



engro polymer & chemicals

Financial Information for the Period  
ended March 31, 2018



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## COMPANY INFORMATION

<b>Chairman</b>	Ghiasuddin Khan
<b>President and Chief Executive</b>	Imran Anwer
<b>Directors</b>	Muhammad Asif Sultan Tajik Nadir Salar Qureshi Feroz Rizvi Noriyuki Koga Hasnain Moochhala
<b>Board Audit Committee</b>	Feroz Rizvi Noriyuki Koga Hasnain Moochhala
<b>Chief Financial Officer</b>	Syed Abbas Raza
<b>Company Secretary</b>	Shazeb Siddiki
<b>Corporate Audit Manager</b>	Vijay Kumar
<b>Bankers / Lenders</b>	Allied Bank Ltd. Askari Bank Ltd. Al-Baraka Bank Pakistan Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. BankIslami Pakistan Ltd. Citibank N.A. Deutsche Bank AG Faysal Bank Ltd. Habib Bank Ltd. Industrial and Commercial Bank of China Ltd. JS Bank Ltd. MCB Bank Ltd. Meezan Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. Summit Bank Ltd. The Bank of Punjab United Bank Ltd.
<b>Auditors</b>	A. F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi
<b>Registered Office</b>	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi.
<b>Plant</b>	EZ/1/P-II-1, Eastern Zone, Bin Qasim, Karachi
<b>Regional Sales Office</b>	First Floor, 38 Z Block, Commercial Area, Phase III, DHA Lahore
<b>Share Registrar</b>	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
<b>Website</b>	<a href="http://www.engropolymer.com">www.engropolymer.com</a>





engro polymer & chemicals

**DIRECTORS' REVIEW &  
UNAUDITED CONSOLIDATED CONDENSED  
INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2018**



**ENGRO POLYMER & CHEMICALS LIMITED  
DIRECTORS' REVIEW TO THE SHAREHOLDERS  
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

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 quarter ended March 31, 2018.

**Business Review**

EPCL continued to follow stringent systems and policies to ensure maintenance of highest standards for HSE and has thus far achieved nearly 13.5 million man hours without loss work injury. Consistent monitoring of Safety indicators helped achieve improvement of processes and also ensured implementing proactive measures for avoidable incidents.

On operational front, the Company produced highest ever PVC in a quarter and is pursuing expansion projects as per plan. Continuous process improvement and diligent planning supplemented plant operations.

During 1Q 2018, the Company recorded revenue of Rs. 8,687 million compared to Rs. 6,812 million in the same period last year and posted Profit After Tax (PAT) of Rs. 1,448 million translating into Earning Per Share (EPS) of Rs. 2.18 Per share compared to Profit After Tax (PAT) of Rs. 846 million translating into Earning Per Share (EPS) of Rs. 1.27 for the same period last year. Primary drivers of profitability remained PVC domestic market growth, improved Caustic margins and operational efficiencies, supportive PVC prices in the international market due to improved demand supply situation and post tax income from insurance claim settlement of Rs. 276 million pertaining to business interruption in 2017 due to non supply of Ethylene by its primary supplier.

International PVC prices remained strong during the quarter on the back of improving demand supply situation in the region particularly triggered by supply tightening in Asia. On the Ethylene side, prices remained firm due to cracker turnarounds in the region. Domestic dynamics of PVC market remained attractive, strong growth was witnessed from construction sector while demand from new applications also remained promising. Regional Caustic Soda prices remained strong on back of strong demand particularly from Alumina sector in China.

**Future Outlook**

International PVC and ethylene prices will remain dependent on global economic sentiment, supply & demand dynamics. Domestic market for PVC is expected to remain strong while the Caustic market is projected to remain stable. The Company will continue to focus on optimizing and achieving operational excellence and concluding expansion projects safely, within budget and on schedule.



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**Imran Anwer**

President & Chief Executive



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**Feroz Rizvi**

Director

Karachi  
April 18, 2018

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET**  
**AS AT MARCH 31, 2018**

(Amounts in thousand)

	Note	Unaudited March 31, 2018	Audited December 31, 2017
		Rupees	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	16,093,585	16,011,070
Intangible assets		100,985	104,663
Long term loans and advances		85,215	75,756
Deferred taxation	6	-	11,255
		<u>16,279,785</u>	<u>16,202,744</u>
<b>Current Assets</b>			
Stores, spares and loose tools		1,806,845	1,602,387
Stock-in-trade		3,879,447	3,681,162
Trade debts - considered good	7	392,338	505,123
Loans, advances, deposits, prepayments and other receivables	8	858,965	683,231
Taxes recoverable	9	520,087	766,519
Short term investments		2,586,541	240,410
Cash and bank balances		313,865	682,750
		<u>10,358,088</u>	<u>8,161,582</u>
<b>TOTAL ASSETS</b>		<u><u>26,637,873</u></u>	<u><u>24,364,326</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Unappropriated profit		1,078,727	161,392
		<u>8,677,444</u>	<u>7,760,109</u>
<b>Non-Current Liabilities</b>			
Long term borrowings	10	8,750,000	8,750,000
Deferred tax liability	6	283,448	-
		<u>9,033,448</u>	<u>8,750,000</u>
<b>Current Liabilities</b>			
Service benefit obligations		19,993	45,953
Trade and other payables	11	4,815,586	4,522,808
Dividend payable		530,775	-
Unclaimed dividend		32,410	37,750
Accrued interest / mark-up		157,151	135,087
Provisions	12	3,371,066	3,112,619
		<u>8,926,981</u>	<u>7,854,217</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>26,637,873</u></u>	<u><u>24,364,326</u></u>
<b>Contingencies and Commitments</b>	13		

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director



[Amounts in thousand except for earnings per share]

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

	Quarter ended	
	March 31, 2018	March 31, 2017
	Rupees	
Net revenue	8,687,202	6,812,363
Cost of sales	(6,187,199)	(4,876,706)
<b>Gross profit</b>	2,500,003	1,935,657
Distribution and marketing expenses	(367,619)	(316,782)
Administrative expenses	(162,837)	(127,314)
Other operating expenses	(189,005)	(77,654)
Other income	410,072	24,730
<b>Operating profit</b>	2,190,614	1,438,637
Finance costs	(157,600)	(232,971)
<b>Profit before taxation</b>	2,033,014	1,205,666
Taxation	(584,904)	(359,780)
<b>Profit for the period</b>	1,448,110	845,886
<b>Earnings per share</b>		
- basic and diluted	2.18	1.27

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**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director





(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

	Quarter ended	
	March 31, 2018	March 31, 2017
	Rupees	
<b>Profit for the period</b>	1,448,110	845,886
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
<b>Hedging reserve</b>		
Gain / (Loss) arising during the period	-	(1,203)
Reclassification adjustments for (gains) / losses included in profit and loss	-	2,428
Income tax relating to hedging reserve	-	(368)
Other comprehensive gain / (loss) for the period - net of tax	-	858
<b>Total comprehensive income for the period</b>	<u>1,448,110</u>	<u>846,744</u>

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**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director



(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

	Share capital	CAPITAL Share premium	RESERVES		Total
			REVENUE		
			Hedging reserve	Accumulated loss	
Rupees					
<b>Balance as at January 1, 2017 (Audited)</b>	6,634,688	964,029	(1,475)	(1,593,063)	6,004,179
Total comprehensive income for the three months ended March 31, 2017	-	-	858	845,886	846,744
<b>Balance as at March 31, 2017 (Unaudited)</b>	6,634,688	964,029	(617)	(747,177)	6,850,923
<b>Dividends</b>					
- First Interim - Rs.0.45 per share	-	-	-	(298,561)	(298,561)
Total comprehensive income for the nine months ended December 31, 2017	-	-	617	1,207,130	1,207,747
<b>Balance as at December 31, 2017 (Audited)</b>	6,634,688	964,029	-	161,392	7,760,109
<b>Dividends</b>					
- Final of 2017 - Rs.0.80 per share	-	-	-	(530,775)	(530,775)
Total comprehensive income for the three months ended March 31, 2018	-	-	-	1,448,110	1,448,110
<b>Balance as at March 31, 2018 (Unaudited)</b>	6,634,688	964,029	-	1,078,727	8,677,444

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director



(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

	Note	Quarter ended	
		March 31, 2018	March 31, 2017
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	14	2,502,437	779,007
Finance costs paid		(135,536)	(138,577)
Long term loans and advances		(9,459)	(8,499)
Payment against employee service benefits		(38,147)	(39,366)
Income tax paid		(43,769)	(22,789)
<b>Net cash generated from operating activities</b>		<b>2,275,526</b>	<b>569,776</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(307,314)	(116,006)
Proceeds from disposal of property, plant and equipment		-	90
Income on short term investments and bank deposits		14,372	19,987
<b>Net cash utilized in investing activities</b>		<b>(292,941)</b>	<b>(95,929)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Export Refinancing facility		-	(300,000)
Dividend Payment		(5,340)	-
<b>Net cash generated from financing activities</b>		<b>(5,340)</b>	<b>(300,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,977,245</b>	<b>173,847</b>
Cash and cash equivalents at beginning of the period		923,160	1,086,509
<b>Cash and cash equivalents at end of the period</b>	15	<b>2,900,405</b>	<b>1,260,356</b>

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director



**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONSOLIDATED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

**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 (the Company) was incorporated in Pakistan in 1997 under the repealed Companies Ordinance, 1984. The Company is listed on Pakistan Stock Exchange Limited.

The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation (the Ultimate Parent Company). 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 (Related Party).

- 1.3 Geographical locations:

1. Registered office: 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi.
2. Plant: Plant Address: EZ/II-P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan. Chlor-Vinyl Facility at Port Bin Qasim Industrial Area over an area of 68 acres.
3. Regional sales office: First Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore, Pakistan

**2. BASIS OF PREPARATION**

This consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for the interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act 2017 have been followed.

**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, 2017.

**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, 2017.



(Amounts in thousand)

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets, at net book value - notes 5.1 and 5.2	15,323,346	15,023,936
Capital work-in-progress	706,447	923,342
Capital spares	63,792	63,792
	<u>16,093,585</u>	<u>16,011,070</u>

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

Plant and machinery	523,349	674,554
Furniture, fixtures and equipment	920	30,283
	<u>524,269</u>	<u>704,837</u>

**5.2** During the period, asset costing Rs. Nil (December 31, 2017: Rs. 63,831), having net book value of Rs. Nil (December 31, 2017: Rs. 24,281) was disposed off for Rs. Nil (December 31, 2017: Rs. 92,702) and assets costing Rs. Nil (December 31, 2017: Rs. 165,370) having net book value of Rs. Nil (December 31, 2017: Rs. 107,930) were written off. Out of the assets written-off, insurance claim against some assets has been received amounting to Rs. Nil (December 31, 2017: Rs. 180).

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
<b>6. DEFERRED TAXATION</b>		
Credit balances arising due to:		
- accelerated tax depreciation	(3,247,462)	(3,224,307)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 6.1	789,533	1,443,219
- recoupable minimum turnover tax	617,687	510,131
- recoupable alternative corporate tax	293,066	111,655
- unpaid liabilities	108,879	104,263
- provision against GIDC, custom duty and SED refundable	1,012,838	924,358
- provision for net realizable value of stocks	7,525	7,515
- provision for slow moving stores and spares	82,174	82,066
- Provision for bad debts	2,847	2,888
- share issuance cost, net to equity	49,465	49,467
	2,964,014	3,235,562
	<u>(283,448)</u>	<u>11,255</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, 2018 amount to Rs. 2,631,776 (December 31, 2017: Rs. 4,810,730).

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	Rupees	
<b>7. TRADE DEBTS - considered good</b>		
Secured	148,101	287,211
Unsecured - note 7.1	244,237	217,912
	<u>392,338</u>	<u>505,123</u>
<b>7.1</b> Includes amounts due from the following related parties:		
- Engro Fertilizer Limited	144,291	119,069
	<u>144,291</u>	<u>119,069</u>
<b>8. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	Rupees	
These include receivables from the following related parties		
Mitsubishi Corporation	14,108	-
Engro Fertilizers Limited	2,536	-
Engro Vopak Terminal Limited	1,674	215
Engro Corporation Limited	8,831	4,684
Engro Foods Limited	5	5
Sindh Engro Coal Mining Company	126	126
Engro Energy Limited	83,801	86,724
Engro Powergen Qadirpur Limited	9	9
Total - Note 8.1	<u>111,090</u>	<u>91,763</u>
<b>8.1</b> Secured	-	-
Unsecured	111,090	91,763
	<u>111,090</u>	<u>91,763</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 of 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 filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference with 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 consultants, 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 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. 36,687; 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 of by accepting Company's position except for additions on account of SED provision of Rs. 36,687 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Company filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference with 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 consultants, 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 financial statements.



(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

Title	Mark-up rate per annum	Installments		Unaudited	Audited
		Number	Commencing from	March 31, 2018	December 31, 2017
				Rupees	
Bilateral - IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	1,250,000	1,250,000
Bilateral - VIII	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	1,000,000
Bilateral - IX	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
Bilateral - X	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
				<u>8,750,000</u>	<u>8,750,000</u>
Less: Current portion shown under current liabilities				-	-
				<u>8,750,000</u>	<u>8,750,000</u>

11. TRADE AND OTHER PAYABLES

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
Rupees		
Trade and other creditors - note 11.1	2,669,070	1,714,553
Accrued liabilities - note 11.1	1,442,213	1,623,408
Advances from customers	468,280	883,418
Retention money against project payments	22,342	13,249
Security deposits	26,259	28,959
Payable to provident fund	14,890	15,874
Workers Welfare Fund	53,043	53,198
Workers Profit Participation Fund	101,712	163,661
Withholding tax payable	-	6,742
Others	17,777	19,746
	<u>4,815,586</u>	<u>4,522,808</u>

11.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	603,240	1,461
- Engro Corporation Limited	68,219	18,459
- Engro Fertilizers Limited	51,158	6,622
- Engro Vopak Terminal Limited	86,550	87,390
	<u>809,167</u>	<u>113,932</u>





(Amounts in thousand)

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
<b>12. PROVISIONS</b>		
Balance at beginning of the year	3,112,619	2,129,764
Add: Provision during the period	<u>258,447</u>	<u>982,855</u>
Balance at end of the period	<u>3,371,066</u>	<u>3,112,619</u>

**12.1** 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 High Court of Sindh. 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, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company 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 the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs. 2,778,941 pertaining to the period subsequent to promulgation of GIDC Act, 2015.

**13. CONTINGENCIES AND COMMITMENTS**

**13.1** The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at March 31, 2018 amounts to Rs. 1,748,000 (2017: Rs. 1,297,000). The amount utilized there against as at March 31, 2018 is Rs. 1,398,790 (2017: Rs. 1,238,450).

**13.2** The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Fatima fertilizer, 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 2019. The future aggregate lease payments under these arrangements are as follows:

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
Not later than 1 year	4,608	16,875
Later than 1 year and no later than 5 years	<u>19,200</u>	<u>8,400</u>
	<u>23,808</u>	<u>25,275</u>

**13.3** 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, 2018	March 31, 2017
	Rupees	
<b>14. CASH GENERATED FROM OPERATIONS</b>		
<b>Profit before taxation</b>	2,033,014	1,205,666
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	12,187	11,383
Provision for GIDC	258,447	245,012
Provision for net realizable value of stock-in-trade	(22,766)	(258)
Provision for doubtful debts	(618)	-
Depreciation and amortization	228,476	228,068
Income on short term investments and bank deposits	(14,372)	(19,987)
Loss on revaluation of IFC loan	-	2,400
Net amortization of prepaid financial charges	-	(416)
Finance costs	157,600	232,971
Gain on disposal and Write-off of damaged operating assets	-	(63)
Working capital changes - note 16.1	(149,531)	(1,125,769)
	<u>2,502,437</u>	<u>779,007</u>
<b>14.1 WORKING CAPITAL CHANGES</b>		
Decrease/ (Increase) in current assets		
Stores, spares and loose tools	(204,458)	(63,568)
Stock-in-trade	(175,520)	(1,220,428)
Trade debts - considered good	113,403	90,036
Loans, advances, deposits, prepayments and other receivables	(175,734)	48,241
	<u>(442,309)</u>	<u>(1,145,719)</u>
Increase in current liabilities		
Trade and other payables	292,778	19,950
	<u>(149,531)</u>	<u>(1,125,769)</u>
<b>15. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	313,865	925,356
Short term investments	2,586,541	335,000
	<u>2,900,405</u>	<u>1,260,356</u>



**16. SEGMENT INFORMATION**

**16.1** 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, 2017.

	Unaudited March 31, 2018				Unaudited March 31, 2017			
	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	7,281,341	1,390,756	15,105	8,687,202	5,597,991	1,201,167	13,205	6,812,363
Cost of sales	(5,504,715)	(677,477)	(5,007)	(6,187,199)	(4,062,373)	(804,322)	(10,011)	(4,876,706)
Gross Profit	1,776,626	713,279	10,098	2,500,003	1,535,618	396,844	3,194	1,935,657
Distribution and marketing expenses	(267,260)	(100,359)	-	(367,619)	(232,286)	(84,496)	-	(316,782)
Administrative expenses	(153,079)	(9,758)	-	(162,837)	(119,676)	(7,639)	-	(127,314)
Other operating expenses	(157,641)	(30,859)	(505)	(189,005)	(59,266)	(18,206)	(181)	(77,653)
Other operating income	394,940	15,123	8	410,071	392	24,291	47	24,730
Finance costs	(156,490)	(1,098)	(12)	(157,600)	(228,309)	(4,610)	(52)	(232,971)
Taxation	(406,129)	(175,898)	(2,877)	(584,904)	(254,654)	(104,103)	(1,023)	(359,780)
<b>Profit after taxation</b>	<b>1,030,968</b>	<b>410,429</b>	<b>6,713</b>	<b>1,448,110</b>	<b>641,820</b>	<b>202,082</b>	<b>1,985</b>	<b>845,887</b>

	Unaudited March 31, 2018				Audited December 31, 2017			
	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	15,377,101	5,390,927	154,452	20,922,480	15,100,195	5,459,465	129,865	20,689,525
Unallocated assets				5,715,393				3,674,801
<b>Total assets</b>				<b>26,637,873</b>				<b>24,364,326</b>

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



**17. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS****17.1 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.

**18. TRANSACTIONS WITH RELATED PARTIES**

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

<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>Unaudited</u>	
		<u>March 31, 2018</u>	<u>March 31, 2017</u>
		<u>Rupees</u>	
<b>Holding</b>	Mark up on subordinated loan	-	71,162
	Reimbursement made	1,149	3,924
	Reimbursements received	-	16,408
	Life insurance contribution	144	158
	Medical contribution	56	47
	Purchased services	49,760	18,220
<b>Associated companies</b>	Purchase of goods	703,586	658,926
	Sale of goods	-	115,120
<b>Related parties by virtue of common directorship</b>	Purchase of services	306,359	285,777
	Sale of services	1,460	-
	Sale of goods	5,526	7,905
	Sale of steam and electricity	25,953	21,108
	Purchase of goods	-	957
	Purchase of Land	56,400	-
	Use of operating assets	-	5,263
	Annual Subscription	-	91
	Reimbursement made	3,027	9,801
	Reimbursement received	1,106	-
<b>Other related party</b>	Purchase of services	-	134
<b>Directors</b>	Fee	600	350



(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited	
		Quarter ended	
		March 31, 2018	March 31, 2017
<b>Key management personnel</b>	Managerial remuneration	25,633	21,111
	Retirement benefits	3,974	3,272
	Bonus	8,234	6,709
	Other benefits	5,498	5,224
<b>Contribution to staff retirement benefits</b>	Managed & operated by the Holding Company		
	Provident fund	16,018	14,147
	Gratuity fund	12,433	11,330
	Pension fund	801	750

**19. DATE OF AUTHORIZATION FOR ISSUE**

This consolidated condensed interim financial information was authorized for issue on April 18, 2018 by the Board of Directors of the Company.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director





engro polymer & chemicals

**UNAUDITED CONDENSED  
INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2018**



**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT MARCH 31, 2018**

(Amounts in thousand)

	Note	Unaudited March 31, 2018	Audited December 31, 2017
		Rupees	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	16,093,585	16,011,070
Intangible assets		100,985	104,663
Long term investment - at cost		50,000	50,000
Long term loans and advances		85,215	75,756
Deferred taxation	6	-	11,255
		<u>16,329,785</u>	<u>16,252,744</u>
<b>Current Assets</b>			
Stores, spares and loose tools		1,806,845	1,602,387
Stock-in-trade		3,879,447	3,681,162
Trade debts - considered good	7	392,338	505,123
Loans, advances, deposits, prepayments and other receivables	8	853,777	677,918
Taxes recoverable	9	519,475	765,948
Short term investments		2,495,887	150,000
Cash and bank balances		310,385	679,881
		<u>10,258,154</u>	<u>8,062,419</u>
<b>TOTAL ASSETS</b>		<u><u>26,587,939</u></u>	<u><u>24,315,163</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Unappropriated profit		1,038,199	121,668
		<u>8,636,916</u>	<u>7,720,385</u>
<b>Non-Current Liabilities</b>			
Long term borrowings	10	8,750,000	8,750,000
Deferred tax liability	6	283,448	-
		<u>9,033,448</u>	<u>8,750,000</u>
<b>Current Liabilities</b>			
Service benefit obligations		19,993	45,953
Trade and other payables	11	4,806,180	4,513,369
Dividend payable		530,775	-
Unclaimed dividend		32,410	37,750
Accrued interest / mark-up		157,151	135,087
Provisions	12	3,371,066	3,112,619
		<u>8,917,575</u>	<u>7,844,778</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>26,587,939</u></u>	<u><u>24,315,163</u></u>
<b>Contingencies and Commitments</b>	13		

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director



[Amounts in thousand except for earnings per share]

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

	Quarter ended	
	March 31, 2018	March 31, 2017
	Rupees	
Net revenue	8,687,202	6,812,363
Cost of sales	(6,187,199)	(4,876,706)
<b>Gross profit</b>	2,500,003	1,935,657
Distribution and marketing expenses	(367,619)	(316,782)
Administrative expenses	(162,837)	(127,314)
Other operating expenses	(189,005)	(77,654)
Other income	408,923	24,338
<b>Operating profit</b>	2,189,465	1,438,245
Finance costs	(157,599)	(234,203)
<b>Profit before taxation</b>	2,031,866	1,204,042
Taxation	(584,560)	(359,332)
<b>Profit for the period</b>	1,447,306	844,710
<b>Earnings per share</b>		
- basic and diluted	2.18	1.27

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director





(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

	Quarter ended	
	March 31, 2018	March 31, 2017
	Rupees	
<b>Profit for the period</b>	1,447,306	844,710
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
<b>Hedging reserve</b>		
Gain / (Loss) arising during the period	-	(1,203)
Reclassification adjustments for (gains) / losses included in profit and loss	-	2,428
Income tax relating to hedging reserve	-	(368)
Other comprehensive gain / (loss) for the period - net of tax	-	858
<b>Total comprehensive income for the period</b>	<u>1,447,306</u>	<u>845,568</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director



(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

	Share capital	CAPITAL Share premium	RESERVES		Total
			REVENUE		
			Hedging reserve	Accumulated loss	
Rupees					
<b>Balance as at January 1, 2017 (Audited)</b>	6,634,688	964,029	(1,475)	(1,628,905)	5,968,337
Total comprehensive income for the three months ended March 31, 2017	-	-	858	844,710	845,568
<b>Balance as at March 31, 2017 (Unaudited)</b>	6,634,688	964,029	(617)	(784,195)	6,813,905
<b>Dividends</b>					
- First Interim - Rs.0.45 per share	-	-	-	(298,561)	(298,561)
Total comprehensive income for the nine months ended December 31, 2017	-	-	617	1,204,424	1,205,041
<b>Balance as at December 31, 2017 (Audited)</b>	6,634,688	964,029	-	121,668	7,720,385
<b>Dividends</b>					
- Final of 2017 - Rs.0.80 per share	-	-	-	(530,775)	(530,775)
Total comprehensive income for the three months ended March 31, 2018	-	-	-	1,447,306	1,447,306
<b>Balance as at March 31, 2018 (Unaudited)</b>	6,634,688	964,029	-	1,038,199	8,636,916

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director



(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

	Note	Quarter ended	
		March 31, 2018	March 31, 2017
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	14	2,501,196	779,986
Finance costs paid		(135,535)	(139,811)
Long term loans and advances		(9,459)	(8,499)
Payment against employee service benefits		(38,147)	(39,366)
Income tax paid		(43,383)	(22,333)
<b>Net cash generated from operating activities</b>		<u>2,274,672</u>	<u>569,977</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(307,314)	(116,006)
Proceeds from disposal of property, plant and equipment		-	90
Income on short term investments and bank deposits		14,372	19,987
<b>Net cash utilized in investing activities</b>		<u>(292,941)</u>	<u>(95,929)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of short term borrowings		-	(385,000)
Dividend Payment		(5,340)	-
<b>Net cash generated from financing activities</b>		<u>(5,340)</u>	<u>(385,000)</u>
<b>Net increase in cash and cash equivalents</b>		<u>1,976,391</u>	<u>89,048</u>
Cash and cash equivalents at beginning of the period		829,881	1,081,978
<b>Cash and cash equivalents at end of the period</b>	15	<u><u>2,806,272</u></u>	<u><u>1,171,026</u></u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director



**ENGRO POLYMER & CHEMICALS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2018**

**1. LEGAL STATUS AND OPERATIONS**

- 1.1 Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the repealed Companies Ordinance, 1984. The Company is listed on Pakistan Stock Exchange Limited.
- 1.2 The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation (the Ultimate Parent Company). 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 (Related Party).
- 1.3 Geographical locations:
1. Registered office: 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi.
  2. Plant: Plant Address: EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan. Chlor-Vinyl Facility at Port Bin Qasim Industrial Area over an area of 68 acres.
  3. Regional sales office: First Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore, Pakistan

**2. BASIS OF PREPARATION**

This condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for the interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act 2017 have been followed.

**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, 2017.

**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, 2017.



(Amounts in thousand)

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets, at net book value - notes 5.1 and 5.2	15,323,346	15,023,936
Capital work-in-progress	706,447	923,342
Capital spares	63,792	63,792
	<u>16,093,585</u>	<u>16,011,070</u>

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

Plant and machinery	523,349	674,554
Furniture, fixtures and equipment	920	30,283
	<u>524,269</u>	<u>704,837</u>

**5.2** During the period, asset costing Rs. Nil (December 31, 2017: Rs. 63,831), having net book value of Rs. Nil (December 31, 2017: Rs. 24,281) was disposed off for Rs. Nil (December 31, 2017: Rs. 92,702) and assets costing Rs. Nil (December 31, 2017: Rs. 165,370) having net book value of Rs. Nil (December 31, 2017: Rs. 107,930) were written off. Out of the assets written-off, insurance claim against some assets has been received amounting to Rs. Nil (December 31, 2017: Rs. 180).

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
<b>6. DEFERRED TAXATION</b>		
Credit balances arising due to:		
- accelerated tax depreciation	(3,247,462)	(3,224,307)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 6.1	789,533	1,443,219
- recoupable minimum turnover tax	617,687	510,131
- recoupable alternative corporate tax	293,066	111,655
- unpaid liabilities	108,879	104,263
- provision against GIDC, custom duty and SED refundable	1,012,838	924,358
- provision for net realizable value of stocks	7,525	7,515
- provision for slow moving stores and spares	82,174	82,066
- Provision for bad debts	2,847	2,888
- share issuance cost, net to equity	49,465	49,467
	2,964,014	3,235,562
	<u>(283,448)</u>	<u>11,255</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, 2018 amount to Rs. 2,631,776 (December 31, 2017: Rs. 4,810,730).

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
<b>7. TRADE DEBTS - considered good</b>		
Secured	148,101	287,211
Unsecured - note 7.1	244,237	217,912
	<u>392,338</u>	<u>505,123</u>
<b>7.1</b> Includes amounts due from the following related parties:		
- Engro Fertilizer Limited	144,291	119,069
	<u>144,291</u>	<u>119,069</u>
<b>8. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
These include receivables from the following related parties		
Mitsubishi Corporation	14,108	-
Engro Fertilizers Limited	2,536	-
Engro Vopak Terminal Limited	1,674	215
Engro Corporation Limited	8,831	4,684
Engro Foods Limited	5	5
Sindh Engro Coal Mining Company	126	126
Engro Energy Limited	83,801	86,724
Engro Powergen Qadirpur Limited	9	9
Total - Note 8.1	<u>111,090</u>	<u>91,763</u>
<b>8.1</b> Secured	-	-
Unsecured	111,090	91,763
	<u>111,090</u>	<u>91,763</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 of 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 filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference with 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 consultants, 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 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. 36,687; 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 of by accepting Company's position except for additions on account of SED provision of Rs. 36,687 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Company filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference with 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 consultants, 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 financial statements.



(Amounts in thousand)

**10. LONG TERM BORROWINGS, secured**

Title	Mark-up rate per annum	Installments		Unaudited March 31, 2018	Audited December 31, 2017
		Number	Commencing from	Rupees	
Bilateral - IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	1,250,000	1,250,000
Bilateral - VIII	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	1,000,000
Bilateral - IX	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
Bilateral - X	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
				<u>8,750,000</u>	<u>8,750,000</u>
Less: Current portion shown under current liabilities				-	-
				<u>8,750,000</u>	<u>8,750,000</u>

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
<b>11. TRADE AND OTHER PAYABLES</b>		
Trade and other creditors - note 11.1	2,669,070	1,714,553
Accrued liabilities - note 11.1	1,441,307	1,622,695
Advances from customers	468,280	883,418
Retention money against project payments	22,342	13,249
Security deposits	26,259	28,959
Payable to provident fund	14,890	15,874
Workers Welfare Fund	44,543	44,472
Workers Profit Participation Fund	101,712	163,661
Withholding tax payable	-	6,742
Others	17,777	19,746
	<u>4,806,180</u>	<u>4,513,369</u>

**11.1** Includes amounts due to the following related parties:

- Mitsubishi Corporation	603,240	1,461
- Engro Corporation Limited	68,219	18,459
- Engro Fertilizers Limited	51,158	6,622
- Engro Vopak Terminal Limited	86,550	87,390
	<u>809,167</u>	<u>113,932</u>





(Amounts in thousand)

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
<b>12. PROVISIONS</b>		
Balance at beginning of the year	3,112,619	2,129,764
Add: Provision during the period	<u>258,447</u>	<u>982,855</u>
Balance at end of the period	<u><u>3,371,066</u></u>	<u><u>3,112,619</u></u>

**12.1** 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 High Court of Sindh. 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, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company 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 the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs. 2,778,941 pertaining to the period subsequent to promulgation of GIDC Act, 2015.

**13. CONTINGENCIES AND COMMITMENTS**

**13.1** The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at March 31, 2018 amounts to Rs. 1,748,000 (2017: Rs. 1,297,000). The amount utilized there against as at March 31, 2018 is Rs. 1,398,790 (2017: Rs. 1,238,450).

**13.2** The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Fatima fertilizer, 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 2019. The future aggregate lease payments under these arrangements are as follows:

	<b>(Unaudited) March 31, 2018</b>	<b>(Audited) December 31, 2017</b>
	<b>Rupees</b>	
Not later than 1 year	4,608	16,875
Later than 1 year and no later than 5 years	<u>19,200</u>	<u>8,400</u>
	<u><u>23,808</u></u>	<u><u>25,275</u></u>

**13.3** 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, 2018	March 31, 2017
	Rupees	
<b>14. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	2,031,866	1,204,042
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	12,187	11,383
Provision for GIDC	258,447	245,012
Provision for net realizable value of stock-in-trade	(22,766)	(258)
Provision for doubtful debts	(618)	-
Depreciation and amortization	228,476	228,068
Income on short term investments and bank deposits	(14,372)	(19,987)
Loss on revaluation of IFC loan	-	2,400
Net amortization of prepaid financial charges	-	(416)
Finance costs	157,599	234,203
Gain on disposal and Write-off of damaged operating assets	-	(63)
Working capital changes - note 16.1	(149,623)	(1,124,398)
	<u>2,501,196</u>	<u>779,986</u>
<b>14.1 WORKING CAPITAL CHANGES</b>		
Decrease/ (Increase) in current assets		
Stores, spares and loose tools	(204,458)	(63,568)
Stock-in-trade	(175,519)	(1,220,428)
Trade debts - considered good	113,403	90,036
Loans, advances, deposits, prepayments and other receivables	(175,859)	49,576
	<u>(442,433)</u>	<u>(1,144,384)</u>
Increase in current liabilities		
Trade and other payables	292,811	19,986
	<u>(149,623)</u>	<u>(1,124,398)</u>
<b>15. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	310,385	921,026
Short term investments	2,495,887	250,000
	<u>2,806,272</u>	<u>1,171,026</u>



**16. SEGMENT INFORMATION**

**16.1** 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, 2017.

	Unaudited March 31, 2018				Unaudited March 31, 2017			
	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	7,281,341	1,390,756	15,105	8,687,202	5,597,991	1,201,167	13,205	6,812,363
Cost of sales	(5,504,715)	(677,477)	(5,007)	(6,187,199)	(4,062,373)	(804,322)	(10,011)	(4,876,706)
Gross Profit	1,776,626	713,279	10,098	2,500,003	1,535,618	396,844	3,194	1,935,657
Distribution and marketing expenses	(267,260)	(100,359)	-	(367,619)	(232,286)	(84,496)	-	(316,782)
Administrative expenses	(153,079)	(9,758)	-	(162,837)	(119,676)	(7,639)	-	(127,314)
Other operating expenses	(157,641)	(30,859)	(505)	(189,005)	(59,266)	(18,206)	(181)	(77,654)
Other operating income	393,791	15,123	8	408,922	-	24,291	47	24,338
Finance costs	(156,489)	(1,098)	(12)	(157,599)	(229,542)	(4,610)	(52)	(234,203)
Taxation	(405,784)	(175,898)	(2,877)	(584,559)	(254,206)	(104,103)	(1,023)	(359,332)
<b>Profit after taxation</b>	<b>1,030,164</b>	<b>410,429</b>	<b>6,713</b>	<b>1,447,306</b>	<b>640,643</b>	<b>202,082</b>	<b>1,985</b>	<b>844,710</b>

	Unaudited March 31, 2018				Audited December 31, 2017			
	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	15,377,101	5,390,927	154,452	20,922,480	15,100,195	5,459,465	129,865	20,689,525
Unallocated assets				5,665,459				3,625,638
<b>Total assets</b>				<b>26,587,939</b>				<b>24,315,163</b>

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



**17. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS****17.1 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 condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements.

**18. TRANSACTIONS WITH RELATED PARTIES**

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

Nature of relationship	Nature of transactions	Unaudited Quarter ended	
		March 31, 2018	March 31, 2017
		Rupees	
<b>Holding</b>	Mark up on subordinated loan	-	71,162
	Reimbursement made	1,149	3,924
	Reimbursements received	-	16,408
	Life insurance contribution	144	158
	Medical contribution	56	47
	Purchased services	49,760	18,220
<b>Subsidiary Company</b>	Loan (repaid) / received	-	(85,000)
	Interest on loan paid	-	1,232
<b>Associated companies</b>	Purchase of goods	703,586	658,926
	Sale of goods	-	115,120
<b>Related parties by virtue of common directorship</b>	Purchase of services	306,359	285,777
	Sale of services	1,460	-
	Sale of goods	5,526	7,905
	Sale of steam and electricity	25,953	21,108
	Purchase of goods	-	957
	Purchase of Land	56,400	-
	Use of operating assets	-	5,263
	Annual Subscription	-	91
	Reimbursement made	3,027	9,801
	Reimbursement received	1,106	-
<b>Other related party</b>	Purchase of services	-	134
<b>Directors</b>	Fee	600	350



(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited	
		Quarter ended	
		March 31, 2018	March 31, 2017
<b>Key management personnel</b>	Managerial remuneration	25,633	21,111
	Retirement benefits	3,974	3,272
	Bonus	8,234	6,709
	Other benefits	5,498	5,224
<b>Contribution to staff retirement benefits</b>	Managed & operated by the Holding Company		
	Provident fund	16,018	14,147
	Gratuity fund	12,433	11,330
	Pension fund	801	750

**19. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on April 18, 2018 by the Board of Directors of the Company.



**Imran Anwer**  
President & Chief Executive



**Syed Abbas Raza**  
Chief Financial Officer



**Feroz Rizvi**  
Director



اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ  
31 مارچ 2018 کو ختم ہونے والی سہ ماہی کے لیے  
غیر آڈٹ شدہ فائنانشیل اسٹیٹمنٹس پریذیڈنٹ ہولڈرز کے لیے ڈائریکٹرز کا تجزیہ

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2018 کو ختم ہونے والی سہ ماہی کے لیے کمپنی کی غیر آڈٹ شدہ فائنانشیل معلومات کی تفصیل پیش کرتے ہیں۔

کاروباری جائزہ:

EPCL نے سسٹمز اور پالیسی پر توجہ سے عمل کرتے ہوئے HSE کے اعلیٰ معیار کی برقراری کو ممکن بنایا اور بنا کسی ورک انجری کے نقصان کے تقریباً 13.5 ملین انسانی اوقات کی خدمات حاصل کیں۔ سبب سے  
انڈیکسٹرز کی جانب سے مسلسل مانیٹرنگ نے طریقہ کاری کی بہتری میں مدد دی اور ایسے حفاظتی اقدامات کے اطلاق کی بھی یقین دہانی کرائی جن سے حادثات سے بچا جاسکتا ہے۔

انتظامی حوالے سے کمپنی نے اس سہ ماہی میں سب سے زیادہ PVC بنایا اور منصوبے کے مطابق توسیعی پروڈیکشن میں مصروف عمل ہے۔ پروڈکشن کی مسلسل بہتری اور بہترین منصوبہ بندی پلانٹ آپریشنز میں  
زبردست اضافے کا باعث ہے۔

2018 کی پہلی سہ ماہی کے دوران کمپنی کاریکارڈ ریویو 8,687 ملین رہا جبکہ گذشتہ سال اسی دورانیہ میں کمپنی کاریکارڈ ریویو 6,812 ملین تھا اسی حساب سے اس سال منافع بعد از ٹیکس (PAT) 1,448 ملین  
روپے رہا جس سے آمدنی فی شیئر (EPS) 2.18 روپے فی شیئر رہی جبکہ گذشتہ سال اسی دورانیہ کا منافع بعد از ٹیکس (PAT) 846 ملین رہا جس حساب سے آمدنی فی شیئر (EPS) 1.27 روپے تھا۔ اس  
نفع بخش دورانیہ کے اہم محرک PVC کی ڈومیسٹک مارکیٹ کی ترقی، کاسٹک مارجنز میں بہتری، لاجواب انتظامی صلاحیتیں، طلب و رسد کی بہتر صورتحال کے باعث بین الاقوامی مارکیٹ میں PVC کی  
معاوضہ قیمتیں اور اس انشورنس کلیم کا بندوبست شامل تھے جو کہ بعد از منافع آمدنی 276 ملین روپے تھا کیونکہ 2017 میں انتہائیں کے پرائمری سپلائرز کی جانب سے انتہائیں نہیں پہنچائی گئی تھی۔

خطے میں مضبوط طلب و رسد کی صورتحال کے باعث سہ ماہی کے دوران بین الاقوامی مارکیٹ میں PVC کی قیمتیں مضبوط رہیں بالخصوص ایشیا میں سپلائی کی تنگی نے اہم کردار کیا۔ انتہائیں کا ذکر کریں تو ریجن  
میں کریڈٹرز آن روڈنگ کی وجہ سے قیمتیں مستحکم رہیں۔ PVC مارکیٹ کی مقامی حیثیت پرکشش رہی، تعمیراتی سیکٹر کی جانب سے مضبوط ترقی دیکھنے میں آئی جبکہ نئی اسٹیکلیشنز کی جانب سے طلب بھی امید افزاء  
رہی۔ کاسٹک سوڈا کی زبردست طلب بالخصوص چائنا میں الومنائیکسٹرز کی جانب سے طلب نے ریجنل کاسٹک سوڈا کی قیمتیں مستحکم رکھیں۔

مستقبل پر نظر

انٹرنیشنل PVC اور انتہائیں کی قیمتیں عالمی اقتصادی رجحان، طلب و رسد کی صورتحال پر ہی منحصر ہیں گی۔ PVC کی مقامی مارکیٹ کی مضبوطی متوقع ہے جبکہ کاسٹک مارکیٹ مستحکم رہے گی۔ کمپنی کا عزم ہے  
کہ وہ انتظامی بہتری پر مستقبل میں بھی خاص توجہ دے گی اور اپنے مقاصد حاصل کرے گی۔ کمپنی بجٹ اور شیڈول میں رہتے ہوئے اپنے توسیعی پروڈیکشن کو حفاظت سے انجام دے گی۔



فیروز رضوی  
ڈائریکٹر



عمران انور  
پریزڈنٹ اور چیف ایگزیکٹو

اپریل 18، 2018







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