



engro polymer & chemicals

Financial Information for the Period  
ended March 31, 2014



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## COMPANY INFORMATION

<b>Chairman</b>	Muhammad Aliuddin Ansari
<b>President and Chief Executive</b>	Khalid Siraj Subhani
<b>Directors</b>	Khalid Rahman Waqar Ahmed Malik Shahzada Dawood Kimihide Ando Asif Saad Takashi Yoshida Naz Khan Abdul Samad Khan
<b>Board Audit Committee</b>	Khalid Rahman Kimihide Ando Asif Saad Naz Khan
<b>Chief Financial Officer</b>	Mohsin Ali Mangi
<b>Company Secretary</b>	Muneeza Iftikar
<b>Corporate Audit Manager</b>	Muneeza Kassim
<b>Bankers / Lenders</b>	Allied Bank Ltd. Askari Bank Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. Barclays Bank PLC., Pakistan Burj Bank Ltd. Citibank N.A. Deutsche Bank AG Faysal Bank Ltd. Habib Bank Ltd. HSBC Bank Middle East Ltd. fi Pakistan Industrial and Commercial Bank of China Ltd. International Finance Corporation MCB Bank Ltd. Meezan Bank Ltd. National Bank of Pakistan Pak Oman Investment Co. Ltd. Soneri Bank Ltd. 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>	16th Floor, The Harbour Front Building, HC-3, Marine Drive, Block-4, Clifton, Karachi-75600.
<b>Plant</b>	EZ/1/P-II-1, Eastern Zone, Bin Qasim, Karachi
<b>Share Registrar</b>	FAMCO Associates (Private) Limited 1st Floor, State Life Building 1-A, I.I. Chundrigar Road, Karachi - 74000 Tel: +92(21) 32427012, 32426597, 32425467
<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, 2014**



**ENGRO POLYMER & CHEMICALS LIMITED  
DIRECTORS' REVIEW TO THE SHAREHOLDERS  
ON UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2014**

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 three months ended March 31, 2014.

**Business Review**

During 1st quarter 2014, domestic PVC market witnessed a slowdown. The overall demand remained depressed due to carried forward inventory from last year, continued uncertainty regarding exchange rates and PVC prices. Domestic Caustic Soda market witnessed long supplies due to which the prices remained under pressure.

During the quarter, the Company sold 25 kilo tons of PVC in the domestic market which is 27% lower than same period last year. The Company exported 4.6 kilo tons compared to 1.9 kilo tons last year. The Company sold 22 kilo tons of Caustic Soda during the quarter as compared to 25 kilo tons in 1Q 2013. During the quarter the Company also sold 4.5 kilo tons Sodium Hypochlorite and 4.8 kilo tons of HCL.

The overall dip in sales volumes restricted the revenues to Rs. 5,367 million which was 8.8% lower compared to last year. The slide in overall revenues along with margin compression impacted the bottom line earnings, however, gain on foreign exchange liabilities provided support to the overall profitability. The Company posted Profit After Tax (PAT) of Rs. 148 million compared to Rs. 263 million last year. The Earnings per Share for 1Q 2014 stood at Rs. 0.22 per share as compared to Rs. 0.4 per share in 1Q 2013.

PVC resin production during 1Q 2014 was 33 kilo tons which was almost in line with the production during the same period last year. Vinyl Chloride Monomer (VCM) plant produced 33 kilo ton in 1Q 2014 which is 17.5% lower compared to same period last year due to operational issues at the plant. Caustic Soda production during 1Q 2014 was 25.9 kilo tons as against 27.9 kilo tons during same period last year.

The Company continued to maintain its focus on safe operations. The Company is preparing to conduct external audit for Occupational Health & Industrial Hygiene (OHIH) to align its management system with DuPont OHIH Management System. The Company has initiated work on the centralization of audits for its safety, quality and environmental parameters through an Integrated Management System (IMS).

**Near Future Outlook**

Domestic market of PVC in 2Q 2014 is expected to remain uncertain on account of volatility of exchange rates while the margins on PVC will remain under pressure due to high feed stock prices and slow global demand. The Domestic demand and prices of Caustic Soda, in 2Q 2014, are expected to remain under pressure due to high inventory situation. Furthermore, any abrupt rise in domestic natural gas prices could be a possible challenge during next quarter.

The Company plans to complete the second phase of PVC debottlenecking in 2Q 2014 which will increase PVC production capacity by 15 kilo tons per annum. This capacity enhancement will allow the Company to convert its surplus VCM into PVC, which will result in better margins for the Company.



**Khalid Siraj Subhani**  
President & Chief Executive

Karachi  
April 24, 2014



**Kimihide Ando**  
Director

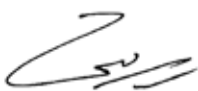


**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET**  
**AS AT MARCH 31, 2014**

(Amounts in thousand)

	Note	(Unaudited) March 31, 2014	(Audited) December 31, 2013
		Rupees	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	17,007,056	17,132,553
Intangible assets	6	46,962	50,098
Long term loans and advances		61,917	52,605
Deferred taxation	7	383,628	455,181
		<u>17,499,563</u>	<u>17,690,437</u>
<b>Current Assets</b>			
Stores, spares and loose tools		1,369,952	1,390,168
Stock-in-trade	8	4,381,625	3,250,590
Trade debts - considered good	9	548,092	525,017
Loans, advances, deposits, prepayments and other receivables	10	564,103	441,784
Taxes recoverable	11	811,475	740,205
Short term investments		68,084	465,122
Cash and bank balances	12	225,096	865,040
		<u>7,968,427</u>	<u>7,677,926</u>
<b>TOTAL ASSETS</b>		<u><u>25,467,990</u></u>	<u><u>25,368,363</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(21,799)	(52,804)
Accumulated loss		(344,690)	(492,960)
		<u>7,232,228</u>	<u>7,052,953</u>
<b>Non-Current Liabilities</b>			
Long term borrowings	14	7,359,642	7,494,818
Derivative financial instruments	15	33,029	80,006
Retirement and other service benefit obligations		39,384	63,662
		<u>7,432,055</u>	<u>7,638,486</u>
<b>Current Liabilities</b>			
Current portion of long term borrowings		2,188,160	2,242,800
Derivative financial instruments - at fair value through profit & loss	15	358,260	102,172
Short term borrowings	16	600,000	766,062
Trade and other payables	17	7,003,557	7,218,197
Accrued interest / mark-up		278,544	82,753
Provisions	18	375,186	264,940
		<u>10,803,707</u>	<u>10,676,924</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>25,467,990</u></u>	<u><u>25,368,363</u></u>
<b>Commitments</b>			
	<b>19</b>		

The annexed notes 1 to 32 form an integral part of this Consolidated Condensed interim financial information.



**Khalid Siraj Subhani**  
 President & Chief Executive



**Kimihide Ando**  
 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, 2014**

	Note	Quarter ended	
		March 31, 2014	March 31, 2013
		Rupees	
Net revenue	20	5,366,876	5,887,506
Cost of sales	21	(4,607,684)	(4,666,314)
<b>Gross profit</b>		759,192	1,221,192
Distribution and marketing expenses	22	(322,340)	(352,176)
Administrative expenses	23	(138,340)	(108,570)
Other operating expenses	24	(36,483)	(113,959)
Other operating income	25	18,908	18,481
<b>Operating profit</b>		280,937	664,968
Finance cost - net	26	(23,357)	(310,979)
<b>Profit before taxation</b>		257,580	353,989
Taxation		(109,310)	(91,115)
<b>Profit for the period</b>		148,270	262,874
<b>Earnings per share</b>			
- basic and diluted		0.22	0.40

The annexed notes 1 to 32 form an integral part of this Consolidated Condensed interim financial information.



**Khalid Siraj Subhani**  
 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, 2014**

	Quarter ended	
	March 31, 2014	March 31, 2013
	Rupees	
<b>Profit for the period</b>	148,270	262,874
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
<b>Hedging reserve</b>		
Gain / (Loss) arising during the period	73,231	(11,013)
Less:		
- Reclassification adjustments for (gains) / losses included in profit and loss	(26,254)	11,417
Income tax relating to hedging reserve	(15,972)	(141)
Other comprehensive income for the period - net of tax	31,005	263
<b>Total comprehensive income for the period</b>	<u>179,275</u>	<u>263,137</u>

The annexed notes 1 to 32 form an integral part of this Consolidated Condensed interim financial information.



**Khalid Siraj Subhani**  
President & Chief Executive



**Kimihide Ando**  
Director



(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

	RESERVES					Total
	CAPITAL			REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Remeasurement of post employment benefits - Actuarial (loss)	
	Rupees					
<b>Balance as at January 1, 2013 (Restated)</b>	6,634,688	964,029	(92,077)	(1,178,636)	(5,113)	6,322,891
Total comprehensive income for the three months ended March 31, 2013	-	-	263	262,874	-	263,137
<b>Balance as at March 31, 2013 (Restated)</b>	6,634,688	964,029	(91,814)	(915,762)	(5,113)	6,586,028
Total comprehensive income for the nine months ended December 31, 2013	-	-	39,010	422,802	5,113	466,925
<b>Balance as at December 31, 2013 (Audited)</b>	6,634,688	964,029	(52,804)	(492,960)	-	7,052,953
Total comprehensive income for the three months ended March 31, 2014	-	-	31,005	148,270	-	179,275
<b>Balance as at March 31, 2014 (Unaudited)</b>	<u>6,634,688</u>	<u>964,029</u>	<u>(21,799)</u>	<u>(344,690)</u>	<u>-</u>	<u>7,232,228</u>

The annexed notes 1 to 32 form an integral part of this Consolidated Condensed interim financial information.



**Khalid Siraj Subhani**  
 President & Chief Executive



**Kimihide Ando**  
 Director



(Amounts in thousand)

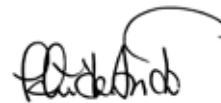
**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

	Note	Quarter ended	
		March 31, 2014	March 31, 2013
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	27	(536,591)	1,108,643
Finance costs paid		(40,553)	(113,436)
Long term loans and advances		(9,312)	(5,155)
Income tax (paid) / refunded		(125,000)	9,737
<b>Net cash (utilized in) / generated from operating activities</b>		<b>(711,456)</b>	<b>999,789</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(184,803)	(49,927)
Purchases of intangible assets		-	-
Proceeds from disposal of operating assets		3,659	3,972
Purchases of short term investments		-	(95,000)
Sale of short term investments		100,008	-
Income on short term investments and bank deposits		18,710	2,127
<b>Net cash utilized in investing activities</b>		<b>(62,426)</b>	<b>(138,828)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(773,882)</b>	<b>860,961</b>
Cash and cash equivalents at beginning of the period		998,978	(1,109,352)
Cash and cash equivalents at end of the period	28	<u>225,096</u>	<u>(248,391)</u>

The annexed notes 1 to 32 form an integral part of this Consolidated Condensed interim financial information.



**Khalid Siraj Subhani**  
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, 2014**

**1 LEGAL STATUS AND OPERATIONS**

The group consists of Engro Polymer and Chemicals Limited (the Company) and its wholly owned subsidiary company, Engro Polymer Trading (Private) Limited.

Engro Polymer & Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

The Company is a subsidiary of Engro Corporation Limited. 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), PVC compounds, Caustic soda and other related chemicals. The Company is also engaged in supply of surplus power generated from its power plants to Engro Fertilizers Limited.

**2 BASIS OF PREPARATION**

This Consolidated Condensed interim financial information of the Company for the three months ended March 31, 2014 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 take 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, 2013.

**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, 2013.



(Amounts in thousand)

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	<b>Rupees</b>	
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets, at net book value - notes 5.1 and 5.2	16,638,239	16,833,072
Capital work-in-progress	281,169	211,833
Capital Spares	87,648	87,648
	<u>17,007,056</u>	<u>17,132,553</u>

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

Building on leasehold land	2,302	13,493
Plant and machinery	111,410	512,939
Furniture, fixtures and equipment	1,757	20,904
Vehicles	-	6,483
	<u>115,469</u>	<u>553,819</u>

**5.2** During the period, assets costing Rs. 10,442 (December 31, 2013: Rs. 17,321), having net book value of Rs. 3,967 (December 31, 2013: Rs. 5,051) were disposed off for Rs. 3,659 (December 31, 2013: Rs. 6,459) and assets costing Rs. 38,220 (December 31, 2013: Rs. 74,061) and having net book value of Rs. 4,423 (December 31, 2013: Rs. 9,521) were written-off.

**6 INTANGIBLE ASSETS**

Additions made during the period amount to Nil. (December 31, 2013: Rs. 29,871).

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	<b>Rupees</b>	
<b>7 DEFERRED TAXATION</b>		
Credit balances arising due to:		
- accelerated tax depreciation	(3,968,860)	(3,979,859)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	3,593,507	3,745,640
- recoupable minimum turnover tax - note 7.2	452,162	419,806
- unpaid liabilities and provision for certain retirement and other service benefits	79,478	73,093
- provision against custom duty, SED refundable and GIDC	133,698	96,214
- provision for net realizable value of stocks and slow moving stores and spares	26,352	17,024
- fair value of hedging instruments	11,230	27,202
- share issuance cost, net to equity	56,061	56,061
	<u>4,352,488</u>	<u>4,435,040</u>
	<u>383,628</u>	<u>455,181</u>



(Amounts in thousand)

7.1 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, 2013 amount to Rs. 10,569,138 (2013: Rs. 11,016,588).

7.2 During the year 2013, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court which the Company intends to approach, if required. Therefore, the Company has continued to carry forward the minimum turnover tax not yet recouped.

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>8 STOCK-IN-TRADE</b>		
Raw and packing materials - note 8.1	2,569,326	1,998,111
Work-in-process	20,212	27,923
Finished goods - note 8.1 and 8.2	1,792,087	1,224,556
	<u>4,381,625</u>	<u>3,250,590</u>

8.1 This includes stocks held at storage facilities of the following parties:

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Engro Vopak Terminal Limited, a related party	1,097,341	747,367
Dawood Hercules Corporation Limited, a related party	3,692	6,672
Al Rahim Trading Company (Private) Limited	155,355	32,162
	<u>1,256,388</u>	<u>786,201</u>

8.2 This includes carrying value of PVC resin, net of realizable value reduction of Rs. 55,275 (December 31, 2013: Rs. 29,174).

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>9 TRADE DEBTS - considered good</b>		
Secured	479,221	195,452
Unsecured - note 9.1	68,871	329,565
	<u>548,092</u>	<u>525,017</u>

9.1 Includes amounts due from the following related parties:

- Engro Foods Limited	2,401	1,671
- Mitsubishi Corporation	-	249,939
	<u>2,401</u>	<u>251,610</u>



**10 LOANS, ADVANCES, DEPOSITS,  
PREPAYMENTS AND OTHER RECEIVABLES**

Includes receivable from the following related parties; Engro Vopak Terminal Limited amounting to Rs. 2,756 (December 31, 2013: Rs. 2,208); Engro PowerGen Limited amounting to Rs. 9 (December 31, 2013: Nil.); Engro Fertilizers Limited amounting to Rs. 23,438 (December 31, 2013: Rs. 5,918); Engro PowerGen Qadirpur Limited amounting to Nil (December 31, 2013: 21); Engro Eximp (Private) Limited amounting to Rs. 128 (December 31, 2013: Rs. 25); Engro Corporation Limited (the Holding Company) amounting to Rs. 27 (December 31, 2013: Nil)

**11 TAXES RECOVERABLE**

**11.1 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'.

During 2011, through 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).

Subsequently, during the year 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. 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 consequently has not recognized the effects for the same in these financial statements.

**11.2 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 disallowing finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowing provision for retirement benefits of Rs. 14,239; disallowing provision against Special Excise Duty refundable of Rs. 36,689; adding imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.



(Amounts in thousand)

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).

In 2011, through an 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) deleting the addition on account of provision for the retirement benefits.

Subsequently, during the year 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. 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 consequently has not recognized the effects for the same in these financial statements.

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
<b>12 CASH AND BANK BALANCES</b>	<b>Rupees</b>	
Cash in hand	198	286
Cash at bank on:		
- current accounts	44,138	710,505
- saving accounts	180,760	154,249
	224,898	864,754
	<u>225,096</u>	<u>865,040</u>
<b>13 SHARE CAPITAL</b>		
<b>Authorized capital</b>		
800,000,000 (2013: 800,000,000) ordinary shares of Rs. 10 each	<u>8,000,000</u>	<u>8,000,000</u>
<b>Issued, subscribed and paid-up capital</b>		
663,468,788 (2013: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash	<u>6,634,688</u>	<u>6,634,688</u>

**13.1** As at March 31, 2014, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2013: 372,809,989 ordinary shares of Rs. 10 each).





(Amounts in thousand)

**14 LONG TERM BORROWINGS, secured**

14.1	Title	Mark-up rate per annum	Installments		(Unaudited)	(Audited)
			Number	Commencing from	March 31, 2014	December 31, 2013
					Rupees	
	Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	3,476,761	3,475,184
	Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	847,167	846,591
	Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May, 2013	331,702	330,181
	Syndicated term finance V	6 months KIBOR+1.5%	8 half yearly	June, 2015	1,316,912	1,315,170
	Bilateral loan	6 months KIBOR +2%	6 half yearly	June, 2016	541,030	540,554
	Master Istisna III	6 months KIBOR + 2%	6 half yearly	June 2015	200,000	200,000
	Master Istisna IV (note 16.5)	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	2,734,230	2,929,938
					9,547,802	9,737,618
	Less: Current portion shown under current liabilities				(2,188,160)	(2,242,800)
					<u>7,359,642</u>	<u>7,494,818</u>

**14.2** Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at March 31, 2014, all debt covenants have been complied with except for current ratio. Waiver for current ratio deviation has been obtained from IFC, whereas, the same has been applied for local syndicates.

**15 DERIVATIVE FINANCIAL INSTRUMENTS**

**15.1** As at March 31, 2014, the Company has outstanding cross-currency interest rate swap agreements with banks for notional amounts aggregating US\$ 4,498, to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR on the relevant PKR notional amount and will pay six month USD-LIBOR on the relevant USD notional amount, which will be settled semi-annually.

**15.2** As at March 31, 2014, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 18,666 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.



(Amounts in thousand)

15.3 Details of the swap agreements are as follows:

Notional Amounts US \$	Effective Date	Termination Date	Rate %	Fair Value as at	
				(Unaudited) March 31, 2014	(Audited) December 31, 2013
<b>Interest Rate Swap Agreements</b>			<b>Fixed Rate</b>		
7,000	December 15, 2008	June 15, 2017	3.385	36,752	38,654
2,333	June 15, 2009	June 15, 2017	3.005	10,444	11,059
7,000	June 15, 2009	June 15, 2017	2.795	28,574	29,912
2,333	June 15, 2009	June 15, 2017	2.800	9,459	10,006
18,666				85,229	89,631
<b>Cross Currency Interest Rate Swap Agreements</b>			<b>Floating Rate</b>		
957	September 9, 2010	June 15, 2015	LIBOR + 0.95	(10,906)	(1,968)
1,599	January 18, 2011	January 19, 2016	LIBOR + 3.70	(20,396)	(5,161)
1,942	July 6, 2011	June 30, 2016	LIBOR + 1.83	(20,898)	(2,496)
4,498				(52,200)	(9,625)
<u>23,164</u>				<u>33,029</u>	<u>80,006</u>

15.4 As at March 31, 2014, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US\$ 47,398 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.

## 16 SHORT TERM BORROWINGS

The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amount to Rs. 1,550,000 (December 31, 2013: Rs. 1,550,000). 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 1% to relevant period KIBOR plus 2.5% (December 31, 2013: relevant period KIBOR plus 1.0% to 2.5%).

In addition to above, during the year 2013, the Company received a loan from Engro Corporation Limited (The Holding Company) currently amounting to Rs. 600,000, for meeting its working capital requirements. The loan is subordinated to the finances provided to the subsidiary by its banking creditors. The loan carries markup at the rate of 3 months KIBOR + 3.5%, payable quarterly.



(Amounts in thousand)

	(Unaudited) March 31, 2014	(Audited) December 31, 2013
	Rupees	
<b>17 TRADE AND OTHER PAYABLES</b>		
Trade and other creditors - note 17.1	5,704,999	5,527,076
Accrued liabilities	986,103	1,295,198
Advances from customers - note 17.1	100,856	224,649
Retention money against project payments	8,335	8,335
Security deposits	19,772	16,772
Workers' profits participation fund and workers' welfare fund	100,603	81,654
Workers Welfare Fund	55,853	46,636
Withholding tax payable	7,751	6,971
Others - note 17.1	19,285	10,906
	<u>7,003,557</u>	<u>7,218,197</u>
<b>17.1</b> Includes amounts due to the following related parties:		
- Engro Corporation Limited	-	433
- Mitsubishi Corporation	2,960,845	3,977,089
- Engro Foods Limited	250	250
- Engro Fertilizers Limited	97	542
- Engro Vopak Terminal Limited	88,343	98,213
- Engro Powergen Qadirpur Limited	429	-
	<u>3,049,964</u>	<u>4,076,527</u>

## 18 PROVISION

### 18.1 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 gas bills at the rate of Rs.13 per MMBTU on all industrial consumers. The Federal Government then revised GIDC rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance 2002. The Company therefore filed a Suit before the Honorable High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favor of the Company. The Stay Order restrained the Sui Southern Gas Company Limited from charging any amount of GIDC over and above Rs. 13 per MMBTU till the final decision of this matter. Effective from January 1, 2014 the GIDC rate has been enhanced to Rs. 100 per MMBTU.

The Company is confident that the aforementioned matter will be decided in its favor, however, based on prudence the Company has recorded a provision of Rs. 284,768 (December 31, 2013: Rs. 174,522) being the financial exposure of differential GIDC as at March 31, 2014.



**18.2** Provision for duty on import of raw materials

In 2009, the Company received a letter from the Assistant Collector (Survey) Large Taxpayers Unit regarding the utilization of raw materials imported under SRO 565(I)/2006 on a concessionary basis from customs duty. The letter alleged that the Company had violated the provisions of the SRO by utilizing the concessionary imports in manufacturing and selling the intermediary product Ethylene Di Chloride (EDC) rather than its utilization in the production of the final product Poly Vinyl Chloride (PVC). The Company responded to the letter explaining its view that imports under the said SRO were allowable for 'PVC Manufacturing Industry' as a whole, which includes manufacturing of intermediary products. However, the tax department has shown its disagreement with the Company's view and has demanded further information, to which the Company has responded.

Although, no formal order creating a demand has yet been received by the Company, however, based on prudence, a provision amounting to Rs. 90,418 (December 31, 2013: Rs. 90,418) in respect of custom duty on such raw materials has been made.

**19 COMMITMENTS**

**19.1** The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2014 amounts to Rs. 1,598,000 (December 31, 2013: Rs. 1,598,000). The amount utilized at March 31, 2014 is Rs. 946,859 (December 31, 2013: Rs. 946,859).

**19.2** The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Dawood Hercules Corporation Limited – a related party, 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:

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	<b>Rupees</b>	
Not later than 1 year	18,891	15,675
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	6,000	8,400
	<u>82,491</u>	<u>81,675</u>

**20 NET REVENUE**

	<b>Unaudited Quarter ended</b>	
	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>Rupees</b>	
Net local sales	4,617,663	5,421,776
Export sales	735,794	448,480
Supply of electricity	13,419	17,250
	<u>5,366,876</u>	<u>5,887,506</u>



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2014	March 31, 2013
	Rupees	
<b>21 COST OF SALES</b>		
Opening stock of work-in-progress	27,923	-
Raw and packing materials consumed	3,278,770	2,754,640
Salaries, wages and staff welfare	214,381	188,872
Fuel, power and gas	872,154	792,946
Repairs and maintenance	110,296	81,534
Depreciation	298,483	289,460
Consumable stores	84,102	50,490
Purchased services	8,142	14,787
Storage and handling	262,193	252,090
Training and travelling	1,912	836
Communication, stationery and other office expenses	1,701	1,052
Insurance	28,490	22,676
Raw materials written off	428	-
Other expenses	6,452	10,486
	5,167,504	4,459,869
Closing stock of work-in-progress	(20,212)	(21,524)
Cost of goods manufactured	5,175,215	4,438,345
Opening stock of finished goods	1,224,556	834,422
Closing stock of finished goods	(1,792,087)	(606,453)
	(567,531)	227,969
	4,607,684	4,666,314
<b>22 DISTRIBUTION AND MARKETING EXPENSES</b>		
Salaries, wages and staff welfare	28,571	36,924
Advertising, sales promotion and entertainment	28,647	30,394
Product transportation and handling	250,260	269,849
Rent, rates and taxes	4,382	3,694
Purchased services	1,772	1,423
Insurance	167	290
Depreciation	1,377	1,304
Training and travelling	1,961	4,278
Communication, stationery and other office expenses	1,441	997
Others	3,762	3,023
	322,340	352,176



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2014	March 31, 2013
	Rupees	
<b>23 ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and staff welfare	69,637	42,152
Rent, rates and taxes	15,827	11,723
Purchased services	26,817	26,414
Insurance	947	1,873
Depreciation and amortization	5,187	5,148
Training and travelling expenses	15,589	16,718
Communication, stationery and other office expenses	2,215	3,041
Others	2,121	1,501
	<u>138,340</u>	<u>108,570</u>
<b>24 OTHER OPERATING EXPENSES</b>		
Legal and professional charges	2,850	6,148
Auditors' remuneration	576	552
Donations	160	2,155
Workers' profit participation fund	15,055	13,797
Interest on Workers' profit participation fund	3,894	-
Workers' welfare fund	9,217	9,192
Write-off of damaged operating assets	4,423	681
Loss on disposal of operating assets	308	-
Foreign exchange loss - net	-	81,434
	<u>36,483</u>	<u>113,959</u>
<b>25 OTHER OPERATING INCOME</b>		
Scrap sales	5,322	17,169
Foreign exchange gain - net	13,586	-
Profit on disposal of operating assets	-	1,312
	<u>18,908</u>	<u>18,481</u>



(Amounts in thousand)

		Unaudited	
		Quarter ended	
26	FINANCE COST - net	March 31, 2014	March 31, 2013
		Rupees	
	<b>Finance Cost</b>		
	Interest / Mark-up on:		
	- long term borrowings	207,299	225,935
	- short term finances	22,325	38,913
	Foreign exchange (gain) / loss on borrowings	(191,240)	46,440
	Guarantee commission	-	1,229
	Bank charges and others	6,720	4,185
		45,104	316,702
	<b>Finance Income</b>		
	Income on short term investments and bank deposits	(21,747)	(5,723)
		<u>23,357</u>	<u>310,979</u>
	<b>27 CASH GENERATED FROM OPERATIONS</b>		
	<b>Profit before taxation</b>	257,580	353,989
	Adjustments for non cash charges and other items:		
	Provision for staff retirement and other service benefits	(24,278)	(3,268)
	Provision for GIDC	110,246	-
	Provision for net realizable value of stock-in-trade	55,275	20,277
	Provision for slow moving stores and spares	1,323	1,225
	Depreciation and amortization	305,047	295,912
	Income on short term investments and bank deposits	(21,680)	(5,723)
	(Gain) / loss on revaluation of IFC loan	(191,240)	46,440
	Net amortization of prepaid financial charges	1,424	5,195
	Unrealized foreign exchange loss on derivatives held at fair value through profit and loss	256,088	-
	Finance costs	236,344	316,702
	Profit on disposal of operating assets	-	(1,312)
	Loss on disposal and Write-off of damaged operating assets	4,731	681
	Working capital changes - note 27.1	(1,527,451)	78,525
		<u>(536,591)</u>	<u>1,108,643</u>
	<b>27.1 WORKING CAPITAL CHANGES</b>		
	Decrease / (increase) in current assets		
	Stores, spares and loose tools	18,893	3,054
	Stock-in-trade	(1,186,310)	(212,906)
	Trade debts - considered good	(23,075)	59,447
	Loans, advances, deposits, prepayments and other receivables	(122,319)	182,637
		(1,312,811)	32,232
	Increase / (decrease) in current liabilities		
	Trade and other payables	(214,640)	46,293
		<u>(1,527,451)</u>	<u>78,525</u>



(Amounts in thousand)

Unaudited Quarter ended	
March 31, 2014	March 31, 2013
Rupees	
Cash and bank balances	88,830
Short term borrowings	(337,221)
<u>225,096</u>	<u>(248,391)</u>

**28 CASH AND CASH EQUIVALENTS****29 SEGMENT INFORMATION**

**29.1** 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, 2013.

	Unaudited March 31, 2014				Unaudited March 31, 2013			
	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	4,149,557	1,203,900	13,419	5,366,876	4,612,029	1,258,227	17,250	5,887,506
<b>Profit before unallocated expenses</b>	<u>(76,164)</u>	<u>509,226</u>	<u>3,790</u>	<b>436,852</b>	<u>419,073</u>	<u>441,953</u>	<u>7,990</u>	869,016
<b>Unallocated expenses</b>								
Administrative expenses				(138,340)				(108,570)
Other operating expenses				(36,483)				(113,959)
Other operating income				18,908				18,481
Finance costs				(23,357)				(310,979)
Taxation				(109,310)				(91,115)
<b>Profit after taxation</b>				<u>148,270</u>				<u>262,874</u>

	Unaudited March 31, 2014				Audited December 31, 2013			
	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	15,605,867	6,486,433	24,643	22,116,943	14,062,022	6,572,720	31,620	20,666,362
Unallocated assets				3,351,047				4,702,001
<b>Total assets</b>				<u>25,467,990</u>				<u>25,368,363</u>

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





**30 TRANSACTIONS WITH RELATED PARTIES****(Amounts in thousand)**

**30.1** 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 Quarter ended	
		March 31, 2014	March 31, 2013
		Rupees	
<b>Holding company</b>	Purchase of services	13,814	8,498
	Mark up on subordinated loan	20,134	25,272
	Use of operating assets	85	186
	Reimbursement made	10,799	831
	Reimbursements received	159	1,811
	Medical contribution	165	44
	Pension fund contribution	559	1,499
	Provident fund contribution	1,821	2,327
	Gratuity fund contribution	1,741	470
<b>Associated companies</b>	Purchase of goods	1,329,225	898,136
	Purchase of services	-	356
	Sale of goods	-	332,580
<b>Related parties by virtue of common directorship</b>	Purchase of goods	-	2,862
	Purchase of services	249,166	227,676
	Sale of goods	22,466	14,335
	Sale of services	126	126
	Sale of steam and electricity	18,481	20,927
	Use of operating assets	1,317	2,182
	Annual Subscription	34	50
	Reimbursement made	6,460	8,211
	Reimbursement received	2,499	3,649
Sale of units of mutual funds	20,000	-	
<b>Directors' fee</b>		300	500
<b>Key management personnel</b>	Managerial remuneration	17,472	16,124
	Retirement benefits	3,364	2,625
	Bonus	7,178	6,008
	Other benefits	3,957	3,477
<b>Contribution to staff retirement benefits</b>	Pension fund	-	4,934
	Provident fund	10,165	9,403
	Gratuity fund	8,419	11,507



### 31 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 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.

### 32 DATE OF AUTHORIZATION FOR ISSUE

This Consolidated Condensed interim financial information was authorized for issue on April 24, 2014 by the Board of Directors of the Company.



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**Khalid Siraj Subhani**  
President & Chief Executive



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**Kimihide Ando**  
Director





engro polymer & chemicals

**UNAUDITED CONDENSED  
INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2014**



**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT MARCH 31, 2014**

(Amounts in thousand)

	Note	(Unaudited) March 31, 2014	(Audited) December 31, 2013
		Rupees	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	17,007,056	17,132,553
Intangible assets	6	46,962	50,098
Long term investment - at cost		50,000	50,000
Long term loans and advances		61,917	52,605
Deferred taxation	7	383,628	455,181
		<u>17,549,563</u>	<u>17,740,437</u>
<b>Current Assets</b>			
Stores, spares and loose tools		1,369,952	1,390,168
Stock-in-trade	8	4,381,625	3,250,590
Trade debts - considered good	9	548,092	525,017
Loans, advances, deposits, prepayments and other receivables	10	554,717	431,177
Taxes recoverable	11	813,711	742,454
Short term investments		-	300,000
Cash and bank balances	12	219,278	860,335
		<u>7,887,375</u>	<u>7,499,741</u>
<b>TOTAL ASSETS</b>		<u>25,436,938</u>	<u>25,240,178</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(21,799)	(52,804)
Accumulated loss		(366,642)	(612,103)
		<u>7,210,276</u>	<u>6,933,810</u>
<b>Non-Current Liabilities</b>			
Long term borrowings	14	7,359,642	7,494,818
Derivative financial instruments	15	33,029	80,006
Retirement and other service benefit obligations		39,384	63,662
		<u>7,432,055</u>	<u>7,638,486</u>
<b>Current Liabilities</b>			
Current portion of long term borrowings		2,188,160	2,242,800
Derivative financial instruments - at fair value through profit & loss	15	358,260	102,172
Short term borrowings	16	600,000	766,062
Trade and other payables	17	6,994,457	7,209,155
Accrued interest / mark-up		278,544	82,753
Provisions	18	375,186	264,940
		<u>10,794,607</u>	<u>10,667,882</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>25,436,938</u>	<u>25,240,178</u>
<b>Commitments</b>	19		

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



**Khalid Siraj Subhani**  
 President & Chief Executive



**Kimihide Ando**  
 Director




[Amounts in thousand except for earnings per share]

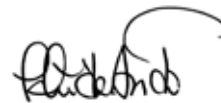
**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

	Note	Quarter ended	
		March 31, 2014	March 31, 2013
		Rupees	
Net revenue	20	5,366,876	5,787,536
Cost of sales	21	(4,607,684)	(4,666,280)
<b>Gross profit</b>		759,192	1,121,256
Distribution and marketing expenses	22	(322,340)	(351,601)
Administrative expenses	23	(138,340)	(108,534)
Other operating expenses	24	(36,364)	(111,081)
Other operating income	25	119,056	18,481
<b>Operating profit</b>		381,204	568,521
Finance cost - net	26	(26,449)	(313,556)
<b>Profit before taxation</b>		354,755	254,965
Taxation		(109,294)	(88,543)
Profit for the period		245,461	166,422
<b>Earnings per share</b>			
- basic and diluted		0.37	0.25

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



**Khalid Siraj Subhani**  
 President & Chief Executive



**Kimihide Ando**  
 Director



**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

(Amounts in thousand)

	<b>Quarter ended</b>	
	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>Rupees</b>	
<b>Profit for the period</b>	245,461	166,422
Other comprehensive income:		
<b><i>Items that may be reclassified subsequently to profit or loss</i></b>		
<b>Hedging reserve</b>		
Gain / (Loss) arising during the period	73,231	(11,013)
Less:		
- Reclassification adjustments for (gains) / losses included in profit and loss	(26,254)	11,417
Income tax relating to hedging reserve	(15,972)	(141)
Other comprehensive income for the period - net of tax	31,005	263
<b>Total comprehensive income for the period</b>	<u>276,466</u>	<u>166,685</u>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



**Khalid Siraj Subhani**  
 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, 2014**

	RESERVES					Total
	CAPITAL			REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Remeasurement of post employment benefits - Actuarial (loss)	
	Rupees					
<b>Balance as at January 1, 2013 (Restated)</b>	6,634,688	964,029	(92,077)	(1,308,239)	(5,113)	6,193,288
Total comprehensive income for the three months ended March 31, 2013	-	-	263	166,422	-	166,685
<b>Balance as at March 31, 2013 (Restated)</b>	6,634,688	964,029	(91,814)	(1,141,817)	(5,113)	6,359,973
Total comprehensive income for the nine months ended December 31, 2013	-	-	39,010	529,714	5,113	573,837
<b>Balance as at December 31, 2013 (Audited)</b>	6,634,688	964,029	(52,804)	(612,103)	-	6,933,810
Total comprehensive income for the three months ended March 31, 2014	-	-	31,005	245,461	-	276,466
<b>Balance as at March 31, 2014 (Unaudited)</b>	<u>6,634,688</u>	<u>964,029</u>	<u>(21,799)</u>	<u>(366,642)</u>	<u>-</u>	<u>7,210,276</u>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



**Khalid Siraj Subhani**  
 President & Chief Executive



**Kimihide Ando**  
 Director



**ENGRO POLYMER & CHEMICALS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**


(Amounts in thousand)

	Note	Quarter ended	
		March 31, 2014	March 31, 2013
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	27	(537,670)	1,009,960
Finance costs paid		(40,549)	(112,331)
Long term loans and advances		(9,312)	(5,155)
Income tax (paid) / refunded		(124,971)	12,322
<b>Net cash (utilized in) / generated from operating activities</b>		<b>(712,502)</b>	<b>904,796</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(184,803)	(49,927)
Proceeds from disposal of operating assets		3,659	3,972
Income on short term investments and bank deposits		18,651	2,041
<b>Net cash utilized in investing activities</b>		<b>(162,493)</b>	<b>(43,914)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend from Subsidiary		100,000	-
<b>Net cash generated from financing activities</b>		<b>100,000</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(774,995)</b>	<b>860,882</b>
Cash and cash equivalents at beginning of the period		994,273	(1,114,784)
<b>Cash and cash equivalents at end of the period</b>	28	<b>219,278</b>	<b>(253,902)</b>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



**Khalid Siraj Subhani**  
 President & Chief Executive



**Kimihide Ando**  
 Director





**ENGRO POLYMER & CHEMICALS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

**1 LEGAL STATUS AND OPERATIONS**

Engro Polymer & Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

The Company is a subsidiary of Engro Corporation Limited. 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), PVC compounds, Caustic soda and other related chemicals. The Company is also engaged in supply of surplus power generated from its power plants to Engro Fertilizers Limited.

**2 BASIS OF PREPARATION**

This condensed interim financial information of the Company for the three months ended March 31, 2014 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 take 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, 2013.

**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, 2013.



(Amounts in thousand)

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	<b>Rupees</b>	
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets, at net book value - notes 5.1 and 5.2	16,638,239	16,833,072
Capital work-in-progress	281,169	211,833
Capital Spares	87,648	87,648
	<u>17,007,056</u>	<u>17,132,553</u>

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

Building on leasehold land	2,302	13,493
Plant and machinery	111,410	512,939
Furniture, fixtures and equipment	1,757	20,904
Vehicles	-	6,483
	<u>115,469</u>	<u>553,819</u>

**5.2** During the period, assets costing Rs. 10,442 (December 31, 2013: Rs. 17,321), having net book value of Rs. 3,967 (December 31, 2013: Rs. 5,051) were disposed off for Rs. 3,659 (December 31, 2013: Rs. 6,459) and assets costing Rs. 38,220 (December 31, 2013: Rs. 74,061) and having net book value of Rs. 4,423 (December 31, 2013: Rs. 9,521) were written-off.

**6 INTANGIBLE ASSETS**

Additions made during the period amount to Nil. (December 31, 2013: Rs. 29,871).

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	<b>Rupees</b>	
<b>7 DEFERRED TAXATION</b>		
Credit balances arising due to:		
- accelerated tax depreciation	(3,968,860)	(3,979,859)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	3,593,507	3,745,640
- recoupable minimum turnover tax - note 7.2	452,162	419,806
- unpaid liabilities and provision for certain retirement and other service benefits	79,478	73,093
- provision against custom duty, SED refundable and GIDC	133,698	96,214
- provision for net realizable value of stocks and slow moving stores and spares	26,352	17,024
- fair value of hedging instruments	11,230	27,202
- share issuance cost, net to equity	56,061	56,061
	<u>4,352,488</u>	<u>4,435,040</u>
	<u>383,628</u>	<u>455,181</u>



(Amounts in thousand)

7.1 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, 2014 amount to Rs. 10,569,138 (2013: Rs. 11,016,588).

7.2 During the year 2013, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court which the Company intends to approach, if required. Therefore, the Company has continued to carry forward the minimum turnover tax not yet recouped.

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	Rupees	
<b>8 STOCK-IN-TRADE</b>		
Raw and packing materials - note 8.1	2,569,326	1,998,111
Work-in-process	20,212	27,923
Finished goods - note 8.1 and 8.2	1,792,087	1,224,556
	<u>4,381,625</u>	<u>3,250,590</u>

8.1 This includes stocks held at storage facilities of the following parties:

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	Rupees	
Engro Vopak Terminal Limited, a related party	1,097,341	747,367
Dawood Hercules Corporation Limited, a related party	3,692	6,672
Al Rahim Trading Company (Private) Limited	155,355	32,162
	<u>1,256,388</u>	<u>786,201</u>

8.2 This includes carrying value of PVC resin, net of realizable value reduction of Rs. 55,275 (December 31, 2013: Rs. 29,174).

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	Rupees	
<b>9 TRADE DEBTS - considered good</b>		
Secured	479,221	195,452
Unsecured - note 9.1	68,871	329,565
	<u>548,092</u>	<u>525,017</u>

9.1 Includes amounts due from the following related parties:

- Engro Foods Limited	2,401	1,671
- Mitsubishi Corporation	-	249,939
	<u>2,401</u>	<u>251,610</u>



**10 LOANS, ADVANCES, DEPOSITS,  
PREPAYMENTS AND OTHER RECEIVABLES**

Includes receivable from the following related parties; Engro Vopak Terminal Limited amounting to Rs. 2,756 (December 31, 2013: Rs. 2,208); Engro PowerGen Limited amounting to Rs. 9 (December 31, 2013: Nil.); Engro Fertilizers Limited amounting to Rs. 23,438 (December 31, 2013: Rs. 5,918); Engro PowerGen Qadirpur Limited amounting to Nil (December 31, 2013: 21); Engro Eximp (Private) Limited amounting to Rs. 128 (December 31, 2013: Rs. 25); Engro Corporation Limited (the Holding Company) amounting to Rs. 27 (December 31, 2013: Nil)

**11 TAXES RECOVERABLE**

**11.1 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'.

During 2011, through 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).

Subsequently, during the year 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. 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 consequently has not recognized the effects for the same in these financial statements.

**11.2 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 disallowing finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowing provision for retirement benefits of Rs. 14,239; disallowing provision against Special Excise Duty refundable of Rs. 36,689; adding imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.



(Amounts in thousand)

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).

In 2011, through an 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) deleting the addition on account of provision for the retirement benefits.

Subsequently, during the year 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. 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 consequently has not recognized the effects for the same in these financial statements.

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
<b>12 CASH AND BANK BALANCES</b>	<b>Rupees</b>	
Cash in hand	198	286
Cash at bank on:		
- current accounts	41,949	709,534
- saving accounts	177,131	150,515
	219,080	860,049
	219,278	860,335
<b>13 SHARE CAPITAL</b>		
<b>Authorized capital</b>		
800,000,000 (2013: 800,000,000) ordinary shares of Rs. 10 each	8,000,000	8,000,000
<b>Issued, subscribed and paid-up capital</b>		
663,468,788 (2013: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash	6,634,688	6,634,688

**13.1** As at March 31, 2014, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2013: 372,809,989 ordinary shares of Rs. 10 each).



(Amounts in thousand)

**14 LONG TERM BORROWINGS, secured**

14.1	Title	Mark-up rate per annum	Installments		(Unaudited)	(Audited)
			Number	Commencing from	March 31, 2014	December 31, 2013
					Rupees	
	Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	3,476,761	3,475,184
	Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	847,167	846,591
	Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May, 2013	331,702	330,181
	Syndicated term finance V	6 months KIBOR+1.5%	8 half yearly	June, 2015	1,316,912	1,315,170
	Bilateral loan	6 months KIBOR +2%	6 half yearly	June, 2016	541,030	540,554
	Master Istisna III	6 months KIBOR + 2%	6 half yearly	June 2015	200,000	200,000
	Master Istisna IV (note 16.5)	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	2,734,230	2,929,938
					9,547,802	9,737,618
Less: Current portion shown under current liabilities					(2,188,160)	(2,242,800)
					<u>7,359,642</u>	<u>7,494,818</u>

**14.2** Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at March 31, 2014, all debt covenants have been complied with except for current ratio. Waiver for current ratio deviation has been obtained from IFC, whereas, the same has been applied for local syndicates.

**15 DERIVATIVE FINANCIAL INSTRUMENTS**

**15.1** As at March 31, 2014, the Company has outstanding cross-currency interest rate swap agreements with banks for notional amounts aggregating US\$ 4,498, to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR on the relevant PKR notional amount and will pay six month USD-LIBOR on the relevant USD notional amount, which will be settled semi-annually.

**15.2** As at March 31, 2014, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 18,666 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.



(Amounts in thousand)

15.3 Details of the swap agreements are as follows:

Notional Amounts US \$	Effective Date	Termination Date	Rate %	Fair Value as at	
				(Unaudited) March 31, 2014	(Audited) December 31, 2013
<b>Interest Rate Swap Agreements</b>				<b>Fixed Rate</b>	
7,000	December 15, 2008	June 15, 2017	3.385	36,752	38,654
2,333	June 15, 2009	June 15, 2017	3.005	10,444	11,059
7,000	June 15, 2009	June 15, 2017	2.795	28,574	29,912
2,333	June 15, 2009	June 15, 2017	2.800	9,459	10,006
18,666				85,229	89,631
<b>Cross Currency Interest Rate Swap Agreements</b>				<b>Floating Rate</b>	
957	September 9, 2010	June 15, 2015	LIBOR + 0.95	(10,906)	(1,968)
1,599	January 18, 2011	January 19, 2016	LIBOR + 3.70	(20,396)	(5,161)
1,942	July 6, 2011	June 30, 2016	LIBOR + 1.83	(20,898)	(2,496)
4,498				(52,200)	(9,625)
23,164				33,029	80,006

15.4 As at March 31, 2014, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US\$ 47,398 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.

## 16 SHORT TERM BORROWINGS

The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amount to Rs. 1,550,000 (December 31, 2013: Rs. 1,550,000). 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 1% to relevant period KIBOR plus 2.5% (December 31, 2013: relevant period KIBOR plus 1.0% to 2.5%).

In addition to above, during the year 2013, the Company received a loan from Engro Corporation Limited (The Holding Company) currently amounting to Rs. 600,000, for meeting its working capital requirements. The loan is subordinated to the finances provided to the subsidiary by its banking creditors. The loan carries markup at the rate of 3 months KIBOR + 3.5%, payable quarterly.



(Amounts in thousand)

	(Unaudited) March 31, 2014	(Audited) December 31, 2013
<b>17 TRADE AND OTHER PAYABLES</b>	<b>Rupees</b>	
Trade and other creditors - note 17.1	5,704,999	5,527,076
Accrued liabilities	985,530	1,294,625
Advances from customers - note 17.1	100,856	224,649
Retention money against project payments	8,335	8,335
Security deposits	19,772	16,772
Workers' profits participation fund and workers' welfare fund	100,603	81,654
Workers Welfare Fund	47,327	38,168
Withholding tax payable	7,751	6,971
Others - note 17.1	19,284	10,905
	<u>6,994,457</u>	<u>7,209,155</u>

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

- Engro Corporation Limited	-	433
- Mitsubishi Corporation	2,960,845	3,977,089
- Engro Foods Limited	250	250
- Engro Fertilizers Limited	97	542
- Engro Vopak Terminal Limited	88,343	98,213
- Engro Powergen Qadirpur Limited	429	-
	<u>3,049,964</u>	<u>4,076,527</u>

## **18 PROVISION**

### **18.1** 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 gas bills at the rate of Rs.13 per MMBTU on all industrial consumers. The Federal Government then revised GIDC rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance 2002. The Company therefore filed a Suit before the Honorable High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favor of the Company. The Stay Order restrained the Sui Southern Gas Company Limited from charging any amount of GIDC over and above Rs. 13 per MMBTU till the final decision of this matter. Effective from January 1, 2014 the GIDC rate has been enhanced to Rs. 100 per MMBTU.

The Company is confident that the aforementioned matter will be decided in its favor, however, based on prudence the Company has recorded a provision of Rs. 284,768 (December 31, 2013: Rs. 174,522) being the financial exposure of differential GIDC as at March 31, 2014.





**18.2** Provision for duty on import of raw materials

In 2009, the Company received a letter from the Assistant Collector (Survey) Large Taxpayers Unit regarding the utilization of raw materials imported under SRO 565(I)/2006 on a concessionary basis from customs duty. The letter alleged that the Company had violated the provisions of the SRO by utilizing the concessionary imports in manufacturing and selling the intermediary product Ethylene Di Chloride (EDC) rather than its utilization in the production of the final product Poly Vinyl Chloride (PVC). The Company responded to the letter explaining its view that imports under the said SRO were allowable for 'PVC Manufacturing Industry' as a whole, which includes manufacturing of intermediary products. However, the tax department has shown its disagreement with the Company's view and has demanded further information, to which the Company has responded.

Although, no formal order creating a demand has yet been received by the Company, however, based on prudence, a provision amounting to Rs. 90,418 (December 31, 2013: Rs. 90,418) in respect of custom duty on such raw materials has been made.

**19 COMMITMENTS**

**19.1** The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2014 amounts to Rs. 1,165,000 (December 31, 2013: Rs. 1,165,000). The amount utilized at March 31, 2014 is Rs. 946,859 (December 31, 2013: Rs. 946,859).

**19.2** The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Dawood Hercules Corporation Limited – a related party, 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:

	<b>(Unaudited) March 31, 2014</b>	<b>(Audited) December 31, 2013</b>
	<b>Rupees</b>	
Not later than 1 year	18,891	15,675
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	6,000	8,400
	<u>82,491</u>	<u>81,675</u>

	<b>Unaudited Quarter ended</b>	
	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>Rupees</b>	
<b>20 NET REVENUE</b>		
Net local sales	4,617,663	5,578,855
Export sales	735,794	191,431
Supply of electricity	13,419	17,250
	<u>5,366,876</u>	<u>5,787,536</u>



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2014	March 31, 2013
	Rupees	
Opening stock of work-in-progress	27,923	-
Raw and packing materials consumed	3,278,770	2,754,640
Salaries, wages and staff welfare	214,381	188,872
Fuel, power and gas	872,154	792,946
Repairs and maintenance	110,296	81,534
Depreciation	298,483	289,460
Consumable stores	84,102	50,490
Purchased services	8,142	14,787
Storage and handling	262,193	252,090
Training and travelling	1,912	836
Communication, stationery and other office expenses	1,701	1,052
Insurance	28,490	22,676
Raw materials written off	428	-
Other expenses	6,452	10,486
	5,167,504	4,459,869
Closing stock of work-in-progress	(20,212)	(21,524)
Cost of goods manufactured	5,175,215	4,438,345
Opening stock of finished goods	1,224,556	834,388
Closing stock of finished goods	(1,792,087)	(606,453)
	(567,531)	227,935
	4,607,684	4,666,280

## 21 COST OF SALES

## 22 DISTRIBUTION AND MARKETING EXPENSES

Salaries, wages and staff welfare	28,571	36,924
Advertising, sales promotion and entertainment	28,647	30,394
Product transportation and handling	250,260	269,274
Rent, rates and taxes	4,382	3,694
Purchased services	1,772	1,423
Insurance	167	290
Depreciation	1,377	1,304
Training and travelling	1,961	4,278
Communication, stationery and other office expenses	1,441	997
Others	3,762	3,023
	322,340	351,601



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2014	March 31, 2013
	Rupees	
<b>23 ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and staff welfare	69,637	42,152
Rent, rates and taxes	15,827	11,723
Purchased services	26,817	26,378
Insurance	947	1,873
Depreciation and amortization	5,187	5,148
Training and travelling expenses	15,589	16,718
Communication, stationery and other office expenses	2,215	3,041
Others	2,121	1,501
	<u>138,340</u>	<u>108,534</u>
<b>24 OTHER OPERATING EXPENSES</b>		
Legal and professional charges	2,850	5,548
Auditors' remuneration	515	493
Donations	160	2,155
Workers' profit participation fund	15,055	13,797
Interest on Workers' profit participation fund	3,894	-
Workers' welfare fund	9,159	7,171
Write-off of damaged operating assets	4,423	681
Loss on disposal of operating assets	308	-
Foreign exchange loss - net	-	81,236
	<u>36,364</u>	<u>111,081</u>
<b>25 OTHER OPERATING INCOME</b>		
Scrap sales	5,322	17,169
Foreign exchange gain - net	13,734	-
Profit on disposal of operating assets	-	1,312
Dividend from subsidiary company	100,000	-
	<u>119,056</u>	<u>18,481</u>



(Amounts in thousand)

26	FINANCE COST - net	Unaudited	
		Quarter ended	
		March 31, 2014	March 31, 2013
		Rupees	
	<b>Finance Cost</b>		
	Interest / Mark-up on:		
	- long term borrowings	207,299	225,935
	- short term finances	22,325	38,908
	Foreign exchange (gain) / loss on borrowings	(191,240)	46,440
	Guarantee commission	-	1,210
	Bank charges and others	6,716	3,104
		45,100	315,597
	<b>Finance Income</b>		
	Income on short term investments and bank deposits	(18,651)	(2,041)
		26,449	313,556
<b>27</b>	<b>CASH GENERATED FROM OPERATIONS</b>		
	Profit before taxation	354,755	254,965
	Adjustments for non cash charges and other items:		
	Provision for staff retirement and other service benefits	(24,278)	(3,268)
	Provision for GIDC	110,246	-
	Provision for net realizable value of stock-in-trade	55,275	20,277
	Provision for slow moving stores and spares	1,323	1,225
	Depreciation and amortization	305,047	295,912
	Income on short term investments and bank deposits	(18,651)	(2,041)
	Dividend from Subsidiary company	(100,000)	-
	(Gain) / loss on revaluation of IFC loan	(191,240)	46,440
	Net amortization of prepaid financial charges	1,424	5,195
	Unrealized foreign exchange loss on derivatives held at fair value through profit and loss	256,088	-
	Finance costs	236,340	315,597
	Profit on disposal of operating assets	-	(1,312)
	Loss on disposal and Write-off of damaged operating assets	4,731	681
	Working capital changes - note 27.1	(1,528,730)	76,289
		(537,670)	1,009,960
<b>27.1</b>	<b>WORKING CAPITAL CHANGES</b>		
	Decrease / (increase) in current assets		
	Stores, spares and loose tools	18,893	3,054
	Stock-in-trade	(1,186,310)	(212,940)
	Trade debts - considered good	(23,075)	60,850
	Loans, advances, deposits, prepayments and other receivables	(123,540)	181,305
		(1,314,032)	32,269
	Increase / (decrease) in current liabilities		
	Trade and other payables	(214,698)	44,020
		(1,528,730)	76,289



(Amounts in thousand)

Unaudited Quarter ended	
March 31, 2014	March 31, 2013
Rupees	
Cash and bank balances	83,319
Short term borrowings	(337,221)
<u>219,278</u>	<u>(253,902)</u>

**28 CASH AND CASH EQUIVALENTS****29 SEGMENT INFORMATION**

**29.1** 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, 2013.

	Unaudited March 31, 2014				Unaudited March 31, 2013			
	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	4,149,557	1,203,900	13,419	5,366,876	4,512,059	1,258,227	17,250	5,787,536
<b>Profit before unallocated expenses</b>	<u>(76,164)</u>	<u>509,226</u>	<u>3,790</u>	<b>436,852</b>	<u>319,712</u>	<u>441,953</u>	<u>7,990</u>	769,655
<b>Unallocated expenses</b>								
Administrative expenses				(138,340)				(108,534)
Other operating expenses				(36,364)				(111,081)
Other operating income				119,056				18,481
Finance costs				(26,449)				(313,556)
Taxation				(109,294)				(88,543)
<b>Profit after taxation</b>				<u>245,461</u>				<u>166,422</u>

	Unaudited March 31, 2014				Audited December 31, 2013			
	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	15,605,867	6,486,433	24,643	22,116,943	14,062,022	6,572,720	31,620	20,666,362
Unallocated assets				3,319,995				4,573,816
<b>Total assets</b>				<u>25,436,938</u>				<u>25,240,178</u>

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



**30 TRANSACTIONS WITH RELATED PARTIES****(Amounts in thousand)**

**30.1** 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, 2014	March 31, 2013
		Rupees	
<b>Holding company</b>	Purchase of services	13,814	8,498
	Mark up on subordinated loan	20,134	25,272
	Use of operating assets	85	186
	Reimbursement made	10,799	831
	Reimbursements received	159	1,811
	Medical contribution	165	44
	Pension fund contribution	559	1,499
	Provident fund contribution	1,821	2,327
	Gratuity fund contribution	1,741	470
<b>Subsidiary company</b>	Sale of goods	-	157,109
	Sale of services	-	36
	Reimbursement received	-	-
<b>Associated companies</b>	Purchase of goods	1,329,225	898,136
	Purchase of services	-	356
	Sale of goods	-	75,531
<b>Related parties by virtue of common directorship</b>	Purchase of goods	-	2,862
	Purchase of services	249,166	227,676
	Sale of goods	22,466	14,335
	Sale of services	126	126
	Sale of steam and electricity	18,481	20,927
	Use of operating assets	1,317	2,182
	Annual Subscription	34	50
	Reimbursement made	6,460	8,211
Reimbursement received	2,499	3,649	
<b>Directors' fee</b>		300	500
<b>Key management personnel</b>	Managerial remuneration	17,472	16,124
	Retirement benefits	3,364	2,625
	Bonus	7,178	6,008
	Other benefits	3,957	3,477
<b>Contribution to staff retirement benefits</b>	Pension fund	-	4,934
	Provident fund	10,165	9,403
	Gratuity fund	8,419	11,507



### 31 CORRESPONDING FIGURES

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

### 32 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 24, 2014 by the Board of Directors of the Company.



**Khalid Siraj Subhani**  
President & Chief Executive



**Kimihide Ando**  
Director





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