



engro polymer & chemicals

Financial Information for the Period
ended March 31, 2016

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COMPANY INFORMATION

Chairman	Khalid Siraj Subhani
President and Chief Executive	Imran Anwer
Directors	Shahzada Dawood Kimihide Ando Shoichi Ogiwara Feroz Rizvi Naz Khan Asad Said Jafar Zafar Hadi Omar Yaqoob Sheikh
Board Audit Committee	Feroz Rizvi Kimihide Ando Naz Khan Zafar Hadi
Chief Financial Officer	Muhammad Imran Khalil
Company Secretary	Schaane Ansari
Corporate Audit Manager	Muneeza Kassim
Bankers / Lenders	Allied Bank Ltd. Askari Bank Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. BankIslami Pakistan Ltd. Burj Bank Ltd. Citibank N.A. Deutsche Bank AG Faysal Bank Ltd. Habib Bank Ltd. Industrial and Commercial Bank of China Ltd. MCB Bank Ltd. Meezan Bank Ltd. NIB Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. Summit Bank Ltd. The Bank of Punjab United Bank Ltd.
Auditors	A. F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi
Registered Office	16th Floor, The Harbour Front Building, HC-3, Marine Drive, Block-4, Clifton, Karachi-75600.
Plant	EZ/1/P-II-1, Eastern Zone, Bin Qasim, Karachi
Share Registrar	FAMCO Associates (Private) Limited 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahra-e-Faisal, Karachi-74000 Tel: +92(21) 34380101-5 lines
Website	www.engropolymer.com





engro polymer & chemicals

**DIRECTORS' REVIEW &
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2016**



**ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2016**

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited Financial Information of the Company for the first quarter ended March 31, 2016.

Business Review

During 1Q 2016, PVC demand in the domestic market remained strong and the Company managed to achieve highest ever quarterly sales posting a growth of 12% as compared to same period last year. Robust demand from construction sector coupled with strong seasonal demand from shoe and garden-hose manufacturers were key drivers for uptick in PVC sales in the domestic market. PVC- Ethylene core delta, however, remained on the weaker side.

Caustic Soda market remained stable during the quarter. Domestic sales, however, were lower by 13% as compared to same period last year due to stiff market competition. During the quarter, the Company also exported excess Caustic Soda to supplement Chlor Alkali margins.

On the production front, the Company achieved highest ever quarterly production of PVC. VCM production increased by 22% over same period last year while Caustic production remained consistent. Stable production performance helped in ensuring ample product availability for domestic market.

During the quarter, the Company recorded revenue of Rs. 5,739 Mn as compared to Rs. 6,701 Mn during the same period last year. EPCL posted Profit After Tax (PAT) of Rs. 18 Mn as compared to Loss After Tax (LAT) of Rs. 107 Mn in the corresponding period. This translated into Earning per share of Rs. 0.03 in 1Q 2016 as compared to Loss per share of Rs. 0.16 in the same period last year. The Company realized gain due to significant volumetric growth in the domestic market and cost efficiencies on the operational front.

The Company continued to uphold its focus on Health, Safety & Environment in its operations.

Future Outlook

Domestic market for PVC is expected to continue its robust performance while Caustic Soda market is expected to remain stable. Ethylene prices are expected to remain high driven by supply tightness due to planned regional turnarounds, which will most likely keep the core delta under pressure. On the operational side, projects are planned, including routine plant maintenance during second quarter, to enhance efficiency and reliability of plant operations.



Imran Anwer

President & Chief Executive

Karachi
April 18, 2016



Kimihide Ando

Director



ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2016

(Amounts in thousand)

	Note	(Unaudited) March 31, 2016	(Audited) December 31, 2015
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	16,119,652	16,249,050
Intangible assets		87,097	90,345
Long term loans and advances		77,681	66,372
Deferred taxation	6	960,364	908,103
		<u>17,244,794</u>	<u>17,313,870</u>
Current Assets			
Stores, spares and loose tools		1,523,651	1,539,344
Stock-in-trade		3,530,255	2,941,206
Trade debts - considered good	7	298,289	436,852
Loans, advances, deposits, prepayments and other receivables	8	458,557	395,547
Taxes recoverable	9	1,078,422	1,115,723
Short term investments		-	300,000
Cash and bank balances		84,917	169,222
		<u>6,974,091</u>	<u>6,897,894</u>
TOTAL ASSETS		<u><u>24,218,885</u></u>	<u><u>24,211,764</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(12,777)	(11,993)
Accumulated loss		(2,235,168)	(2,252,996)
		<u>5,350,772</u>	<u>5,333,728</u>
Non-Current Liabilities			
Long term borrowings	10	5,269,432	5,262,612
Derivative financial instruments	11	18,518	17,382
		<u>5,287,950</u>	<u>5,279,994</u>
Current Liabilities			
Current portion of long term borrowings	10	3,064,174	3,064,064
Derivative financial instruments - at fair value through profit or loss	11	5,856	23,982
Service benefit obligations		11,424	38,976
Short term borrowings	12	2,032,338	2,957,086
Trade and other payables	13	6,895,013	6,310,020
Accrued interest / mark-up		164,621	55,041
Provisions	14	1,406,737	1,148,873
		<u>13,580,163</u>	<u>13,598,042</u>
TOTAL EQUITY AND LIABILITIES		<u><u>24,218,885</u></u>	<u><u>24,211,764</u></u>
Contingencies and Commitments			
	15		

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.



Imran Anwer
 President & Chief Executive



Kimihide Ando
 Director



[Amounts in thousand except for earnings/(loss) per share]


ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

	Quarter ended	
	March 31, 2016	March 31, 2015
	Rupees	
Net revenue	5,739,351	6,701,446
Cost of sales	(5,003,341)	(5,957,025)
Gross profit	736,010	744,421
Distribution and marketing expenses	(313,070)	(378,149)
Administrative expenses	(114,785)	(118,519)
Other operating expenses	(47,566)	(67,804)
Other income	3,868	6,424
Operating profit	264,457	186,373
Finance costs	(240,587)	(311,504)
Profit / (loss) before taxation	23,870	(125,131)
Taxation	(6,042)	18,084
Profit / (loss) for the period	17,828	(107,047)
Earnings / (Loss) per share		
- basic and diluted	0.03	(0.16)

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.



Imran Anwer
 President & Chief Executive



Kimihide Ando
 Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

	Quarter ended	
	March 31, 2016	March 31, 2015
	Rupees	
Profit / (loss) for the period	17,828	(107,047)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Hedging reserve		
Gain / (Loss) arising during the period	(5,998)	(13,794)
Reclassification adjustments for (gains) / losses included in profit and loss	4,863	9,162
Income tax relating to hedging reserve	352	1,529
Other comprehensive gain / (loss) for the period - net of tax	(784)	(3,103)
Total comprehensive income / (loss) for the period	<u>17,044</u>	<u>(110,150)</u>

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.



Imran Anwer
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

	Note	Quarter ended	
		March 31, 2016	March 31, 2015
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	892,592	29,723
Finance costs paid		(126,325)	(89,348)
Long term loans and advances		(11,309)	(11,312)
Income tax (paid) / refunded		(20,649)	(116,473)
Net cash (utilized in) / generated from operating activities		734,309	(187,410)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(196,243)	(152,479)
Proceeds from disposal of property, plant and equipment		2,000	2,415
Purchases of short term investments		-	(67,902)
Proceeds from disposal of short term investments		-	68,982
Income on short term investments and bank deposits		377	13,573
Net cash utilized in investing activities		(193,866)	(135,411)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings		200,000	600,000
Repayment of export refinancing facility		(750,000)	-
Net cash generated from financing activities		(550,000)	600,000
Net (decrease) / increase in cash and cash equivalents		(9,557)	277,179
Cash and cash equivalents at beginning of the period		(1,137,864)	694,029
Cash and cash equivalents at end of the period	17	(1,147,421)	971,208

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.



Imran Anwer
 President & Chief Executive



Kimihide Ando
 Director



ENGRO POLYMER & CHEMICALS LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

1. LEGAL STATUS AND OPERATIONS

- 1.1** The Group consists of Engro Polymer and Chemicals Limited and its wholly owned subsidiary company, Engro Polymer Trading (Private) Limited.
- 1.2** Engro Polymer and Chemicals Limited (EPCL) was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984. The Company is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have merged).
- 1.3** EPCL is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The address of its registered office is 16th Floor, The Harbor Front Building, HC-3 Marine Drive, Block 4 Clifton, Karachi. The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited.
- 1.4** As notified on the stock exchanges of Pakistan on November 24, 2015, EPCL has received an announcement of intention by a potential acquirer to acquire entire shareholding of Engro Corporation Limited in EPCL. Accordingly, EPCL has been asked to provide certain information to enable potential acquirer to commence due diligence, which is in progress as at the balance sheet date.

2. BASIS OF PREPARATION

This consolidated condensed interim financial information of the Company for the three months period ended March 31, 2016 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance takes precedence.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2015.

4. ACCOUNTING ESTIMATES

The preparation of this consolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited financial statements for the year ended December 31, 2015.



(Amounts in thousand)

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,322,751	15,520,580
Capital work-in-progress	710,951	642,520
Capital spares	85,950	85,950
	<u>16,119,652</u>	<u>16,249,050</u>

5.1 Additions to operating assets during the period / year were as follows:

Building on leasehold land	-	1,099
Plant and machinery	110,641	315,102
Furniture, fixtures and equipment	16,986	10,683
Vehicles	-	2,700
	<u>127,627</u>	<u>329,584</u>

5.2 During the period, asset costing Rs. 8,000 (December 31, 2015: Rs. 33,704), having net book value of Rs. 2,375 (December 31, 2015: Rs. 12,325) was disposed off for Rs. 2,000 (December 31, 2015: Rs. 10,896) and assets costing NIL (December 31, 2015: Rs. 125) having net book value of NIL (December 31, 2015: Rs. 79) were written off.

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
6. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(2,960,100)	(2,995,947)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 6.1	3,317,366	3,424,568
- recoupable minimum turnover tax - note 6.2	55,577	-
- unpaid liabilities	73,367	70,720
- provision against GIDC, custom duty and SED refundable	397,351	325,412
- provision for net realizable value of stocks	7,413	14,312
- provision for slow moving stores and spares	14,182	14,182
- fair value of hedging instruments	5,741	5,389
- share issuance cost, net to equity	49,467	49,467
	3,920,464	3,904,050
	<u>960,364</u>	<u>908,103</u>



(Amounts in thousand)

- 6.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at March 31, 2016 amount to Rs. 11,057,886 (December 31, 2015: Rs. 11,415,228).

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
7. TRADE DEBTS - considered good		
Secured	136,847	301,035
Unsecured - note 7.1	161,442	135,817
	<u>298,289</u>	<u>436,852</u>
7.1 Includes amounts due from the following related parties:		
- Engro Fertilizer Limited	5,657	16,896
- Engro Foods Limited	1,914	2,689
	<u>7,571</u>	<u>19,585</u>
8. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
These include receivables from the following related parties:		
Engro Fertilizers Limited	758	-
Engro Vopak Terminal Limited	177	1,800
Engro Elengy Limited	-	-
Engro Corporation Limited	-	-
Engro Foods Limited	4,436	7
Sindh Engro Coal Mining Company	673	-
Engro Foundation	3	-
Engro Powergen Limited	2,763	-
Engro Powergen Qadirpur Limited	2,680	253
	<u>11,490</u>	<u>2,060</u>

9. TAXES RECOVERABLE

9.1 Tax Year 2008

The Deputy Commissioner Inland Revenue (DCIR) through the order dated November 26, 2009 raised a tax demand of Rs. 213,172. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs. 5,899; adding imputed interest on loans to employees and executives of Rs. 16,069 to income; disallowing finance cost of Rs. 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.



The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 'under protest'. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Company's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

The Company has filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, during last year, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in these condensed interim financial statements.

9.2 Tax Year 2009

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for retirement benefits of Rs. 14,239; disallowance of provision against Special Excise Duty refundable of Rs. 36,689; addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by the Company before the CIR(A). Through his appellate order, the CIR(A) maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A), regarding deletion of addition on account of provision for the retirement benefits.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Company's position except for additions on account of SED provision of Rs. 36,689 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Company has filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, during the last year, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in these condensed financial statements.



(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

10.1	Title	Mark-up rate per annum	Installments		Unaudited	Audited
			Number	Commencing from	March 31, 2016	December 31, 2015
					Rupees	
	Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	1,387,204	1,385,616
	Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	212,661	212,085
	Syndicated term finance V	6 months KIBOR+1.5%	8 half yearly	June, 2015	993,344	991,605
	Bilateral loan I	6 months KIBOR +2%	6 half yearly	June, 2016	544,767	544,291
	Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	April 2016	100,000	100,000
	International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	1,248,605	1,246,479
	Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,513	848,300
	Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,513	848,300
	Subordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5%	Repayable in full five years		2,150,000	2,150,000
					8,333,606	8,326,676
Less: Current portion shown under current liabilities					(3,064,174)	(3,064,064)
					<u>5,269,432</u>	<u>5,262,612</u>

10.2 Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and Syndicate banks and under the bilateral loans agreements, the Company is required to comply with certain debt covenants. As at March 31, 2016, the Company is not in compliance with some of these debt covenants and has accordingly notified the concerned financial institutions. The company is considering various measures, including issuance of preference shares, as approved by shareholders in the previous year, to improve the Company's financial position.

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at March 31, 2016, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 8,000 (December 31, 2015: US \$ 8,000) to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

11.2 As at March 31, 2016, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US\$ 2,272 (December 31, 2015 : US\$ 24,471) to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

12. SHORT TERM BORROWINGS	(Unaudited)	(Audited)
	March 31, 2016	December 31, 2015
		Rupees
Sub-ordinate loan from Engro Corporation Limited - note 12.1	600,000	600,000
Money market loan - note 12.2	880,000	1,080,000
Running finance utilized under mark-up arrangements - note 12.3	352,338	527,086
Export refinance facility	-	750,000
Istisna - note 12.4	200,000	-
		<u>2,032,338</u>
		<u>2,957,086</u>



(Amounts in thousand)

- 12.1** This represents short term loan from Engro Corporation Limited (the Holding Company) for meeting the working capital requirements. The loan is subordinated to the finances provided to the Company by its banking creditors and carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.
- 12.2** This represents money market loans obtained from commercial banks carrying mark-up ranging from 6.85% to 7.08% per annum. These loans are obtained for a period ranging from 07 to 30 days and are secured by a hypothecation charge over the current assets of the Company.
- 12.3** The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 3,015,000 (December 31, 2015: Rs.3,050,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to 1% (December 31, 2015: relevant period KIBOR plus 0.9% to 1%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 7.3% to 7.5% (December 31, 2015: 7.44% to 11.15%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.
- 12.4** This represents short borrowing in Istisna mode carrying markup at the rate of relevant period KIBOR plus 1%.

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
13. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 13.1	4,923,162	4,474,429
Accrued liabilities	1,087,629	1,240,189
Advances from customers - note 13.1	715,065	437,624
Retention money against project payments	11,887	11,887
Security deposits	46,432	41,937
Workers Welfare Fund	59,783	52,490
Workers Profit Participation Fund	1,468	-
Withholding tax payable	14,614	4,858
Others - note 13.1	34,973	46,606
	<u>6,895,013</u>	<u>6,310,020</u>
13.1 Includes amounts due to the following related parties:		
- Engro Corporation Limited	21,473	392
- Mitsubishi Corporation	547,430	2,195,710
- Engro Fertilizers Limited	-	485
- Engro Vopak Terminal Limited	83,582	93,654
	<u>652,485</u>	<u>2,290,241</u>
14. PROVISIONS		
Provision for Gas Infrastructure Development Cess - note 14.1	1,406,737	1,148,873
	<u>1,406,737</u>	<u>1,148,873</u>

- 14.1** Provision for Gas Infrastructure Development Cess (GIDC)

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs.13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company has obtained ad-interim stay orders from the Sindh High Court. However, on prudent basis the Company recognized a provision of Rs. 1,345,789 till May 21, 2015.



On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby Cess rate of Rs. 100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

The Company based on the advice of its legal counsel, is of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company has reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and/or recovering the cess under GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 814,612 pertaining to the period subsequent to promulgation of GIDC Act, 2015.

15. CONTINGENCIES AND COMMITMENTS

15.1 During the period, The Deputy Commissioner Inland Revenue (DCIR) through his order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material.

The Company filed an appeal against the order before Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of the Company.

15.2 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2016 amounts to Rs. 1,297,000 (December 31, 2015: Rs. 1,098,000). The amount utilized there against is Rs. 1,097,280 (December 31, 2015: Rs. 1,097,280).

15.3 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and FatimaFert Limited, for storage and handling of Ethylene Di Chloride and Caustic soda. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till July 31, 2019. The future aggregate lease payments under these arrangements are as follows:

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
Not later than 1 year	15,484	16,834
Later than 1 year and no later than 5 years	33,600	37,200
	<u>49,084</u>	<u>54,034</u>

15.4 The Company has entered into various contracts with Engro Vopak Terminal Limited, a related party, for storage and handling of Ethylene and Vinyl Chloride Monomer (VCM) valid till March, 2026 and December 2018, respectively and Ethylene Di-Chloride (EDC) valid till May 2018. Annual fixed cost payable to Engro Vopak Terminal Limited, under these contracts, approximates to US \$ 9,165.



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2016	March 31, 2015
	Rupees	
16. CASH GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	23,870	(125,131)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	(27,552)	(26,332)
Provision for GIDC	257,864	237,862
Provision for net realizable value of stock-in-trade	(24,665)	(606,545)
Provision for slow moving stores and spares	-	1,583
Depreciation and amortization	326,514	314,162
Income on short term investments and bank deposits	(381)	(16,610)
(Gain) / loss on revaluation of IFC loan	166	28,800
Net amortization of prepaid financial charges	6,767	6,767
Unrealized foreign exchange loss on derivatives held at fair value through profit and loss	(18,126)	(115,434)
Finance costs	235,905	297,814
Loss on disposal and Write-off of damaged operating assets	375	302
Working capital changes - note 16.1	111,855	32,485
	<u>892,592</u>	<u>29,723</u>
16.1 WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spares and loose tools	15,693	(87,383)
Stock-in-trade	(564,384)	1,914,877
Trade debts - considered good	138,563	253,756
Loans,advances,deposits,prepayments and other receivables	(63,010)	158,755
	<u>(473,138)</u>	<u>2,240,005</u>
Increase / (decrease) in current liabilities		
Trade and other payables	584,993	(2,207,520)
	<u>111,855</u>	<u>32,485</u>
17. CASH AND CASH EQUIVALENTS		
Cash and bank balances	84,917	525,775
Short term investments	-	445,433
Short term borrowings	(1,232,338)	-
	<u>(1,147,421)</u>	<u>971,208</u>



(Amounts in thousand)

18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this consolidated condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2015.

	Unaudited March 31, 2016				Unaudited March 31, 2015			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Revenue	4,578,544	1,148,215	12,592	5,739,351	5,438,045	1,247,809	15,592	6,701,446
Profit before unallocated expenses	180,690	237,645	4,606	422,940	(30,586)	382,639	14,219	366,272
Unallocated expenses								
Administrative expenses				(114,785)				(118,519)
Other operating expenses				(47,566)				(67,804)
Other operating income				3,868				6,424
Finance costs				(240,587)				(311,504)
Taxation				(6,042)				18,084
Profit after taxation				17,828				(107,047)

	Unaudited March 31, 2016				Audited December 31, 2015			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	14,411,175	5,689,904	18,161	20,119,240	14,785,696	5,093,381	12,585	19,891,662
Unallocated assets				4,099,645				4,320,102
Total assets				24,218,885				24,211,764

18.2 Segment assets consist primarily of property, plant and equipment, stores & spares, stock-in-trade and trade debts.



19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

19.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently this consolidated condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements.

19.2 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); 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			
Liabilities				
- Derivative financial instruments	-	24,374	-	24,374

There were no transfers amongst the levels during the year.

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



(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

20.1 Transactions with related parties other than those which have been disclosed elsewhere in this consolidated condensed interim financial information are as follows:

Nature of relationship	Nature of transactions	Unaudited Period ended	
		March 31, 2016	March 31, 2015
Holding			
	Mark up on subordinated loan	68,724	18,287
	Reimbursement made	26,111	14,829
	Reimbursements received	-	566
	Life insurance contribution	172	-
	Medical contribution	52	61
	Pension fund contribution	697	577
	Provident fund contribution	2,650	2,448
	Gratuity fund contribution	1,785	1,690
Associated companies			
	Purchase of goods	350,063	2,142,338
	Sale of goods	91,262	52,395
Related parties by virtue of common directorship			
	Purchase of services	252,140	243,779
	Sale of goods	18,458	17,709
	Sale of steam and electricity	17,402	20,687
	Purchase of goods	2,181	-
	Use of operating assets	174	923
	Annual Subscription	50	103
	Reimbursement made	14,521	16,570
	Reimbursement received	11,969	3,394
Other related party			
	Purchase of services	-	131
	Annual Subscription	30	12
Directors' fee			
	Fee	500	150
Key management personnel			
	Managerial remuneration	17,467	20,065
	Retirement benefits	2,887	1,822
	Bonus	5,103	6,949
	Other benefits	4,022	3,748
Contribution to staff retirement benefits			
	Provident fund	10,941	7,516
	Gratuity fund	9,168	6,261



21. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim balance sheet has been compared with the balances of annual audited consolidated financial statements of preceding financial year, whereas the consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

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

22. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 18, 2016 by the Board of Directors of the Company.



Imran Anwer
President & Chief Executive



Kimihide Ando
Director





engro polymer & chemicals

**UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2016**



ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2016

(Amounts in thousand)

	Note	(Unaudited) March 31, 2016	(Audited) December 31, 2015
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	16,119,652	16,249,050
Intangible assets		87,097	90,345
Long term investment - at cost		50,000	50,000
Long term loans and advances		77,681	66,372
Deferred taxation	6	960,364	908,103
		<u>17,294,794</u>	<u>17,363,870</u>
Current Assets			
Stores, spares and loose tools		1,523,651	1,539,344
Stock-in-trade		3,530,255	2,941,206
Trade debts - considered good	7	298,289	436,852
Loans, advances, deposits, prepayments and other receivables	8	453,521	390,511
Taxes recoverable	9	1,078,822	1,115,596
Short term investments		-	300,000
Cash and bank balances		78,886	154,779
		<u>6,963,424</u>	<u>6,878,288</u>
TOTAL ASSETS		<u><u>24,258,218</u></u>	<u><u>24,242,158</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(12,777)	(11,993)
Accumulated loss		(2,267,074)	(2,283,693)
		<u>5,318,866</u>	<u>5,303,031</u>
Non-Current Liabilities			
Long term borrowings	10	5,269,432	5,262,612
Derivative financial instruments	11	18,518	17,382
		<u>5,287,950</u>	<u>5,279,994</u>
Current Liabilities			
Current portion of long term borrowings	10	3,064,174	3,064,064
Derivative financial instruments - at fair value through profit or loss	11	5,856	23,982
Service benefit obligations		11,424	38,976
Short term borrowings	12	2,110,932	3,026,180
Trade and other payables	13	6,887,658	6,300,942
Accrued interest / mark-up		164,621	56,116
Provisions	14	1,406,737	1,148,873
		<u>13,651,402</u>	<u>13,659,133</u>
TOTAL EQUITY AND LIABILITIES		<u><u>24,258,218</u></u>	<u><u>24,242,158</u></u>
Contingencies and Commitments	15		

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Imran Anwer
 President & Chief Executive



Kimihide Ando
 Director



[Amounts in thousand except for earnings/(loss) per share]

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

	Quarter ended	
	March 31, 2016	March 31, 2015
	Rupees	
Net revenue	5,739,351	6,701,446
Cost of sales	(5,003,341)	(5,957,025)
Gross profit	736,010	744,421
Distribution and marketing expenses	(313,070)	(378,149)
Administrative expenses	(114,710)	(118,519)
Other operating expenses	(47,503)	(67,683)
Other income	3,699	4,870
Operating profit	264,426	184,940
Finance costs	(242,309)	(311,504)
Profit / (loss) before taxation	22,117	(126,564)
Taxation	(5,498)	18,557
Profit / (loss) for the period	16,619	(108,007)
Earnings / (Loss) per share		
- basic and diluted	0.03	(0.16)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Imran Anwer
President & Chief Executive



Kimihide Ando
Director



ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

(Amounts in thousand)

	Quarter ended	
	March 31, 2016	March 31, 2015
	Rupees	
Profit / (loss) for the period	16,619	(108,007)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Hedging reserve		
Gain / (Loss) arising during the period	(5,998)	(13,794)
Reclassification adjustments for (gains) / losses included in profit and loss	4,863	9,162
Income tax relating to hedging reserve	352	1,529
Other comprehensive gain / (loss) for the period - net of tax	(784)	(3,103)
Total comprehensive income / (loss) for the period	<u>15,835</u>	<u>(111,110)</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Imran Anwer
 President & Chief Executive



Kimihide Ando
 Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

	Share capital	CAPITAL Share premium	RESERVES		Total
			Hedging reserve	REVENUE Accumulated loss	
			Rupees		
Balance as at January 1, 2015 (Audited)	6,634,688	964,029	(29,757)	(1,629,890)	5,939,070
Total comprehensive income for the three months ended March 31, 2015	-	-	(3,103)	(108,007)	(111,110)
Balance as at March 31, 2015 (Unaudited)	<u>6,634,688</u>	<u>964,029</u>	<u>(32,860)</u>	<u>(1,737,897)</u>	<u>5,827,960</u>
Total comprehensive income for the nine months ended December 31, 2015	-	-	20,867	(545,796)	(524,929)
Balance as at December 31, 2015 (Audited)	<u>6,634,688</u>	<u>964,029</u>	<u>(11,993)</u>	<u>(2,283,693)</u>	<u>5,303,031</u>
Total comprehensive income for the three months ended March 31, 2016	-	-	(784)	16,619	15,835
Balance as at March 31, 2016 (Unaudited)	<u>6,634,688</u>	<u>964,029</u>	<u>(12,777)</u>	<u>(2,267,074)</u>	<u>5,318,866</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Imran Anwer
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

	Note	Quarter ended	
		March 31, 2016	March 31, 2015
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	894,454	29,900
Finance costs paid		(129,123)	(89,348)
Long term loans and advances		(11,309)	(11,312)
Income tax (paid) / refunded		(20,633)	(116,465)
Net cash (utilized in) / generated from operating activities		733,389	(187,225)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(196,243)	(152,479)
Proceeds from disposal of property, plant and equipment		2,000	2,415
Income on short term investments and bank deposits		209	13,497
Net cash utilized in investing activities		(194,034)	(136,567)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings		209,500	600,000
Repayment of export refinancing facility		(750,000)	-
Net cash generated from financing activities		(540,500)	600,000
Net (decrease) / increase in cash and cash equivalents		(1,145)	276,208
Cash and cash equivalents at beginning of the period		(1,152,307)	687,197
Cash and cash equivalents at end of the period	17	(1,153,452)	963,405

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Imran Anwer
 President & Chief Executive



Kimihide Ando
 Director



ENGRO POLYMER & CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016

1. LEGAL STATUS AND OPERATIONS

- 1.1** Engro Polymer & Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984. The Company is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have merged).
- 1.2** The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The address of its registered office is 16th Floor, The Harbor Front Building, HC-3 Marine Drive, Block 4 Clifton, Karachi. The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited.
- 1.3** As notified on the stock exchanges of Pakistan on November 24, 2015, the Company has received an announcement of intention by a potential acquirer to acquire entire shareholding of Engro Corporation Limited in the Company. Accordingly, the Company has been asked to provide certain information to enable potential acquirer to commence due diligence, which is in progress as at the balance sheet date.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the three months period ended March 31, 2016 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance takes precedence.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2015.

4. ACCOUNTING ESTIMATES

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

During the preparation of this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited financial statements for the year ended December 31, 2015.



(Amounts in thousand)

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,322,751	15,520,580
Capital work-in-progress	710,951	642,520
Capital spares	85,950	85,950
	<u>16,119,652</u>	<u>16,249,050</u>

5.1 Additions to operating assets during the period / year were as follows:

Building on leasehold land	-	1,099
Plant and machinery	110,641	315,102
Furniture, fixtures and equipment	16,986	10,683
Vehicles	-	2,700
	<u>127,627</u>	<u>329,584</u>

5.2 During the period, asset costing Rs. 8,000 (December 31, 2015: Rs. 33,704), having net book value of Rs. 2,375 (December 31, 2015: Rs. 12,325) was disposed off for Rs. 2,000 (December 31, 2015: Rs. 10,896) and assets costing NIL (December 31, 2015: Rs. 125) having net book value of NIL (December 31, 2015: Rs. 79) were written off.

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
6. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(2,960,100)	(2,995,947)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 6.1	3,317,366	3,424,568
- recoupable minimum turnover tax - note 6.2	55,577	-
- unpaid liabilities	73,367	70,720
- provision against GIDC, custom duty and SED refundable	397,351	325,412
- provision for net realizable value of stocks	7,413	14,312
- provision for slow moving stores and spares	14,182	14,182
- fair value of hedging instruments	5,741	5,389
- share issuance cost, net to equity	49,467	49,467
	3,920,464	3,904,050
	<u>960,364</u>	<u>908,103</u>



(Amounts in thousand)

- 6.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at March 31, 2016 amount to Rs. 11,057,886 (December 31, 2015: Rs. 11,415,228).

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
7. TRADE DEBTS - considered good		
Secured	136,847	301,035
Unsecured - note 7.1	161,442	135,817
	<u>298,289</u>	<u>436,852</u>
7.1 Includes amounts due from the following related parties:		
- Engro Fertilizer Limited	5,657	16,896
- Engro Foods Limited	1,914	2,689
	<u>7,571</u>	<u>19,585</u>

**8. LOANS, ADVANCES, DEPOSITS,
PREPAYMENTS AND OTHER RECEIVABLES**

These include receivables from the following related parties:

Engro Fertilizers Limited	758	-
Engro Vopak Terminal Limited	177	1,800
Engro Foods Limited	4,436	7
Sindh Engro Coal Mining Company	673	-
Engro Foundation	3	-
Engro Powergen Limited	2,763	-
Engro Powergen Qadirpur Limited	2,680	253
	<u>11,490</u>	<u>2,060</u>

9. TAXES RECOVERABLE

9.1 Tax Year 2008

The Deputy Commissioner Inland Revenue (DCIR) through the order dated November 26, 2009 raised a tax demand of Rs. 213,172. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs. 5,899; adding imputed interest on loans to employees and executives of Rs. 16,069 to income; disallowing finance cost of Rs. 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.



The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 'under protest'. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Company's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

The Company has filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, during last year, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in these condensed interim financial statements.

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for retirement benefits of Rs. 14,239; disallowance of provision against Special Excise Duty refundable of Rs. 36,689; addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

9.2 Tax Year 2009

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for retirement benefits of Rs. 14,239; disallowance of provision against Special Excise Duty refundable of Rs. 36,689; addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by the Company before the CIR(A). Through his appellate order, the CIR(A) maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A), regarding deletion of addition on account of provision for the retirement benefits.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Company's position except for additions on account of SED provision of Rs. 36,689 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Company has filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, during the last year, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in these condensed financial statements



(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

10.1	Title	Mark-up rate per annum	Installments		Unaudited	Audited
			Number	Commencing from	March 31, 2016	December 31, 2015
					Rupees	
	Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	1,387,204	1,385,616
	Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	212,661	212,085
	Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May, 2013	-	-
	Syndicated term finance V	6 months KIBOR+1.5%	8 half yearly	June, 2015	993,344	991,605
	Bilateral loan I	6 months KIBOR +2%	6 half yearly	June, 2016	544,767	544,291
	Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	April 2016	100,000	100,000
	International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	1,248,605	1,246,479
	Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,513	848,300
	Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,513	848,300
	Subordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5%	Repayable in full five years		2,150,000	2,150,000
					8,333,606	8,326,676
Less: Current portion shown under current liabilities					(3,064,174)	(3,064,064)
					<u>5,269,432</u>	<u>5,262,612</u>

10.2 Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and Syndicate banks and under the bilateral loans agreements, the Company is required to comply with certain debt covenants. The Company is not in compliance with some of these debt covenants and has accordingly notified the concerned financial institutions. The Company is considering various measures, including issuance of preference shares to improve the Company's financial position.

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at March 31, 2016, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 8,000 (December 31, 2015: US \$ 8,000) to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

11.2 As at March 31, 2016, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US\$ 2,272 (December 31, 2015 : US\$ 24,471) to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

12. SHORT TERM BORROWINGS	(Unaudited)	(Audited)
	March 31, 2016	December 31, 2015
Rupees		
Sub-ordinate loan from Engro Corporation Limited - note 12.1	600,000	600,000
Sub-ordinate loan from Engro Polymer Trading (Private) Limited - note 12.2	78,594	69,094
Money market loan - note 12.3	880,000	1,080,000
Running finance utilized under mark-up arrangements - note 12.4	352,338	527,086
Export refinance facility	-	750,000
Istisna - note 12.5	200,000	-
	<u>2,110,932</u>	<u>3,026,180</u>



(Amounts in thousand)

- 12.1** This represents short term loan from Engro Corporation Limited (the Holding Company) for meeting the working capital requirements. The loan is subordinated to the finances provided to the Company by its banking creditors and carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.
- 12.2** This represents loan from Engro Polymer Trading (Private) Limited, the wholly owned subsidiary. The loan is subordinated to other financial arrangements (other than creditors) and carries markup at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.
- 12.3** This represents money market loans obtained from commercial banks carrying mark-up ranging from 6.85% to 7.08% per annum. These loans are obtained for a period ranging from 07 to 30 days and are secured by a hypothecation charge over the current assets of the Company.
- 12.4** The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 3,015,000 (December 31, 2015: Rs.3,050,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to 1% (December 31, 2015: relevant period KIBOR plus 0.9% to 1%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 7.3% to 7.5% (December 31, 2015: 7.44% to 11.15%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.
- 12.5** This represents short borrowing in Istisna mode carrying markup at the rate of relevant period KIBOR plus 1%.

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
13. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 13.1	4,924,885	4,474,429
Accrued liabilities	1,087,277	1,239,837
Advances from customers - note 13.1	715,065	437,624
Retention money against project payments	11,887	11,887
Security deposits	46,432	41,937
Workers Welfare Fund	51,057	43,764
Workers Profit Participation Fund	1,468	-
Withholding tax payable	14,614	4,858
Others - note 13.1	34,973	46,606
	<u>6,887,658</u>	<u>6,300,942</u>
13.1 Includes amounts due to the following related parties:		
- Engro Corporation Limited	21,473	392
- Mitsubishi Corporation	547,430	2,195,710
- Engro Fertilizers Limited	-	485
- Engro Polymer Trading (Private) Limited	1,723	-
- Engro Vopak Terminal Limited	83,582	93,654
	<u>654,208</u>	<u>2,290,241</u>
14. PROVISIONS		
Provision for Gas Infrastructure Development Cess - note 14.1	1,406,737	1,148,873
	<u>1,406,737</u>	<u>1,148,873</u>



14.1 Provision for Gas Infrastructure Development Cess (GIDC)

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs.13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, Finance Act,2014 and GIDC Ordinance 2014 against which the Company has obtained ad-interim stay orders from the Sindh High Court. However, on prudent basis the Company recognized a provision of Rs. 1,345,789 till May 21, 2015. However, on prudent basis the Company recognized a provision of Rs. 1,345,789 till May 21, 2015.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby Cess rate of Rs. 100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

The Company based on the advice of its legal counsel, is of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company has reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and/or recovering the cess under GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 814,612 pertaining to the period subsequent to promulgation of GIDC Act, 2015.

15. CONTINGENCIES AND COMMITMENTS

15.1 During the period, The Deputy Commissioner Inland Revenue (DCIR) through his order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material.

The Company filed an appeal against the order before Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of the Company.

15.2 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2016 amounts to Rs. 1,297,000 (December 31, 2015: Rs. 1,098,000). The amount utilized there against is Rs. 1,097,280 (December 31, 2015: Rs. 1,097,280).

15.3 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and FatimaFert Limited, for storage and handling of Ethylene Di Chloride and Caustic soda. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till July 31, 2019. The future aggregate lease payments under these arrangements are as follows:

	(Unaudited) March 31, 2016	(Audited) December 31, 2015
	Rupees	
Not later than 1 year	15,484	16,834
Later than 1 year and no later than 5 years	33,600	37,200
	<u>49,084</u>	<u>54,034</u>

15.4 The Company has entered into various contracts with Engro Vopak Terminal Limited, a related party, for storage and handling of Ethylene and Vinyl Chloride Monomer (VCM) valid till March, 2026 and December 2018, respectively and Ethylene Di-Chloride (EDC) valid till May 2018. Annual fixed cost payable to Engro Vopak Terminal Limited, under these contracts, approximates to US \$ 9,165.



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2016	March 31, 2015
	Rupees	
16. CASH GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	22,117	(126,564)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	(27,552)	(26,332)
Provision for GIDC	257,864	237,862
Provision for net realizable value of stock-in-trade	(24,665)	(606,545)
Provision for slow moving stores and spares	-	1,583
Depreciation and amortization	326,514	314,162
Income on short term investments and bank deposits	(212)	(15,110)
(Gain) / loss on revaluation of IFC loan	166	28,800
Net amortization of prepaid financial charges	6,767	6,767
Unrealized foreign exchange loss on derivatives held at fair value through profit and loss	(18,126)	(115,434)
Finance costs	237,628	297,814
Loss on disposal and Write-off of damaged operating assets	375	302
Working capital changes - note 16.1	113,578	32,595
	<u>894,454</u>	<u>29,900</u>
16.1 WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spares and loose tools	15,693	(87,383)
Stock-in-trade	(564,384)	1,914,877
Trade debts - considered good	138,563	253,756
Loans, advances, deposits, prepayments and other receivables	(63,010)	158,755
	<u>(473,138)</u>	<u>2,240,005</u>
Increase / (decrease) in current liabilities		
Trade and other payables	586,716	(2,207,410)
	<u>113,578</u>	<u>32,595</u>
17. CASH AND CASH EQUIVALENTS		
Cash and bank balances	78,886	517,972
Short term investments	-	445,433
Short term borrowings	(1,232,338)	-
	<u>(1,153,452)</u>	<u>963,405</u>



18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2015.

	Unaudited March 31, 2016				Unaudited March 31, 2015			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Revenue	4,578,544	1,148,215	12,592	5,739,351	5,438,045	1,247,809	15,592	6,701,446
Profit before unallocated expenses	180,690	237,645	4,606	422,940	(30,586)	382,639	14,219	366,272
Unallocated expenses								
Administrative expenses				(114,710)				(118,519)
Other operating expenses				(47,503)				(67,683)
Other operating income				3,699				4,870
Finance costs				(242,309)				(311,504)
Taxation				(5,498)				18,557
Profit after taxation				16,619				(108,007)

	Unaudited March 31, 2016				Audited December 31, 2015			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	14,411,175	5,689,904	18,161	20,119,240	14,785,696	5,093,381	12,585	19,891,662
Unallocated assets				4,138,978				4,350,496
Total assets				24,258,218				24,242,158

18.2 Segment assets consist primarily of property, plant and equipment, stores & spares, stock-in-trade and trade debts.



(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

20.1 Transactions with related parties other than those which have been disclosed elsewhere in this consolidated condensed interim financial information are as follows:

Nature of relationship	Nature of transactions	Unaudited	
		Period ended	
		March 30, 2016	March 31, 2015
Holding			
	Mark up on subordinated loan	68,724	18,287
	Reimbursement made	26,111	14,829
	Reimbursements received	-	566
	Life insurance contribution	172	-
	Medical contribution	52	61
	Pension fund contribution	697	577
	Provident fund contribution	2,650	2,448
	Gratuity fund contribution	1,785	1,690
Subsidiary Company	Loan received	9,500	-
Associated companies	Purchase of goods	350,063	2,142,338
	Sale of goods	91,262	52,395
Related parties by virtue of common directorship	Purchase of services	252,140	243,779
	Sale of goods	18,458	17,709
	Sale of steam and electricity	17,402	20,687
	Purchase of goods	2,181	-
	Use of operating assets	174	923
	Annual Subscription	50	103
	Reimbursement made	14,521	16,570
	Reimbursement received	11,969	3,394
Other related party	Purchase of services	-	131
	Annual Subscription	30	12
Directors' fee	Fee	500	150
Key management personnel	Managerial remuneration	17,467	20,065
	Retirement benefits	2,887	1,822
	Bonus	5,103	6,949
	Other benefits	4,022	3,748
Contribution to staff retirement benefits	Provident fund	10,941	7,516
	Gratuity fund	9,168	6,261



21. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim balance sheet has been compared with the balances of annual audited consolidated financial statements of preceding financial year, whereas the consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

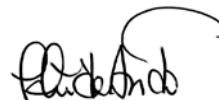
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which is not material.

22. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 18, 2016 by the Board of Directors of the Company.



Imran Anwer
President & Chief Executive



Kimihide Ando
Director



اینگروپولیمرا اینڈ کیمیکلز لمیٹڈ
 شیئر ہولڈرز کے لیے ڈائریکٹرز کا تجزیہ
 برائے غیر آڈٹ شدہ انٹرم فی نفل اسٹیٹمنٹ
 31 مارچ، 2016 کو ختم ہونے والی سہ ماہی کے لیے

اینگروپولیمرا اینڈ کیمیکلز لمیٹڈ کے ڈائریکٹرز کی جانب سے ہم سال کی پہلی سہ ماہی کی غیر آڈٹ شدہ معلومات پیش کر رہے ہیں۔ جس کا اختتام 31 مارچ، 2016 کو ہوا۔

کاروباری تجزیہ

2016 کی پہلی سہ ماہی کے دوران پی وی سی کی مقامی مارکٹ میں طلب میں اضافہ ہوا اور کمپنی گزشتہ برس کی پہلی سہ ماہی کے مقابلے میں 12% اضافے کے ساتھ کسی بھی سہ ماہی میں سب سے زیادہ سیلز حاصل کرنے میں کامیاب رہی۔ مقامی مارکٹ میں پی وی سیلز میں اضافے کے محرکات میں کنسٹرکشن سیکٹر میں تیزی اور جوتوں اور گارڈن ہوزز میں فیکچررز میں بڑھتی ہوئی طلب شامل ہیں۔ تاہم پی وی سی اتھلیٹک کورڈیلنا میں مندی رہی۔

اس سہ ماہی میں کاسٹک سوڈا کا کاروبار مستحکم رہا تاہم مقامی کھپت میں گزشتہ برس کے مقابلے میں 13% کمی واقع ہوئی۔ جسکی وجہ مارکٹ میں مقابلے کا سخت رجحان رہا۔ دوران سہ ماہی کمپنی نے کلورالکلائی مارجنز میں بڑھاوے کے لیے اضافی کاسٹک سوڈا برآمد کیا۔

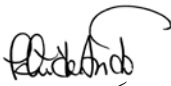
پیداواری شعبے میں کمپنی نے اس سہ ماہی میں ہمیشہ سے زیادہ پی وی سی کی پیداوار حاصل کی۔ وی سی ایم کی پیداوار میں گزشتہ برس کے مقابلے میں 22% اضافہ ہوا جبکہ کاسٹک کی پیداوار مستحکم رہی۔ مقامی مارکٹ کے لیے وافر مصنوعات میسر ہیں جس کی وجہ مسلسل بہترین پیداواری کارکردگی تھی۔

اس سہ ماہی میں کمپنی نے 5,739 Mn روپے ریونیوریکارڈ کیا جبکہ گزشتہ برس اسی مدت میں یہ ریونیو 6,701 Mn روپے رہا۔ اسی دوران ای پی ایل کے مطابق منافع بعد از ٹیکس (پی اے ٹی) 18 Mn روپے رہا جبکہ گزشتہ برس اسی مدت میں خسارہ بعد از ٹیکس (ایل اے ٹی) 107 Mn روپے رہا۔ نتیجتاً اس سہ ماہی نی شیئر منافع 0.03 روپے جبکہ گزشتہ برس خسارہ فی شیئر 0.16 روپے رہا جس کی مدت وہی تھی۔ مقامی مارکٹ میں پی وی سی کی طلب میں خاطر خواہ اضافے کی وجہ سے کمپنی کو فائدہ ہوا جبکہ آپریشنل شعبے میں کفایتی حربوں نے بھی اس ضمن میں معاونت کی۔

کمپنی نے صحت، تحفظ اور ماحولیات کے حوالے سے اپنے آپریشنز میں اہم اقدامات کیے ہیں۔

مستقبل کا نکتہ

پی وی سی کے حوالے سے مقامی مارکٹ میں تیزی سے اضافہ متوقع ہے جبکہ کاسٹک سوڈا کی مارکٹ مستحکم رہنے کا امکان ہے۔ اتھلیٹک کی قیمت خطے میں ترسیل اور دستیابی کے مسائل کے باعث زیادہ رہے گی جس کی وجہ سے کورڈیلنا پر باؤ رہے گا۔ آپریشنز کے ضمن میں نئے منصوبے مرتب کیے جا رہے ہیں جن میں دوسری سہ ماہی کے دوران پلانٹ کی عمومی مینٹیننس بھی شامل ہے۔ اس سے پلانٹ آپریشنز کے اعتماد اور استعداد میں اضافہ ہوگا۔



کیشن کمار
 ڈائریکٹر



عمران انور

پریزیڈنٹ اینڈ چیف ایگزیکٹو

کراچی

18 اپریل، 2016





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