11-Mar-21	Purchased	111	2,000
Mr. Inam ur Rehman	30-Mar-21	Purchased	109.5	531

د۔ مستقبل کا منظر نامہ

پاکستان 10 سال کی اوسط پر 40% ڈسکاؤنٹ کے ساتھ c.5x کی فارورڈ P/E پر کاروبار کرتا ہے۔ MSCI EM/FM کو دیئے جانے والے ڈسکاؤنٹ میں 60% کا اضافہ ہو چکا ہے جو اس کی ڈسکاؤنٹ کی تاریخی شرح سے تقریباً دوگنا ہے۔ MSCI EM میں پاکستان کے وزن میں کمی 2017 سے 2021 کی مدت کے دوران ملک سے غیر ملکی سرمائے کے اخراج کا سبب بنی۔ اب پاکستان MSCI FM میں واپس آ چکا ہے اور غیر ملکی ملکیت میں چلنے والے بچے کھچے کاروبار نسبتاً مندی کی اسی سطح پر ہیں جیسے کہ 2009 میں تھے۔ تاہم مدافعتی سیکٹروں کی بہ دولت آنے والے دنوں میں کارپوریشنوں کے منافع کی مجموعی صورت حال کو سہارا ملے گا۔ جہاں کئی دہرائے جانے والے سیکٹرز شہری آبادیوں کی بلند تر آمدنیوں اور برآمدات میں اضافے سے مستفید ہوں گے وہاں اس سے 2022 کے دوران اسٹاک مارکیٹ کو بھی سہارا ملے گا اور ہمیں یقین ہے کہ پاکستان اسٹاک ایکسچینج 2021 سے بہتر کارکردگی کا مظاہرہ کرے گا۔

ایکویٹیز پورٹ فولیو کا انتظام سرگرمی سے اور دانشمندانہ انداز سے کیا جائے گا اور سرمایہ کاری کے ان آئیڈیاز کو کام میں لایا جائے گا جو بار آور ثابت ہوئے ہیں جب کہ معیشت کی بحالی کے ساتھ ساتھ قدر سازی کے نئے راستے تلاش کئے جائیں گے۔ باقی ماندہ فنڈز کو سرکاری تمسکات اور بینکوں میں رکھا جائے گا۔

اینگرو کارپوریشن کا پورٹ فولیو لچک دار ہے اور مشکل وقت میں بھی کھڑا رہا ہے۔ پاکستان کے اہم ایشوز کے حل میں مدد دینے والے سیکٹروں میں کام کرنے کے پیچھے کارفرما فلسفہ یہ ثابت کرتا ہے کہ اینگرو کے بیشتر کاروبار انتہائی اہم نوعیت کے ہیں اور کسی بھی ممکنہ لاک ڈاؤن کی صورت میں بدستور کام کرتے رہیں گے۔ سال 2022 میں اینگرو اپنے کام کرنے کے گراف کو عمودی رکھے گی اور نہ صرف اسٹیک ہولڈروں بلکہ ملک کے لئے بھی معنی خیز کردار ادا کرے گی۔

ر۔ بعد ازاں رونما ہونے والے واقعات کے باعث مادی تبدیلیاں

مالی سال کے اختتام اور رپورٹ ہٰذا پیش کئے جانے کی تاریخ کی درمیانی مدت میں ایسی کوئی مادّی تبدیلیاں رونما نہیں ہوئی اور نہ ہی ایسے وعدے کئے گئے جو ہماری مالیاتی حیثیت پر اثر ڈال سکیں۔

ز۔ اعتراف

بورڈ اپنے تمام حصص یافتگان کے اعتماد اور تعاون کا شکریہ ادا کرتا ہے۔ اِس کے علاوہ، ہم مالی اداروں سمیت اُن تمام اسٹیک ہولڈرز کا بھی شکریہ ادا کرتے ہیں جن کی مدد اور تعاون ہمیں حاصل رہے اور یقین دلاتے ہیں کہ ہم اُن کے مفادات کی دیکھ بھال کرتے رہیں گے۔

ڈی ایچ کارپ کی خوشحالی اور ترقی کے لیے مخلصانہ کوششیں کرنے پر ہم کمپنی کی انتظامیہ اور عملے کے ارکان کا بھی شکریہ ادا کرتے ہیں۔

شبیر حسین ہاشمی	**محمد شمعون چوہدری**
ڈائریکٹر	**چیف ایگزیکٹو**

تاریخ: 01 مارچ 2022

لٰہذا، رسک مینجمنٹ پالیسیاں تیار کی گئی ہیں جن کا مقصد ڈی ایچ کارپ کو درپیش خطرات کا تدارک کرنا، ان کے لیے مناسب حدود اور کنٹرولز کا تعین کرنا اور اُن کی مانیٹرنگ کرنا ہے۔ رسک مینجمنٹ پالیسیوں اور نظاموں کا باقاعدگی سے جائزہ لیا جاتا ہے تاکہ مارکیٹ کے حالات اور کمپنی کی سرگرمیوں میں ہونے والی تبدیلیوں کی بناپر فوراً تدارک کی کارروائی کی جاسکے۔

XIII۔ بورڈ آف ڈائریکٹرز

کمپنی کا بورڈ دس ڈائریکٹرز پر مشتمل ہے۔ جن ترکیب درج ذیل ہے:

انڈیپنڈنٹ ڈائریکٹرز	3
نان-ایگزیکٹو ڈائریکٹرز	
- مرد	5
- خاتون	1
ایگزیکٹو ڈائریکٹر	1

XIV۔ بورڈ کے اجلاس

سال 2021ء کے دوران بورڈ کے 6 اجلاس منعقد ہوئے اور ان تمام اجلاسوں کی صدارت چیئرمین نے کی۔ کوڈ آف کارپوریٹ گورننس کے تقاضوں کی تعمیل میں کمپنی سیکریٹری اور چیف فنانشل آفیسر نے بھی ان اجلاسوں میں شرکت کی۔ ہر ڈائریکٹر کی حاضری ذیل میں دی گئی ہے:

نمبر شمار	ڈائریکٹر کا نام	میٹنگز میں شرکت			
		بورڈ میٹنگز	بورڈ آڈٹ کمیٹی	ہیومن ریسورس اینڈ معاوضہ کمیٹی	بورڈ انویسٹمنٹ کمیٹی
1	جناب حسین داؤد	6/6	-	-	-
2	جناب عبدالصمد داؤد	6/6	-	1/1	3/3
3	جناب شہزادہ داؤد	6/6	-	3/3	1/1
4	محترمہ سبرینہ داؤد	6/6	-	4/4	-
5	جناب پرویز غیاث	6/6	-	4/4	-
6	جناب شبیر حسین ہاشمی	6/6	6/6	-	3/3
7	جناب کامران نشاط	6/6	6/6	-	-
8	جناب حسن رضا الرحیم	6/6	6/6	4/4	-
9	جناب عمران سعید	6/6	-	-	3/3
10	جناب انعام الرحمٰن	6/6	-	-	-

XV۔ ڈائریکٹرز کا مشاہرہ

ڈی ایچ کارپ ڈائریکٹرز کے مشاہرے کا تعین کمپنیز ایکٹ، 2017ء اور کمپنی کے آرٹیکلز آف ایسوسی ایشن کے تحت وضع کردہ باضابطہ اور شفاف پالیسی کے مطابق کرتی ہے۔

XVI۔ ڈائریکٹرز کی ذمہ داریوں کے بارے میں بیان

کمپنی کے ڈائریکٹرز، درج ذیل کے مطابق، پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز کے تحت کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تعمیل کی تصدیق کرتے ہیں:

۱۔ ڈی ایچ کارپ کی انتظامیہ کے تیار کردہ مالی گوشوارے کمپنی کے معاملات، اس کے آپریشنز، نقدی کے بہاؤ (cash flow) اور سرمایہ میں تبدیلی کی درست صورت حال پیش کرتے ہیں۔

۲۔ کمپنی کے کھاتے (books of accounts) موزوں طور سے مرتب کئے گئے ہیں۔

۳۔ مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا اطلاق تسلسل کے ساتھ کیا گیا ہے اور حسابی تخمینے (accounting estimates) مناسب اور محتاط تخمینوں پر مبنی ہیں۔

۴۔ ان مالیاتی گوشواروں کی تیاری میں پاکستان پر قابل اطلاق عالمی مالیاتی رپورٹنگ کے معیارات کی تعمیل کی گئی ہے اور ان سے کسی قسم کے انحراف کو موزوں طور سے ظاہر کیا گیا ہے۔

۵۔ کمپنی کے اندرونی کنٹرول کا نظام اپنے ڈیزائن کے اعتبار سے مضبوط ہے اور اس پر مؤثر انداز میں عمل درآمد کے ساتھ ساتھ اسے مانیٹر بھی کیا جاتا ہے۔

۶۔ کمپنی کے معاملات کے معمول کے مطابق جاری رہنے کے بارے میں کسی قسم کے شکوک وشبہات نہیں پائے جاتے ہیں۔

۷۔ گزشتہ چھ (06) برسوں کی اہم عملیاتی اور مالیاتی معلومات خلاصے کی صورت میں رپورٹ ہٰذا کے ساتھ منسلک ہے۔

XVII۔ ڈائریکٹرز کی تربیت کا پروگرام

کمپنی کے دس (10) ڈائریکٹروں میں سے 9 (نو) ڈائریکٹر باقاعدہ سند یافتہ یا ڈائریکٹرز کے تربیتی پروگرام سے مستثنیٰ ہیں۔

XVIII۔ متعلق فریق کے ساتھ معاملت

کوڈ آف کارپوریٹ گورننس کی تعمیل میں، ڈی ایچ کارپ نے متعلق فریق سے متعلق تمام ٹرانزیکشنز آڈٹ کمیٹی اور بورڈ کے سامنے، ان کے جائزے اور منظوری کے لیے پیش کیے۔

III۔ اسلامی سکوک سرٹیفکیٹس

18 دسمبر 2020 کو کمپنی کے بورڈ آف ڈائریکٹرز نے سکوک کے اجراء کے ضمن میں موجود ''کال آپشن'' (اسلامی سکوک سرٹیفکیٹس کی قبل از وقت فروخت) پر عمل کرنے کی منظوری دی تھی۔ اس کے نتیجے میں سکوک کی مجموعی رقم 7,320 ملین روپے 16 فروری 2021 (سکوک 1) اور 1 مارچ 2021 (سکوک 2) کی ادائیگی کی گئی۔

IV۔ آڈیٹرز

موجودہ آڈیٹرز، اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس آئندہ سالانہ اجلاس عام کے موقع پر سبکدوش ہو رہے ہیں اور خود کو دوبارہ تقرری کے لیے پیش کر رہے ہیں۔ آڈٹ کمیٹی نے اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی ڈی ایچ کارپ کے آڈیٹرز کی حیثیت سے، برائے سال مختتم 31 دسمبر، 2022ء کے لیے دوبارہ تقرری کی سفارش کی ہے اور بورڈ نے بھی اس سفارش کی توثیق کی ہے۔

V۔ حصص کا کاروبار، اوسط قیمتیں اور پاکستان اسٹاک ایکسچینج

سال کے دوران، پاکستان اسٹاک ایکسچینج میں ڈی ایچ کارپ کے 8.09 ملین حصص کا کاروبار ہوا۔ روزانہ کاروباری دن کے اختتام کی شرح کی بنیاد پر ڈی ایچ کارپ کے حصص کی اوسط قیمت 108.86 روپے رہی جبکہ سال 2021 کے 52 ہفتوں کی بلند و زیریں قیمت بالترتیب 95.52 روپے اور 122.20 روپے رہی۔

VI۔ حصص یافتگی کا رجحان (Pattern of Shareholding)

مورخہ 31 دسمبر، 2021ء کو ڈی ایچ کارپ کی حصص یافتگی کے رجحان کے ساتھ دیگر ضروری معلومات اس رپورٹ کے آخر میں، پراکسی فارم کے ہمراہ، دستیاب ہیں۔

VII۔ مارکیٹ میں سرمایہ کاری اور بہی قدر (Market Capitalization and Book Value)

سال کے اختتام پر، مارکیٹ میں، ڈی ایچ کارپ کی سرمایہ کاری 45,973 ملین روپے (سال 2020ء میں یہ سرمایہ کاری 58,496 ملین روپے) تھی جس کی بازاری قدر (market value) 95.52 روپے فی شیئر (2020 میں 121.54 روپے) اور بریک اپ ویلیو 63.18 روپے فی حصص (2020ء میں 64.62 روپے) تھی۔

VIII۔ تخصیص (Appropriation)

سال کے دوران قابل تقسیم یا قابل تصرف کل منافع منقسمہ 9.50 روپے فی حصص (95 فیصد) ادا کیا گیا۔

IX۔ ادارتی درجہ بندی (Entity Rating)

سال 2021ء کے دوران، PACRA نے ایک مرتبہ پھر ڈی ایچ کارپ کی طویل اور قلیل مدتی ریٹنگ کی سالانہ بنیاد پر تصدیق کی۔

یہ کریڈٹ ریٹنگ اداروں کی مالی اور انتظامی قوت ظاہر کرنے کے علاوہ موافق کریڈٹ اسٹینڈنگ کو ظاہر کرتی ہے اور ہماری مضبوط بیلنس شیٹ اور منافع منقسمہ کی مسلسل ادائیگی کے حوالے سے ہماری نہایت عمدہ کارکردگی کا مظہر ہیں۔

X۔ پراویڈنٹ اور گریجویٹی فنڈز

ڈی ایچ کارپ کے ملازمین کو اِن فنڈز کے ذریعے فراہم کئے جانے والے فوائد کا سال میں ایک مرتبہ آڈٹ کیا جاتا ہے اور مناسب انداز میں کافی سرمایہ کاری بھی کی جاتی ہے۔ غیر آڈٹ شدہ گوشواروں کے مطابق پراویڈنٹ فنڈ کی سرمایہ کاری کی مجموعی مالیت 34.51 ملین روپے ہے (سال 2020ء میں یہ مالیت 29.73 ملین روپے تھی)۔

فنڈ کے زیر انتظام اثاثوں کی حقیقی مالیت کے تحت گریجویٹی پلان کی مالیت، 31 دسمبر، 2021ء کو 31.94 ملین روپے (سال 2020ء میں 28.66 ملین روپے) تھی۔

XI۔ کارپوریٹ گورننس

ڈی ایچ کارپ کارپوریٹ گورننس کے اعلیٰ معیار پر کاربند رہی اور اپنا کاروبار کوڈ آف کارپوریٹ گورننس اور پاکستان اسٹاک ایکسچینج لمیٹڈ کے وضع کردہ لسٹنگ ریگولیشنز کے بہترین طریقوں کے مطابق چلا رہی ہے جن میں ڈی ایچ کارپ کے بورڈ آف ڈائریکٹرز کی ذمہ داریوں اور کردار کا تعین کیا گیا ہے۔ مزید تفصیلات کے لیے براہ مہربانی اسٹیٹمنٹ آف کمپلائنس ود لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017ء ملاحظہ کیجیے۔

XII۔ خطرات کا انتظام وانصرام

ڈی ایچ کارپ کی سرگرمیوں کو مختلف اقسام کے مالی خطرات: مارکیٹ رسک (بشمول انٹریسٹ رسک، کرنسی رسک، اور پرائس رسک)، کریڈٹ رسک اور لکویڈیٹی رسک وغیرہ، کا سامنا رہتا ہے۔ خطرات کے ضمن میں کمپنی کی توجہ فنانشل مارکیٹوں کی غیر یقینی صورت حال پر مرکوز رہتی ہے اور وہ کمپنی کی مالی کارکردگی پر اس کے ممکنہ اثرات کم سے کم کرنے کی کوششیں کرتی رہتی ہے۔

سماجی خدمات

ڈی ایچ کارپ مختلف جہتوں میں فلاح و بہبود کی سرگرمیاں انجام دے رہی ہے جو ''دی داؤد فاؤنڈیشن (TDF) کے ذریعے انجام دی جاتی ہیں۔ داؤد خاندان نے TDF کی بنیاد 1960 میں تعلیم اور تربیت کے ذریعے لوگوں کو بااختیار بنانے کے مقصد کے ساتھ رکھی تھی۔ چناں چہ ڈی ایچ کارپ ہر سال اپنے قبل از ٹیکس منافع کا 1% حصہ TDF کے ذریعے چلائے جانے والے انسانی فلاح و بہبود کے پروجیکٹس کے لئے عطیہ کرتی ہے۔ اس سال ڈی ایچ کارپ نے TDF کے توسط سے لیاری می مصروف کار غیر تجارتی تنظیم کرن فاؤنڈیشن کے اساتذہ سمیت 320 طلباء و طالبات کو MagnifiScience Centre کے دورے پر بھیجا۔ کرن فاؤنڈیشن ایک کثیر الدرجہ فریم ورک کے ذریعے پسماندہ علاقوں میں رہنے والے بچوں کو ان کے والدین کو تغیراتی تعلیم دے کر حقیقی معنیٰ میں پورے خاندان کو بااختیار بنا رہی ہے۔

مہنگائی بڑھ جانے اور قوت خرید گھٹ جانے کے باعث ہم نے 2020 میں اعلان کردہ ایک بلین روپے مالیت والے Hussain Dawood Pledge کے توسط سے سماج میں سرمایہ کاری پر اپنی توجہ بڑھا دی ہے۔ کمپنی نے Pakistan Poverty Alleviation Fund (PPAF) کے ساتھ سمجھوتے کی ایک یادداشت (MoU) پر دستخط کئے ہیں جس کی رو سے ''احساس آمدن پروگرام'' میں 70 ملین روپے کی رقم عطیہ کی جائے گی۔ ''احساس آمدن پروگرام'' کے نفاذ کی ایک اہم ایجنسی PPAF کے ساتھ کیا گیا یہ تعاون کووِڈ کی وباء کی وجہ سے آمدنیوں سے محروم ہونے والے مستحق گھرانوں کے لئے حکومت پاکستان کے غربت کے خاتمے کے پروگرام کے لئے مددگار ثابت ہوگا۔ آج تک ''حسین داؤد پلیج'' کے تحت 498 ملین روپے کے عطیات دیئے جا چکے ہیں۔

مزید معلومات کے لئے ازراہ کرم https://www.hussaindawoodpledge.com کا معائنہ کیجئے۔

II۔ شراکتیں

عالمی اقتصادی فورم (World Economic Forum)

ہم نے عالمی اقتصادی فورم کے ساتھ شراکت داری (نیٹ ورکنگ اقدام) کی ہے تاکہ گروپ میں سیکھنے اور جدت کا ماحول واپس لایا جائے اور مشترکہ سرمایہ کاری کے لیے روابط میں اضافہ کیا جائے۔ ہم نے، اب تک 65 سے زائد لرننگ ایونٹس میں شرکت کی ہے جن میں 35 سے زائد گروپ ایگزیکٹوز شریک ہوئے اور اسٹریٹیجک انٹیلی جنس ٹولز اور کاروبار کے عالمی مسائل کے بارے میں معلومات تک رسائی حاصل کی۔

ورلڈ وائیڈ فنڈ (WWF)

داؤد ہرکولیس کارپوریشن، ورلڈ وائلڈ لائف فنڈ (WWF) کا باقاعدہ تصدیق کردہ ''گرین آفس'' (ماحول دوست ادارہ) ہے۔ ڈبلیو ڈبلیو ایف کی جانب سے ملنے والا یہ اعزاز دراصل ہم پر ذمہ داری ہے کہ مقام کار پر ہم ماحول صاف ستھرا رکھیں۔ Green Office Certification کے ساتھ ڈی ایچ کارپ کا مقصد ہے کہ اپنے دفتر کی حدود کے اندر ماحولیاتی آلودگی کم کیا جائے۔ گرین آفس کا نشان محنت کشوں کو روزمرہ کاموں میں قابل ثبوت انداز اختیار کرنے اور مقام کار پر ماحولیات کے نظام انتظام سے متعلق معمولات پر تبادلہ خیال کرنے میں مدد دیتا ہے۔

سمٹ برائے اثراتِ ترقی پائیدار

صاف گوئی کی حوصلہ افزائی کرنے اور عالمی منظر بڑھانے کے مقصد کے ساتھ ہم نے کراچی اسکول آف بزنس اینڈ لیڈرشپ (KSBL) کراچی میں ''سمٹ برائے اثراتِ ترقی پائیدار'' (The Sustainable Development Impact Summit) کی میزبانی کی۔ اس تقریب کا انعقاد سمٹ کے موضوع: منصفانہ، شمولیتی اور پائیدار ترقی کی صورت گری کو ذہن میں رکھتے ہوئے کیا گیا تھا۔ اس ایونٹ کے دوران پائیدار ترقی کے مقاصد جیسے 12، 7، 4 اور 3 حاصل کئے گئے۔ ورلڈ اکنامک فورم کی جانب سے ورچوئل طور سے انتظام کردہ پائیدار ترقی کے مقاصد سے فائدہ حاصل کرنے کی غرض سے ہم نے مختلف گروپوں کے اپنے 300 سے زائد ملازمین کو ایک ہفتے کے دوران اس گفتگو میں شرکت کا موقع دیا۔ ہر ورچوئل گفتگو کے بعد KSBL میں موجود ہمارے لوگ مباحثوں اور لرننگ سیشنز میں مشغول ہو جاتے تھے۔

ج۔ مالیاتی رپورٹ

I۔ مالیاتی کارکردگی

کمپنی کی منظّم آمدنی میں 25% اضافہ ہوا جو 2020 میں 248,883 ملین روپے سے بڑھ کر زیر جائزہ سال کے دوران 311,781 ملین روپے تک پہنچی۔ منظّم منافع بعد از ٹیکس برائے 2021 میں 50,734 ملین روپے رہا جو گزشتہ برس کی بہ نسبت 19% زیادہ تھا، جب کہ حصص یافتگان سے قابل نسبت PAT بڑھ کر 8,524 ملین روپے تک پہنچا جو 2020 میں 7,583 ملین روپے تھا۔

آزاد (stand alone) بنیاد پر سرمایہ کاری پر آمدنی 2020 میں 6,970 ملین روپے کی بہ نسبت اس سال 6,013 ملین روپے رہی جس کی بنیادی وجہ ٹریژری میں کی گئی سرمایہ کاری پر سود کی آمدنی میں کمی تھی کیوں کہ دوران سال سکوک کی ادائیگی مکمل طور سے ہوگئی تھی۔ تاہم زیر جائزہ مدت کے دوران بعد از ٹیکس آمدنی 3,981 ملین روپے تھی جو گزشتہ برس کی اسی مدت کے دوران 3,728 ملین روپے رہی تھی۔

II۔ فی حصص کمائی (Earning Per Share)

سال 2021 کے لئے غیر انضمام شدہ آمدنی 8.27 روپے رہی جبکہ سال 2020ء میں یہ آمدنی 7.75 روپے تھی۔ سال کے لیے انضمام شدہ آمدنی 17.71 روپے رہی جبکہ 2020ء میں یہ آمدنی 15.76 روپے تھی۔

ٹیلی مواصلات کا انفرااسٹرکچر

Enfrashare نے ملک بھر میں اپنے قدم جمانے کا عمل جاری رکھا اور 1.10x کی کرایہ داری کی شرح کے ساتھ پاکستان میں مصروف کار تمام موبائل نیٹ ورک آپریٹرز (MNOs) کے لئے 2,246 ٹاور سائٹس کا ہدف حاصل کیا۔ کمپنی نے نئی سائٹوں کا 79% حصہ بحیثیت آزاد ٹاور کمپنی فراہم کیا جو گزشتہ سال کی بہ نسبت زیر جائزہ سال کے دوران آمدنی میں 3 گنا اضافے پر منتج ہوا۔ اس کمپنی نے 2022 کے اختتام تک 3,300 سے زائد سائٹس کا ہدف عبور کرنے کے آرڈرز حاصل کر لئے ہیں۔

خوراک (Foods)

Friesland Campina Engro Pakistan نے 188% کی بڑھوتی ظاہر کی اور 52 بلین روپے کی آمدنی حاصل کی۔ یہ آمدنی گزشتہ برس 44 بلین روپے رہی تھی۔ خام مارجن گزشتہ برس 13% سے بڑھ کر اس سال 17% تک پہنچا اور کاروبار نے 1,804 ملین روپے کا بعد از ٹیکس نفع حاصل کیا جو گزشتہ برس 177 ملین روپے رہا تھا۔ اس کاروبار نے صارفین کی آگاہی اور ڈیری ڈویلپمنٹ پروگراموں میں توسیع جاری رکھی جسے ڈیری کی صنعت کے لئے صفر ٹیکس کی رعایت کی بحالی سے مزید تقویت ملی۔

EngroEximp Agriproducts نے بھورے چاولوں کے شعبے میں 16% کی صنعتی بڑھوتی سے آگے بڑھ کر گزشتہ برس کے مقابلے میں 21% کی بڑھوتی ریکارڈ کی۔ قومی خزانے میں غیر ملکی زرمبادلہ کا بڑا حصہ فراہم کرنے والے کی حیثیت سے اس کاروبار نے اپنی توجہ برآمدات پر مرکوز رکھی۔ سال کے دوران اس کاروبار نے گزشتہ برس 28 کلوٹن کی بہ نسبت زیر جائزہ سال کے دوران 24 کلوٹن چاول برآمد کر کے 18.8 ملین امریکی ڈالر کی آمدنی حاصل کی۔

کارپوریٹ اور سماجی ترقی

I- انسانی وسائل کی ترقی

صلاحیتوں (talent) میں بڑھوتی

ہمارے لوگ ہمارا انتہائی قیمتی اثاثہ ہیں اور اس برس بھی ہم نے ان کی ترقی کے لیے بھاری سرمایہ کاری کی ہے۔ معلومات کے اشتراک کے مقصد سے تشکیل دیئے گئے ہمارے لرننگ سرکلز (Learning Circles)۔ کا اقدام ملازمین کی ترقی کے لیے ایک مجموعی سوچ ہے۔ سال کے دوران، متحدہ، پائیدار اور لچکدار اقتصادی نظام، فضلے کو ٹھکانے لگانے کے دور، ذمہ دارانہ صنعتی تبدیلی کے فروغ اور ترقی اور چوتھے صنعتی انقلاب کی ٹیکنالوجیز سے استفادہ سمیت مختلف موضوعات پر، 17 سیشن منعقد ہوئے۔ اپنے لوگوں کی فطری ذہانت میں اضافے کے لئے متعدد تربیتی اور آگاہی سیشنز کا انعقاد کیا گیا۔ مزید برآں مضبوط آموزشی کلچر کی ترویج کی غرض سے ہم نے Coursera کے ساتھ اشتراک بھی کیا۔ تمام ملازمین کو 3,000 سے زائد کورسز تک رسائی دی گئی۔ DH Culture Code کی مناسبت سے اہم مہارتیں بھی متعارف کروائی گئیں۔

ملازمین کی حوصلہ افزائی کے اقدامات

COVID-19 کے سبب گھر سے کام کرنے کے ماحول کے دوران ملازمین کو تحریک دینے اور ان کا حوصلہ بلند رکھنے کے لئے کئی اقدامات اٹھائے گئے تا کہ مسائل کے حل کی صلاحیت، فاصلاتی تعاون و اشتراک اور مشغولیت کی حوصلہ افزائی ہو سکے۔ ہم نے ہر ماہ اپنی خوشی کے چھوٹے چھوٹے لمحات میں انہیں شریک کیا، سالگرہیں منائیں، کام کے سلسلے میں تقریبات وغیرہ منائیں۔

ٹیم کے اراکین کو ایک دوسرے سے مربوط رکھنے اور ان کی صف بندی کی غرض سے ہر صبح شعبہ جاتی سربراہوں کے ساتھ اجلاس کے علاوہ سی ای او نے ٹاؤن ہال میں آٹھ اجلاس منعقد کئے جن میں دو اجلاس غیر انتظامی اسٹاف کے ساتھ کئے گئے۔

شمولیت اور تنوع

ہم نے مسلسل یہ بات یقینی بنانے کی کوشش کی ہے کہ پس منظر، مذہب، صنف یا مراتب کی پرواہ کیے بغیر تمام ملازمین کا احترام کیا جائے اور ان میں ادارے کے ساتھ وابستگی میں فخر کا احساس پیدا کیا جائے۔

سال کے اختتام تک، ڈی ایچ کارپ میں ہماری انتظامی افرادی قوت کا 32% حصہ یعنی 13 خواتین پر مشتمل تھا۔ خاتون ملازمین میٹرنٹی انشورنس سمیت 16 ہفتوں کی تنخواہ والی چھٹیاں بھی لے سکتی ہیں۔ اس کے علاوہ، مرد ملازمین بھی 5 روز کی پدرانہ رخصت (paternal leave) لے سکتے ہیں۔ تنخواہ کا فیصلہ بھرتی کے موقع پر، صنف سے قطع نظر اور قابلیت و صلاحیت کی بنیاد، کیا جاتا ہے اور اس کے بعد، معاوضے کا فیصلہ کارکردگی کی بنیاد پر کیا جاتا ہے۔ حالیہ طور پر، ہم اپنی کمپنی میں متنوع اور شمولیتی پالیسی کے ذریعے زیادہ شمولیتی ماحول پیدا کرنے پر کام کر رہے ہیں۔

صحت اور تحفظ

ملازمین کی صحت اور تحفظ ہمارے لئے انتہائی اہمیت کے حامل ہیں۔ تمام ملازمین اور ان کے اہل خانہ کو خصوصاً 'کووڈ-19' سے تعلق رکھنے والی مدد کی فوری سے پیشتر فراہمی کی غرض سے ایک کرائسس مینجمنٹ کمیٹی قائم کی گئی۔ چوبیس گھنٹے دستیابی کے لیے ایک ڈاکٹر کی خدمات حاصل کی گئیں تا کہ ملازمین اور اُن کے اہل خانہ اُس سے مشاورت کر سکتے، اپنے کووڈ ٹیسٹس مفت کروا سکتے، آکسیجن کے سلنڈرز حاصل کر سکتے اور کووڈ بنیادی لازمی پیک حاصل کر سکتے۔ دماغی بہتری کے پروگراموں کا بھی انعقاد کیا گیا۔ ملازمین کی دماغی صحت کے لئے دو کونسلنگ پلیٹ فارم مہیا کئے گئے ہیں جہاں ملازمین اور ان کے خاندان ضرورت پڑنے پر اپنی سہولت سے علاج کروا سکتے ہیں۔

I۔ لسٹڈ ایکویٹیز کا پورٹ فولیو

ہم بورڈ آف ڈائریکٹرز کی منظور کردہ حد تک پاکستان اسٹاک ایکسچینج (PSX) میں مشہور اور نیک نام کمپنیوں کے حصص میں اپنی سرمایہ کاری بڑھاتے رہے ہیں۔ زیر جائزہ مدت کے دوران ایکویٹی مارکیٹ پورٹ فولیو میں ڈی ایچ کارپ کی سرمایہ کاری مارکیٹ کے مطابق رہی۔ CY21 کے دوران اس پورٹ فولیو نے 191 ملین روپے کے سرمایہ جاتی فوائد (capital gains) کے ساتھ ساتھ 336 ملین روپے کا شاندار منافع منقسمہ کمایا۔ تاہم CY21 کا اختتام 401 ملین روپے کے غیر حاصل شدہ خسارے پر ہوا۔ اس پورٹ فولیو نے KSE-100 انڈیکس میں 5.74% بہتر کارکردگی کا مظاہرہ کیا۔ کمپنی نے بینک قرضوں کے توسط سے زیادہ تر مضبوط بنیادوں اور مثبت ضمانتوں والے محفوظ اور صحت مند منافع دینے والے اسٹاکس میں 4.5 بلین روپے کی مزید سرمایہ کاری کی۔

II۔ بازارِ زر کا پورٹ فولیو

باقی بچ جانے والے فنڈز بازارِ زر میں طویل اور قلیل مدتی انسٹرومنٹس میں رکھے گئے جس نے ہمیں اپنے ٹریژری پورٹ فولیو کا اپنی لکویڈیٹی کی ضروریات کے مطابق اہل انداز میں انتظام کرنے کی آزادی دی۔ نتیجتاً سود کی شرح میں اضافے کی وجہ سے سال کے دوران کمپنی 8.14% کی محفوظ پیداوار حاصل کرنے کے قابل رہی۔

ہمارے بڑی سرمایہ کاری، اینگرو نے بہتر کارکردگی کا مظاہرہ کیا اور مالی سال کے لئے -/25 روپے فی شیئر کا منافع منقسمہ بھی دیا۔ تاہم اس کے حصص کی قیمت دباؤ میں رہی جو اس دوران 12.85% گر گئی۔

اینگرو میں اپنی سرمایہ کاری کو ہم ایسی طویل مدتی سرمایہ کاری سمجھتے ہیں جس میں بڑھوتی کی بے پناہ صلاحیت ہے۔ ہم اینگرو کارپوریشن اور اس کی ذیلی کمپنیوں کی کارکردگی کا جائزہ لیتے رہتے ہیں اور آئندہ سطور میں ان کے بارے میں اہم نکات پیش کئے جائیں گے۔

III۔ اینگرو کارپوریشن لمیٹڈ

کمپنی کی منظّم آمدنی میں 25% اضافہ ہوا جو 2020 میں 248,818 ملین روپے سے بڑھ کر زیر جائزہ مدت کے دوران 311,587 ملین روپے ہوئی جس کی بنیادی وجہ سال کے دوران PVC اور یوریا کھاد کے حجم میں اضافہ تھا۔ 2021 کے لئے منظّم منافع بعد از ٹیکس (PAT) 52,612 ملین روپے رہا جو گزشتہ برس کے مقابلے میں 19% زیادہ تھا، جب کہ شیئر ہولڈروں کے قابل وصف PAT بڑھ کر 27,942 ملین روپے ہوا جو 2020 میں 25,100 ملین روپے تھا جس کے نتیجے میں فی شیئر کمائی (EPS) 48.50 روپے رہی جو 2020 میں 43.57 روپے رہی تھی۔

فرٹیلائزز

سال 2021 کے دوران فرٹیلائزر کے کاروبار نے مستحکم کارکردگی دکھائی اور 2020 میں 106 بلین روپے کی بہ نسبت 132 بلین روپے کی آمدنی ریکارڈ کی گئی، جب کہ بعد از ٹیکس منافع گزشتہ برس کے 18.1 بلین کی بہ نسبت 21.1 بلین روپے رہا جو 17% بڑھوتی کو ظاہر کرتا ہے جس کی بڑی وجہ یوریا کھاد کی فروخت کا بڑھنا اور فاسفیٹ کی قیمت میں اضافہ ہونا تھا۔

انرجی

اینگرو پاور جین تھر لمیٹڈ کے پلانٹ نے 80% لوڈ فیکٹر کے ساتھ 83% دستیابی حاصل کی اور 4,225GwH بجلی قومی گرڈ میں پہنچائی۔ اس کاروبار نے زیر جائزہ مدت کے دوران 1,594 ملین روپے کا بعد از ٹیکس نفع ظاہر کیا جو سال 2020 میں 2,079 ملین روپے رہا تھا۔ حکومت پاکستان کے ساتھ ہونے والے ماسٹر ایگریمنٹ کے نتیجے میں کمپنی نے جنوری 2022 میں 40% قابل وصول اثاثہ جات کے تصفیے کے طور پر 3.2 بلین روپے وصول کئے۔

دوران سال اینگرو انرجی نے کراچی کے صنعتی حب کے لئے حکومتِ سندھ کے ساتھ پہلا ہائبرڈ 400 میگاواٹ ری نیوایبل انرجی پارک، جس کی صلاحیت 1 گیگاواٹ تک بڑھانے کی گنجائش ہو، کی تعمیر کا معاہدہ کیا۔ یہ پروجیکٹ بجلی کی لاگت میں 20% تک کمی لانے اور پہلے مرحلے کے دوران درآمدی متبادلات کے ذریعے ملکی معیشت کے لئے 13 بلین روپے سالانہ کی بچت کرنے کی صلاحیت رکھتا ہے۔

پیٹروکیمیکلز

اینگرو پولیمر اینڈ کیمیکل کے کاروبار نے 70 بلین روپے کی بلند ترین آمدنی حاصل کی جس کا مطلب ہے کہ 15.1 بلین روپے کا بعد از ٹیکس نفع حاصل ہوا جب کہ گزشتہ سال 35 بلین روپے کی آمدنی حاصل ہوئی تھی اور بعد از ٹیکس نفع 5.7 بلین روپے رہا تھا۔

ٹرمینل آپریشنز

سال کے دوران اینگرو ایل این جی ٹرمینل نے قطر ڈاکیارڈ پر FSRU Exquisite کی پاکستان کی پہلی خشک گودی (ڈرائی ڈوک) کی سرگرمی کامیابی سے مکمل کی۔ اس تکمیل کے نتیجے میں دورانِ سال یہاں سے قومی سطح پر گیس کی 15% سپلائی ممکن ہوئی۔ ایل این جی ٹرمینل نے گزشتہ برس کی طرح اس سال بھی 72 بحری جہازوں کو سنبھالا اور SSGC نیٹ ورک میں 216.2 بلین کیوبک فٹ ری گیسیفائیڈ ایل این جی 96.5% کی دستیابی کے ساتھ شامل کی قومی گرڈ میں جس کا حصہ 15% بنتا ہے۔ گزشتہ برس کے 1,142 کلوٹن کے برعکس اس سال کیمیکل ٹرمینل میں استعمال ہونے والے مال کا حجم معمول پر آ کر 1,280 کلوٹن رہا۔ مجموعی طور پر ایل این جی اور کیمیکل اسٹوریج، دونوں ٹرمینلز سے 2021 کے دوران اچھا خاصا منافع حاصل ہوا۔

داؤد ہرکولیس کارپوریشن لمیٹڈ

ڈائریکٹرز کی جائزہ رپورٹ برائے اختتام سال 31 دسمبر 2021

31 دسمبر 2021 کو ختم ہونے والے مالی سال کے لئے ڈائریکٹرز، ڈی ایچ کارپوریشن کے عبوری آڈٹ شدہ مالی حسابات کا خلاصہ اور گروپ کے آڈٹ شدہ منظّم مالی حصابات کا خلاصہ پیش کرتے ہوئے دلی مسرت محسوس کررہے ہیں۔

ا۔ اقتصادی جائزہ

سال 2021 کے دوران عالمی اقتصادیات ترقی پذیر اور ترقی یافتہ مما لک کی جانب سے مالیاتی تحریک دلانے والے پیکجز اور رقوم کی فراہمی کے بہ دولت بہتری کی جانب محوِ سفر رہی ہے۔ سپلائی چین میں تبدیلیوں اور موسم میں اتار چڑھاؤ کے ساتھ طلب کی بازیابی نے اشیائے صرف کی قیمتوں میں دنیا بھر میں اضافہ کیا جس کے نتیجے میں دنیا بھر میں مہنگائی بڑھی اور خوراک کی قیمتوں میں لگ بھگ 26% کا اضافہ ہوا۔ مہنگائی میں اضافے پر قابو پانے کی غرض سے دنیا بھر میں مرکزی بینکوں نے زرّی پالیسیوں میں سختی برتی۔

طلب میں اضافے کے بعد پیدا ہونے والے انقباض کے بعد پاکستان کی معیشت نے بڑھوتی کی جانب اپنا روایتی سفر جاری رکھا۔ لاک ڈاؤن کے بعد ملنے والی رعایتوں اور کووِڈ کی لہروں کے بعد حالات معمول پر آنے کے بعد طلب میں استحکام کی بہ دولت خوراک اور توانائی کی قیمتوں میں مسلسل اضافے کے ماحول میں مجموعی طور پر مہنگائی زیادہ ہی رہی ہے۔ یہ دیکھتے ہوئے اسٹیٹ بینک آف پاکستان نے اپنی زرّی پالیسی میں سال کی دوسری ششماہی کے دوران 275bps کا اضافہ کیا۔

دوسری جانب 2020 میں حکومت کی جانب سے اعلان کردہ تحریکی پیکجز اشیائے صرف اور صنعتی درآمدات بڑھنے اور ان کی متعلقہ برآمدات میں حالیہ مہینوں میں اضافے کا سبب بنے جو سال 2021 کی چوتھی سہ ماہی میں تجارتی خسارے کے بڑھنے پر منتج ہوئے۔ آئی ایم ایف پروگرام کے تحت ملنے والی حالیہ قسط اور یورو بونڈ کا اجراء تجارتی خسارے میں پیدا ہونے والی خلیج پاٹنے میں مدد تو دیں گے تاہم ملک کو درپیش اقتصادی چیلنجوں کی جڑوں تک پہنچنے کے لئے ڈھانچہ جاتی اصلاحات ضروری ہیں۔

ب۔ بنیادی سرگرمی

ڈی ایچ کارپ کی بنیادی سرگرمی سرمایہ کاری کا حصول اور اس کا انتظام وانصرام ہے لیکن یہ یہاں تک محدود نہیں ہے بلکہ قومی اور بین الاقوامی سطح پر کمپنی کے ذیلی اداروں اور/ یا ملحق کمپنیاں بھی شامل ہیں اور اس مقصد کے حصول کے لیے تمام اتفاقی اور ضروری امور انجام دینا ہے۔

Dawood Hercules

Proxy Form

I/We ____
of ______________________ being a member of Dawood Hercules Corporation Limited and holder of ____________________ Ordinary Shares, as per:

Share Register Folio No. _________________ and/or
CDC Participant ID No. ____________________ Sub A/c No. ____________________
hereby appoint _________________ of _________________, or failing him/her _________________ of _______________, as my/our proxy to attend, speak, and vote for me/us and on my/our behalf, at the Annual General Meeting (AGM) of the Company to be held on Tuesday, April 26, 2022 at 11:30 a.m. at The TDF Business Hub, Ground Floor, Dawood Center, M.T. Khan Road, Karachi with Video Link Facility and at any adjournment thereof.

Signed this _________________ day of __________ 2022.

WITNESSES -1:

Signature: ______________________
Name: ______________________
Address: ______________________
CNIC No. or
Passport No. ______________________

WITNESSES -2:

Signature: ______________________
Name: ______________________
Address: ______________________
CNIC No. or
Passport No. ______________________

Signature should agree with the specimen signature with the Company.

IMPORTANT:

1. This Proxy Form, duly completed, must be deposited at the Company's Registered Office, not less than forty eight (48) hours before AGM.
2. CDC shareholders and their proxies are each requested to attach and attested photocopy of their valid Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.
3. All proxies attending the AGM are requested to bring their original CNIC/Passport for identification.

AFFIX
CORRECT
POSTAGE

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35644147
www.dawoodhercules.com

Dawood Hercules

نمائندگی کا فارم

میں / ہم ____________ ساکن ____________

بحثیت ممبر داؤد ہرکولیس کارپوریشن لمیٹڈ کے رکن وحامل ____________ عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر ____________

اور / یا سی ڈی سی کے شراکتی آئی ڈی نمبر ____________ اور ذیلی کھاتہ نمبر ____________ محترم / محترمہ ____________

ساکن ____________ یا بصورتِ دیگر محترم / محترمہ ____________

ساکن ____________ کو بروز منگل مورخہ ۲۶ اپریل ۲۰۲۲ بوقت ۱۱:۳۰ بجے صبح بمقام داؤد فاؤنڈیشن بزنس حب، گراؤنڈ فلور، داؤد سینٹر، ایم ٹی خان روڈ، کراچی میں ویڈیو لنک کی سہولت کے ساتھ منعقد یا ملتوی ہونے والے سالانہ اجلاسِ عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

دستخط ____________ بروز ____________ ۲۰۲۲

گواہ (۱)

دستخط گواہ: ____________

نام: ____________

پتہ: ____________

قومی شناختی کارڈ نمبر یا: ____________

پاسپورٹ نمبر: ____________

دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔

گواہ (۲)

دستخط گواہ: ____________

نام: ____________

پتہ: ____________

قومی شناختی کارڈ نمبر یا: ____________

پاسپورٹ نمبر: ____________

نوٹ:

- تمام نامزدگیاں اسی صورت میں موثر ہوں گی جب پراکسی فارم بنام کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے ۴۸ گھنٹے قبل موصول ہوں۔
- سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، نمائندگی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔
- تمام پراکسی ہولڈرز اپنی شناخت کے لئے اجلاس کے وقت اپنا اصل شناختی کارڈ یا پاسپورٹ ضرور پیش کریں۔

AFFIX
CORRECT
POSTAGE

Dawood Hercules Corporation Limited
Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35644147
www.dawoodhercules.com

ELECTRONIC DIVIDEND MANDATE FORM

In accordance with the provisions of Section 242 of the Companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders.

Shareholders are requested to send the attached Form dully filled and signed, along with attested copy of their CNIC to the Company's Share Registrar, FAMCO Associates (Private) Limited, 8-F, Near to Hotel Faran, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi. CDC shareholders are requested to submit their Dividend Mandate Form and attested copy of CNIC directly to their broker (participant) / CDC.

Electronic Dividend Mandate Form:

	Details of Shareholder
Name of shareholder	
Folio No.	
CNIC No.	
Cell number of shareholder	
Landline number of shareholder, if any	
Details of Bank Account	
Title of Bank Account International Bank Account Number (IBAN) "Mandatory"	PK ________________________________ (24 digits) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	

It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.

____
Signature of Shareholder

Date:____________________

REQUEST FORM FOR HARD COPY OF ANNUAL AUDITED ACCOUNTS

The Securities and Exchange Commission of Pakistan, vide S.R.O 470(I)/2016 dated May 31, 2016, has allowed companies to circulate their annual balance sheet, profit and loss account, auditor's report, directors' report, chairman's report and ancillary statements/notes/documents ("Annual Audited Accounts") along with notice of general meeting to the registered addresses of its shareholders in electronic form through CD/DVD/USB.

However, Shareholders may request a hard copy of the Annual Audited Accounts along with notice of general meetings to be sent to their registered address instead of receiving the same in electronic form on CD/DVD/USB. If you require a hard copy of the Annual Audited Accounts, please fill the following form and send it to our Share Registrar or Company Secretary at the address given below.

Date:

I/We ________________________________ request that a hard copy of the Annual Audited Accounts along with notice of general meetings be sent to me through post. My/our particulars in this respect are as follows:

Folio /CDC A/c No.	
Postal Address:	
Email Address:	
Contact No:	
CNIC No.	
Signature	

The form may be sent directly to Dawood Hercules Corporation Limited Share Registrar or Company Secretary at the following address:

FAMCO Associates (Private) Limited
8-F, Near Hotel Faran, Nursery, Block-6
P.E.C.H.S., Shahra-e-Faisal, Karachi, Pakistan
Tel: +92 (21) 34380101-5
Karachi-75650
Email: info.shares@famco.com.pk
Website: www.famco.com.pk

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

ELECTRONIC TRANSMISSION CONSENT FORM

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

Shareholders are requested to submit their Electronic Transmission Consent Form along with copy of their CNIC to the Company's Registrar, FAMCO Associates (Pvt) Limited, 8-F, Block 6, P.E.C.H.S, Near to Hotel Faran, Nursery, Shahrah-e-Faisal, Karachi.

Electronic Transmission Consent Form

Pursuant to the directions given by the Securities & Exchange Commission of Pakistan through its SRO 787(I)/2014 of September 8, 2014, I Mr./Ms.______________________________S/o, D/o, W/o ____________________________________ hereby consent to have the Dawood Hercules Corporation Limited Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

Folio /CDC A/c No.	
Postal Address:	
Email Address:	
Contact No:	
CNIC No.	

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

____
Signature of Member/Shareholder

Date:___________________

Dawood Hercules

Dawood Centre, M.T. Khan Road, Karachi - 75530
Tel: +92-21-35686001 Fax: +92-21-35644147
www.dawoodhercules.com