engro polymer & chemicals

Financial Information for the Quarter and Nine Months ended September 30, 2016

CONTENTS

COMPANY INFORMATION

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

DIRECTORS' REVIEW & UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited Financial Information of the Company for the nine months ended September 30, 2016.

Business Review

During 3Q 2016, international PVC prices maintained a positive trajectory. Strong demand coupled with supply tightness was the primary driver of price increase. On the other hand, Ethylene prices remained stable through out the quarter; this led to an increase in PVC margins for the Company.

On the domestic market front, PVC demand remained robust on account of strong downstream activity and a positive economic sentiment. The Company successfully posted its highest ever sales for the nine month period. Chlor Alkali segment remained under pressure during the quarter due to competitive market dynamics.

On the production side, the Company achieved the highest ever VCM and PVC production during the nine month period. Continuous process improvement and diligent planning supplemented plant operations. Chlor Alkali operations remained stable throughout the year.

During nine months, the Company recorded revenue of 16,610 million compared to Rs. 17,064 million in the same period last year and posted a Profit After Tax (PAT) of Rs. 32 million translating into an Earning Per Share (EPS) of Rs. 0.05 Per share compared to a Loss After Tax of (LAT) of Rs. 813 million translating into Loss Per Share (LPS) of Rs. 1.23 for the same period last year. Strong performance of the PVC segment, strict cost control, lower financial cost and manufacturing efficiencies contributed towards the Company's profitability.

Regarding the due diligence of the Company, we would like to inform you that during the quarter the potential acquirer of the Company has made public announcement of withdrawal of intention of acquisition, as the time period to make the offer had elapsed.

The Company maintained its strong focus on the Health, Safety & Environment in its operations. Consistent monitoring of Safety indicators helped achieve improvement of processes and also ensured implementing proactive measures for avoidable incidents.

Future Outlook

International PVC and ethylene prices are expected to remain stable in the near term. 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.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

Karachi
October 18, 2016

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2016

	Note	Unaudited September 30, 2016	Audited December 31, 2015
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	15,694,359	16,249,050
Intangible assets		94,431	90,345
Long term loans and advances	6	72,970	66,372
Deferred taxation	7	1,015,257	908,103
		16,877,017	17,313,870
Current Assets			
Stores, spares and loose tools		1,553,969	1,539,344
Stock-in-trade		3,167,826	2,941,206
Trade debts - considered good	8	309,432	436,852
Loans, advances, deposits, prepayments and other receivables	9	375,931	395,547
Taxes recoverable	10	1,032,892	1,115,723
Short term investments		-	300,000
Cash and bank balances	11	59,926	169,222
		6,499,976	6,897,894
TOTAL ASSETS		23,376,993	24,211,764
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(5,838)	(11,993)
Accumulated loss		(2,221,148)	(2,252,996)
		5,371,731	5,333,728
Non-Current Liabilities			
Long term borrowings	12	4,319,034	5,262,612
Derivative financial instruments	13	8,462	17,382
		4,327,496	5,279,994
Current Liabilities			
Current portion of long term borrowings	12	2,372,003	3,064,064
Derivative financial instruments - at fair value through profit or loss	13	-	23,982
Service benefit obligations		34,107	38,976
Short term borrowings	14	3,466,155	2,957,086
Trade and other payables	15	5,792,094	6,310,020
Accrued interest / mark-up		125,072	55,041
Provisions	16	1,888,335	1,148,873
		13,677,766	13,598,042
TOTAL EQUITY AND LIABILITIES		23,376,993	24,211,764
Contingencies and Commitments	17		

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

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

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	Note	Quarter ended		Nine months ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
		Rupees			
Net revenue		5,448,348	4,646,758	16,609,561	17,063,768
Cost of sales		(4,833,940)	(4,365,948)	(14,579,022)	(15,675,623)
Gross profit		614,408	280,810	2,030,539	1,388,145
Distribution and marketing expenses		(303,184)	(279,105)	(900,254)	(949,927)
Administrative expenses		(116,797)	(119,049)	(359,778)	(367,054)
Other operating expenses		12,037	(124,265)	(41,386)	(269,917)
Other income	18	2,334	6,201	11,113	51,659
Operating profit / (loss)		208,798	(235,408)	740,234	(147,094)
Finance costs		(220,358)	(296,450)	(681,713)	(909,135)
Profit / (Loss) before taxation		(11,560)	(531,858)	58,521	(1,056,229)
Taxation		3,416	152,570	(26,673)	243,527
Profit / (Loss) for the period		(8,144)	(379,288)	31,848	(812,702)
Earnings / (Loss) per share - basic and diluted		(0.01)	(0.58)	0.05	(1.23)

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	Rupees			
Profit / (Loss) for the period	(8,144)	(379,288)	31,848	(812,702)
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items	-	-	-	(4,946)
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Loss arising during the period	(2,485)	(10,116)	(4,350)	(15,156)
Reclassification adjustments for losses included in profit or loss	3,010	7,330	13,270	25,427
Income tax relating to hedging reserve	(162)	836	(2,765)	(4,414)
	363	(1,950)	6,155	5,857
Other comprehensive income / (loss) for the period - net of tax	363	(1,950)	6,155	911
Total comprehensive income / (loss) for the period	(7,781)	(381,238)	38,003	(811,791)

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
			Rupees		
Balance as at January 1, 2015 (Audited)	6,634,688	964,029	(29,757)	(1,603,926)	5,965,034
Total comprehensive loss for the period ended September 30, 2015	-	-	5,857	(817,648)	(811,791)
Balance as at September 30, 2015 (Unaudited)	6,634,688	964,029	(23,900)	(2,421,574)	5,153,243
Total comprehensive income for the period ended December 31, 2015	-	-	11,907	168,578	180,485
Balance as at December 31, 2015 (Audited)	6,634,688	964,029	(11,993)	(2,252,996)	5,333,728
Total comprehensive income for the period ended September 30, 2016	-	-	6,155	31,848	38,003
Balance as at September 30, 2016 (Unaudited)	6,634,688	964,029	(5,838)	(2,221,148)	5,371,731

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	Note	Nine months ended September 30, 2016	Nine months ended September 30, 2015
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	1,917,590	(347,951)
Finance costs paid		(611,682)	(717,601)
Long term loans and advances		(6,598)	(5,423)
Payment against employee service benefits		(39,293)	-
Settlement of derivatives held for trading - net		(23,982)	-
Income tax paid		(53,761)	(164,155)
Net cash generated from / (utilized in) operating activities		1,182,274	(1,235,130)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(440,579)	(366,798)
Purchases of intangible assets		(14,974)	(41,341)
Proceeds from disposal of property, plant and equipment		6,301	9,860
Income on bank deposits		912	28,892
Purchase of short term investments - net		-	3,920
Net cash utilized in investing activities		(448,340)	(365,467)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(1,652,299)	(1,368,627)
Proceeds from short term borrowings		1,300,000	1,400,000
Repayments of short term borrowings		(1,150,000)	-
Net cash (utilized in) / generated from financing activities		(1,502,299)	31,373
Net decrease in cash and cash equivalents		(768,365)	(1,569,224)
Cash and cash equivalents at beginning of the period		(1,137,864)	762,889
Cash and cash equivalents at end of the period	20	(1,906,229)	(806,335)

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

1. LEGAL STATUS AND OPERATIONS

The Group consists of Engro Polymer and Chemicals Limited (the Company) and it's 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 Pakistan Stock Exchange Limited.

The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The address of its registered office is 16th Floor, The Harbor Front Building, HC-3 Marine Drive, Block 4 Clifton, Karachi. The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited.

2. BASIS OF PREPARATION

This consolidated condensed interim financial information of the Company for the nine months ended September 30, 2016 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2015.

3. ACCOUNTING POLICIES

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

3.2 There are certain new International Financial Reporting Standards amendments to published standards and interpretations that are mandatory to the financial year beginning on January 1, 2016. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in this consolidated condensed interim financial information.

3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. ACCOUNTING ESTIMATES

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

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

(Amounts in thousand)

	Unaudited September 30, 2016	Audited December 31, 2015
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	14,901,140	15,520,580
Capital work-in-progress	707,269	642,520
Capital spares	85,950	85,950
	15,694,359	16,249,050

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

Building on leasehold land	-	1,099
Plant and machinery	356,861	315,102
Furniture, fixtures and equipment	33,948	10,683
Vehicles	-	2,700
	390,809	329,584

5.2 During the period, asset costing Rs. 21,838 (December 31, 2015: Rs. 33,704), having net book value of Rs. 6,246 (December 31, 2015: Rs. 12,325) was disposed off for Rs. 6,301 (December 31, 2015: Rs. 10,896) and assets costing Nil (December 31, 2015: Rs. 125) having net book value of Nil (December 31, 2015: Rs. 79) were written off in respect of which insurance claim of Nil (December 31, 2015: Rs. 70) has been received.

6. LONG TERM LOANS AND ADVANCES

6.1 These includes interest free loans and advances to executives and employees for house rent, vehicles, home appliances and investments given in accordance with the terms of employment.

6.2 The Company does not have any loans or advances placed under any arrangement permissible under Shariah.

	Unaudited September 30, 2016	Audited December 31, 2015
	Rupees	
7. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(2,887,823)	(2,995,947)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	3,091,589	3,424,568
- recoupable minimum turnover tax - note 7.2	132,549	-
- unpaid liabilities	79,197	70,720
- provision for Gas Infrastructure Development Cess and Special Excise Duty	531,720	325,412
- provision for net realizable value against stock-in-trade	2,445	14,312
- provision for slow moving stores and spares	13,491	14,182
- fair value of hedging instruments	2,623	5,389
- share issuance cost, net to equity	49,465	49,467
	3,903,079	3,904,050
	1,015,257	908,103

(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 September 30, 2016 amount to Rs. 10,305,212 (December 31, 2015: Rs. 11,415,228) which are entirely attributable to unabsorbed tax depreciation.

7.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 132,549 (December 31, 2015: Nil) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that 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 would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

	Unaudited September 30, 2016		Audited December 31, 2015
		Rupees	
8. TRADE DEBTS - considered good			
Secured	166,961		301,035
Unsecured - note 8.1	142,471		135,817
	309,432		436,852
8.1 Includes amounts due from the following related parties:			
- Engro Foods Limited	491		2,689
- Engro Fertilizers Limited	15,309		16,896
	15,800		19,585

9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

9.1 These include receivables from the following related parties:

- Engro Vopak Terminal Limited	-	1,800
- Engro Corporation Limited	980	-
- Engro Foundation	7	-
- Sindh Engro Coal Mining Company Limited	220	-
- Engro Foods Limited	3,397	7
- Engro Powergen Limited	8,816	-
- Engro Powergen Qadirpur Limited	1,667	253
	15,087	2,060

9.2 The Company does not have any advances or deposits carrying any interests, mark-up or placed under any arrangement permissible under Shariah as at September 30, 2016.

10. TAXES RECOVERABLE

10.1 Tax Year 2008

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

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

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

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

10.2 Tax Year 2009

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

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

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

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

11. CASH AND BANK BALANCES

As at September 30, 2016, no funds are placed in any account under an arrangement permissible under Shariah (December 31, 2015: Nil).

(Amounts in thousand)

12. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited September 30, 2016	Audited December 31, 2015
				Rupees	Rupees
Permissible under Shariah					
Master Istisna IV	6 months KIBOR + 2.6%	Single	April 2016	-	100,000
Conventional					
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	727,169	1,385,616
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	-	212,085
Syndicated term finance V	6 months KIBOR + 1.5%	8 half yearly	June 2015	828,076	991,605
Bilateral loan I	6 months KIBOR + 2%	6 half yearly	June 2016	454,051	544,291
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	833,865	1,246,479
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,938	848,300
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,938	848,300
Sub-ordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5%	Repayable in full in five years		2,150,000	2,150,000
				6,691,037	8,226,676
				6,691,037	8,326,676
Less: Current portion shown under current liabilities				(2,372,003)	(3,064,064)
				4,319,034	5,262,612

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

13. DERIVATIVE FINANCIAL INSTRUMENTS

13.1 As at September 30, 2016, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 5,333 (December 31, 2015: US$ 8,000) to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

13.2 As at September 30, 2016, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating Nil (December 31, 2015: US$ 24,471) to manage 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 agreements on settlement dates.

(Amounts in thousand)

	Unaudited September 30, 2016	Audited December 31, 2015
	Rupees	
14. SHORT TERM BORROWINGS		
Permissible under Shariah		
Master Istisna - note 14.1	300,000	-
Export refinance facility - note 14.2	-	200,000
Conventional		
Export refinance facility - note 14.2	-	550,000
Running finance utilized under mark-up arrangements - note 14.3	986,155	527,086
Money market loans - note 14.4	980,000	1,080,000
Sub-ordinated loan from Engro Corporation Limited - note 14.5	1,200,000	600,000
	3,466,155	2,957,086

14.1 This represents short term borrowing and carries mark-up at the rate of 6 months KIBOR plus 1%.

14.2 This represented export refinancing facility carrying mark-up at the rate of 4.5% on rollover basis for six months. This facility is secured by a floating charge over stocks and book debts of the Company.

14.3 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 3,550,000 (December 31, 2015: Rs. 3,050,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to 1.00% (December 31, 2015: relevant period KIBOR plus 0.9% to 1%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 6.98% to 7.25% (December 31, 2015: 7.44% to 11.15%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

14.4 This represents money market loans obtained from commercial banks carrying mark-up ranging from 6.50% to 6.59% (December 31, 2015: 6.9% to 7.06%) per annum. These loans are obtained for a period ranging from 14 to 30 days and are secured by a hypothecation charge over the current assets of the Company.

14.5 This represents short term loan from Engro Corporation Limited (the Holding Company) for meeting the working capital requirements. The loan is sub-ordinated to the finances provided to the Company by its banking creditors and carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.

(Amounts in thousand)

	Unaudited September 30, 2016	Audited December 31, 2015
	Rupees	
15. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 15.1	4,231,149	4,474,429
Accrued liabilities - note 15.1	1,132,777	1,240,189
Advances from customers - note 15.1	299,567	437,624
Retention money against project payments	10,895	11,887
Security deposits	28,955	41,937
Workers' profits participation fund	2,895	-
Workers' welfare fund	44,979	52,490
Withholding tax payable	4,070	4,858
Others - note 15.1	36,807	46,606
	5,792,094	6,310,020

15.1 Includes amounts due to the following related parties:

- Engro Corporation Limited	-	392
- Mitsubishi Corporation	1,960,527	2,195,710
- Engro Fertilizers Limited	123	485
- Engro Vopak Terminal Limited	85,161	93,654
	2,045,811	2,290,241

16. PROVISIONS

Provision for Gas Infrastructure Development Cess - note 16.1	1,888,335	1,148,873

16.1 Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance, 2002, Finance Act, 2014 and GIDC Ordinance, 2014, against which the Company has obtained ad-interim stay orders from the Sindh High Court. However, on prudence 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 has reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

(Amounts in thousand)

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and/or recovering the cess under GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 1,296,210 (December 31, 2015: Rs. 556,748) pertaining to the period subsequent to promulgation of GIDC Act, 2015.

17. CONTINGENCIES AND COMMITMENTS

17.1 The Deputy Commissioner Inland Revenue (DCIR) through his order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material. The Company filed an appeal against the order before Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of the Company. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding the case has been carried out by ATIR, till the period end.

17.2 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at September 30, 2016 amounts to Rs. 1,297,000 (December 31, 2015: Rs. 1,098,000). The amount utilized there against is Rs. 1,097,280 (December 31, 2015: Rs. 1,097,280).

17.3 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Fatimafert Limited, for storage and handling of Ethylene Di-Chloride (EDC) and Caustic soda, respectively. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till July 29, 2019. The future aggregate lease payments under these arrangements are as follows:

	Unaudited September 30, 2016	Rupees	Audited December 31, 2015
Not later than 1 year	14,761		16,834
Later than 1 year and no later than 5 years	19,200		37,200
	33,961		54,034

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

18. OTHER INCOME

During the period, the Company has not earned any profit from bank accounts under an arrangement permissible under Shariah (September 30, 2015: Nil).

(Amounts in thousand)

	Unaudited September 30, 2016	Unaudited September 30, 2015
	Rupees	
19. CASH GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	58,521	(1,056,229)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	34,424	(6,702)
Provision for GIDC	739,462	721,219
Reversal of provision for net realizable value of stock-in-trade, net	(42,474)	(679,376)
Provision for slow moving stores and spares	-	4,749
Write-off of operating assets	-	46
Depreciation and amortization	999,912	952,696
Income on short term investments and bank deposits	(912)	(32,812)
Exchange loss on revaluation of foreign currency borrowings	(2,065)	62,625
Amortization of prepaid financial charges	18,725	20,302
Finance costs	681,713	846,510
(Profit) / Loss on disposal of operating assets	(55)	1,340
Exchange gain on derivatives held for trading	-	(126,050)
Working capital changes - note 19.1	(569,661)	(1,056,269)
	1,917,590	(347,951)
19.1 Working Capital Changes		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	(14,625)	(66,415)
Stock-in-trade	(184,146)	1,860,940
Trade debts - considered good	127,420	243,269
Loans, advances, deposits, prepayments and other receivables - net	19,616	108,817
	(51,735)	2,146,611
Decrease in current liabilities		
Trade and other payables	(517,926)	(3,202,880)
	(569,661)	(1,056,269)
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances	59,926	95,424
Short term investments	-	70,859
Money market loans - note 14	(980,000)	(600,000)
Running finance utilized under mark-up arrangements - note 14	(986,155)	(372,618)
	(1,906,229)	(806,335)

(Amounts in thousand)

21. SEGMENT INFORMATION

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

	Unaudited September 30, 2016				Unaudited September 30, 2015			
	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total
	Rupees							
Net revenue	13,221,344	3,349,129	39,089	16,609,562	13,650,629	3,359,812	53,327	17,063,768
Profit / (Loss) before unallocated expenses	440,487	691,840	(2,042)	**1,130,285**	(653,818)	1,072,086	19,950	**438,218**
Unallocated expenses								
Administrative expenses				(359,778)				(367,054)
Other operating expenses				(41,386)				(269,917)
Other income				11,113				51,659
Finance costs				(681,713)				(909,135)
Taxation				(26,673)				243,527
Profit / (Loss) after taxation				**31,848**				**(812,702)**

	Unaudited September 30, 2016				Audited December 31, 2015			
	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total
	Rupees							
Total segment assets	14,443,639	4,928,279	12,342	19,384,260	14,785,696	5,093,381	12,585	19,891,662
Unallocated assets				3,992,733				4,320,102
Total assets				23,376,993				24,211,764

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

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

22.1 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.

22.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Liabilities				
- Derivative financial instruments	-	8,462	-	8,462

There were no transfers amongst the levels, and any changes in the valuation techniques during the period.

22.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in this consolidated condensed interim financial information approximate their fair values.

(Amounts in thousand)

23. TRANSACTIONS WITH RELATED PARTIES

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

		Unaudited	
		Nine months period ended	
Nature of relationship	Nature of transactions	September 30, 2016	September 30, 2015
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on sub-ordinated loan	220,878	60,483
	Reimbursement made	90,026	58,583
	Reimbursement received	1,615	6,592
	Provident fund contribution	7,416	7,202
	Gratuity fund contribution	4,884	4,743
	Pension fund contribution	2,137	2,073
	Medical contribution	139	167
	Short-term loan received	1,000,000	-
	Short-term loan repaid	400,000	-
	Life insurance	465	381
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	2,096,689	6,249,354
	Sale of goods	91,262	83,319
- Arabian Sea Country Club	Purchase of services	182	201
	Annual subscription	-	41
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	13,775	10,384
	Sale of steam and electricity	58,717	68,851
	Reimbursement made	17,856	28,477
	Reimbursement received	8,299	1,440
	Use of operating assets	9	1,417
- Engro Vopak Terminal Limited	Purchase of services	741,160	778,781
	Reimbursement made	-	9,170
	Reimbursement received	355	6,603
- Engro Foundation	Reimbursement made	12	18
- Engro Elengy Terminal Limited	Reimbursement made	-	88
	Reimbursement received	126	307
- Engro Powergen Qadirpur Limited	Reimbursement made	8,306	-
	Reimbursement received	4,338	3,718
- Engro Foods Limited	Sale of goods	29,250	28,310
	Reimbursement made	6,082	68
	Reimbursement received	3,397	-
	Use of operating asset	165	33
- Engro Powergen Limited	Reimbursement received	10,318	-
- Sindh Engro Coal Mining Company Limited	Reimbursement received	579	-
- Engro Thar Power Limited	Reimbursement received	94	-
- Shell Pakistan Limited	Purchase of goods	5,875	1,990

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Nine months period ended September 30, 2016		Unaudited Nine months period ended September 30, 2015
			Rupees	
- The Hub Power Company Limited	Sales of goods	2,212		-
- Dawood Hercules Corporation Limited	Purchase of services	-		10,893
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	-		33
- Pakistan Institute of Corporate Governance	Purchase of services	463		-
- Pakistan Japan Business Forum	Annual subscription	50		50
- Pakistan Society for Human Resource Management	Annual subscription	-		20
- Lahore University Of Management Sciences	Purchase of services	138		143
Directors	Fee	1,050		900
	Advance paid	-		4,950
	Repayment of advance	4,125		825
Contribution to staff retirement benefits	Provident fund	33,509		33,598
	Gratuity fund	57,796		28,128
Key management personnel	Managerial remuneration	54,055		54,281
	Retirement benefit funds	8,862		6,082
	Bonus	15,929		18,265
	Other benefits	12,645		11,097

24. 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 considered necessary, for the purpose of comparison. During the period, for better presentation, Rs. 106,775 in respect of purchased services and staff related cost has been reclassified from 'administrative expenses' as reported in condensed interim financial information for the nine months ended September 30, 2015 to 'cost of sales'.

The effects of other rearrangements and reclassifications are not material.

25. DATE OF AUTHORIZATION FOR ISSUE

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

engro polymer & chemicals

UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2016

	Note	Unaudited September 30, 2016	Audited December 31, 2015
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	15,694,359	16,249,050
Intangible assets		94,431	90,345
Long term investment - at cost		50,000	50,000
Long term loans and advances	6	72,970	66,372
Deferred taxation	7	1,015,257	908,103
		16,927,017	17,363,870
Current Assets			
Stores, spares and loose tools		1,553,969	1,539,344
Stock-in-trade		3,167,826	2,941,206
Trade debts - considered good	8	309,432	436,852
Loans, advances, deposits, prepayments and other receivables	9	370,895	390,511
Taxes recoverable	10	1,032,716	1,115,596
Short term investments		-	300,000
Cash and bank balances	11	56,663	154,779
		6,491,501	6,878,288
TOTAL ASSETS		23,418,518	24,242,158
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(5,838)	(11,993)
Accumulated loss		(2,255,181)	(2,283,693)
		5,337,698	5,303,031
Non-Current Liabilities			
Long term borrowings	12	4,319,034	5,262,612
Derivative financial instruments	13	8,462	17,382
		4,327,496	5,279,994
Current Liabilities			
Current portion of long term borrowings	12	2,372,003	3,064,064
Derivative financial instruments - at fair value through profit or loss	13	-	23,982
Service benefit obligations		34,107	38,976
Short term borrowings	14	3,551,155	3,026,180
Trade and other payables	15	5,782,652	6,300,942
Accrued interest / mark-up		125,072	56,116
Provisions	16	1,888,335	1,148,873
		13,753,324	13,659,133
TOTAL EQUITY AND LIABILITIES		23,418,518	24,242,158
Contingencies and Commitments	17		

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

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

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	Note	Quarter ended		Nine months ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
		Rupees			
Net revenue		5,448,348	4,646,758	16,609,561	17,063,768
Cost of sales		(4,833,940)	(4,365,948)	(14,579,022)	(15,675,623)
Gross profit		614,408	280,810	2,030,539	1,388,145
Distribution and marketing expenses		(303,184)	(279,105)	(900,254)	(949,927)
Administrative expenses		(116,797)	(119,049)	(359,778)	(367,054)
Other operating expenses		12,118	(124,150)	(40,642)	(269,267)
Other income	18	2,279	3,452	10,828	46,072
Operating profit / (loss)		208,824	(238,042)	740,693	(152,031)
Finance costs		(222,257)	(296,450)	(687,262)	(909,135)
Profit / (Loss) before taxation		(13,433)	(534,492)	53,431	(1,061,166)
Taxation		4,188	152,703	(24,919)	244,101
Profit / (Loss) for the period		(9,245)	(381,789)	28,512	(817,065)
Earnings / (Loss) per share - basic and diluted		(0.01)	(0.58)	0.04	(1.23)

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	Rupees			
Profit / (Loss) for the period	(9,245)	(381,789)	28,512	(817,065)
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items	-	-	-	(4,946)
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (Loss) arising during the period	(2,485)	(10,116)	(4,350)	(15,156)
Reclassification adjustments for losses included in profit or loss	3,010	7,330	13,270	25,427
Income tax relating to hedging reserve	(162)	836	(2,765)	(4,414)
	363	(1,950)	6,155	5,857
Other comprehensive income for the period - net of tax	363	(1,950)	6,155	911
Total comprehensive income / (loss) for the period	(8,882)	(383,739)	34,667	(816,154)

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
			Rupees		
Balance as at January 1, 2015 (Audited)	6,634,688	964,029	(29,757)	(1,629,890)	5,939,070
Total comprehensive loss for the period ended September 30, 2015	-	-	5,857	(822,011)	(816,154)
Balance as at September 30, 2015 (Unaudited)	6,634,688	964,029	(23,900)	(2,451,901)	5,122,916
Total comprehensive Income for the period ended December 31, 2015	-	-	11,907	168,208	180,115
Balance as at December 31, 2015 (Audited)	6,634,688	964,029	(11,993)	(2,283,693)	5,303,031
Total comprehensive income for the period ended September 30, 2016	-	-	6,155	28,512	34,667
Balance as at September 30, 2016 (Unaudited)	6,634,688	964,029	(5,838)	(2,255,181)	5,337,698

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	Note	Nine months ended September 30, 2016	Nine months ended September 30, 2015
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	1,917,970	(347,963)
Finance costs paid		(618,306)	(717,601)
Long term loans and advances		(6,598)	(5,423)
Payment against employee service benefits		(39,293)	-
Settlement of derivatives held for trading - net		(23,982)	-
Income tax paid		(51,958)	(163,502)
Net cash generated from / (utilized in) operating activities		1,177,833	(1,234,489)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(440,579)	(366,798)
Purchases of intangible assets		(14,974)	(41,341)
Proceeds from disposal of property, plant and equipment		6,301	9,860
Income on bank deposits		627	28,013
Net cash utilized in investing activities		(448,625)	(370,266)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(1,652,299)	(1,368,627)
Proceeds from short term borrowings		1,315,906	1,400,000
Repayments of short term borrowings		(1,150,000)	-
Net cash (utilized in) / generated from financing activities		(1,486,393)	31,373
Net decrease in cash and cash equivalents		(757,185)	(1,573,382)
Cash and cash equivalents at beginning of the period		(1,152,307)	687,197
Cash and cash equivalents at end of the period	20	(1,909,492)	(886,185)

The annexed notes 1 to 25 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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 Pakistan Stock Exchange Limited.

The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The address of its registered office is 16th Floor, The Harbor Front Building, HC-3 Marine Drive, Block 4 Clifton, Karachi. The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months ended September 30, 2016 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2015.

3. ACCOUNTING POLICIES

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

3.2 There are certain new International Financial Reporting Standards amendments to published standards and interpretations that are mandatory to the financial year beginning on January 1, 2016. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in this condensed interim financial information.

3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. ACCOUNTING ESTIMATES

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

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

(Amounts in thousand)

	Unaudited September 30, 2016	Audited December 31, 2015
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	14,901,140	15,520,580
Capital work-in-progress	707,269	642,520
Capital spares	85,950	85,950
	15,694,359	16,249,050

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

Building on leasehold land	-	1,099
Plant and machinery	356,861	315,102
Furniture, fixtures and equipment	33,948	10,683
Vehicles	-	2,700
	390,809	329,584

5.2 During the period, asset costing Rs. 21,838 (December 31, 2015: Rs. 33,704), having net book value of Rs. 6,246 (December 31, 2015: Rs. 12,325) was disposed off for Rs. 6,301 (December 31, 2015: Rs. 10,896) and assets costing Nil (December 31, 2015: Rs. 125) having net book value of Nil (December 31, 2015: Rs. 79) were written off in respect of which insurance claim of Nil (December 31, 2015: Rs. 70) has been received.

6. LONG TERM LOANS AND ADVANCES

6.1 These includes interest free loans and advances to executives and employees for house rent, vehicles, home appliances and investments given in accordance with the terms of employment.

6.2 The Company does not have any loans or advances placed under any arrangement permissible under Shariah.

	Unaudited September 30, 2016	Audited December 31, 2015
	Rupees	
7. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(2,887,823)	(2,995,947)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	3,091,589	3,424,568
- recoupable minimum turnover tax - note 7.2	132,549	-
- unpaid liabilities	79,197	70,720
- provision for Gas Infrastructure Development Cess and Special Excise Duty	531,720	325,412
- provision for net realizable value against stock-in-trade	2,445	14,312
- provision for slow moving stores and spares	13,491	14,182
- fair value of hedging instruments	2,623	5,389
- share issuance cost, net to equity	49,465	49,467
	3,903,079	3,904,050
	1,015,257	908,103

(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 September 30, 2016 amount to Rs. 10,305,212 (December 31, 2015: Rs. 11,415,228) which are entirely attributable to unabsorbed tax depreciation.

7.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 132,549 (December 31, 2015: Nil) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that 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 would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

	Unaudited September 30, 2016	Audited December 31, 2015
	Rupees	
8. TRADE DEBTS - considered good		
Secured	166,961	301,035
Unsecured - note 8.1	142,471	135,817
	309,432	436,852

8.1 Includes amounts due from the following related parties:

- Engro Foods Limited	491	2,689
- Engro Fertilizers Limited	15,309	16,896
	15,800	19,585

9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

9.1 These include receivables from the following related parties:

- Engro Vopak Terminal Limited	-	1,800
- Engro Corporation Limited	980	-
- Engro Foundation	7	-
- Sindh Engro Coal Mining Company Limited	220	-
- Engro Foods Limited	3,397	7
- Engro Powergen Limited	8,816	-
- Engro Powergen Qadirpur Limited	1,667	253
	15,087	2,060

9.2 The Company does not have any advances or deposits carrying any interests, mark-up or placed under any arrangement permissible under Shariah as at September 30, 2016.

10. TAXES RECOVERABLE

10.1 Tax Year 2008

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

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

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

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

10.2 Tax Year 2009

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

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

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

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

11. CASH AND BANK BALANCES

As at September 30, 2016, no funds are placed in any account under an arrangement permissible under Shariah (December 31, 2015: Nil).

(Amounts in thousand)

12. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited September 30, 2016	Audited December 31, 2015
				Rupees	Rupees
Permissible under Shariah					
Master Istisna IV	6 months KIBOR + 2.6%	Single	April 2016	-	100,000
Conventional					
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	727,169	1,385,616
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	-	212,085
Syndicated term finance V	6 months KIBOR + 1.5%	8 half yearly	June 2015	828,076	991,605
Bilateral loan I	6 months KIBOR + 2%	6 half yearly	June 2016	454,051	544,291
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	833,865	1,246,479
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,938	848,300
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,938	848,300
Sub-ordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5%	Repayable in full in five years		2,150,000	2,150,000
				6,691,037	8,226,676
				6,691,037	8,326,676
Less: Current portion shown under current liabilities				(2,372,003)	(3,064,064)
				4,319,034	5,262,612

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

13. DERIVATIVE FINANCIAL INSTRUMENTS

13.1 As at September 30, 2016, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 5,333 (December 31, 2015: US$ 8,000) to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

13.2 As at September 30, 2016, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating Nil (December 31, 2015: US$ 24,471) to manage 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 agreements on settlement dates.

(Amounts in thousand)

	Unaudited September 30, 2016	Audited December 31, 2015
	Rupees	
14. SHORT TERM BORROWINGS		
Permissible under Shariah		
Master Istisna - note 14.1	300,000	-
Export refinance facility - note 14.2	-	200,000
Conventional		
Export refinance facility - note 14.2	-	550,000
Running finance utilized under mark-up arrangements - note 14.3	986,155	527,086
Money market loans - note 14.4	980,000	1,080,000
Sub-ordinated loan from Engro Corporation Limited - note 14.5	1,200,000	600,000
Sub-ordinated loan from Engro Polymer Trading (Private) Limited - note 14.6	85,000	69,094
	3,551,155	3,026,180

14.1 This represents short term borrowing and carries mark-up at the rate of 6 months KIBOR plus 1%.

14.2 This represented export refinancing facility carrying mark-up at the rate of 4.5% on rollover basis for six months. This facility is secured by a floating charge over stocks and book debts of the Company.

14.3 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 3,550,000 (December 31, 2015: Rs. 3,050,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to 1.00% (December 31, 2015: relevant period KIBOR plus 0.9% to 1%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 6.98% to 7.25% (December 31, 2015: 7.44% to 11.15%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

14.4 This represents money market loans obtained from commercial banks carrying mark-up ranging from 6.50% to 6.59% (December 31, 2015: 6.9% to 7.06%) per annum. These loans are obtained for a period ranging from 14 to 30 days and are secured by a hypothecation charge over the current assets of the Company.

14.5 This represents short term loan from Engro Corporation Limited (the Holding Company) for meeting the working capital requirements. The loan is sub-ordinated to the finances provided to the Company by its banking creditors and carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.

14.6 This represents loan from Engro Polymer Trading (Private) Limited, the wholly owned subsidiary. The loan is sub-ordinated to other financial arrangements (other than trade creditors) and carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.

(Amounts in thousand)

	Unaudited September 30, 2016	Audited December 31, 2015
	Rupees	
15. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 15.1	4,231,149	4,474,429
Accrued liabilities - note 15.1	1,123,450	1,239,837
Advances from customers - note 15.1	299,567	437,624
Retention money against project payments	10,895	11,887
Security deposits	28,955	41,937
Workers' profits participation fund	2,895	-
Workers' welfare fund	44,864	43,764
Withholding tax payable	4,070	4,858
Others - note 15.1	36,807	46,606
	5,782,652	6,300,942

15.1 Includes amounts due to the following related parties:

- Engro Corporation Limited	-	392
- Mitsubishi Corporation	1,960,527	2,195,710
- Engro Fertilizers Limited	123	485
- Engro Vopak Terminal Limited	85,161	93,654
	2,045,811	2,290,241

16. PROVISIONS

Provision for Gas Infrastructure Development Cess - note 16.1	1,888,335	1,148,873

16.1 Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance, 2002, Finance Act, 2014 and GIDC Ordinance, 2014, against which the Company has obtained ad-interim stay orders from the Sindh High Court. However, on prudence 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 has reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

(Amounts in thousand)

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and/or recovering the cess under GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 1,296,210 (December 31, 2015: Rs. 556,748) pertaining to the period subsequent to promulgation of GIDC Act, 2015.

17. CONTINGENCIES AND COMMITMENTS

17.1 The Deputy Commissioner Inland Revenue (DCIR) through his order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw material. The Company filed an appeal against the order before Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of the Company. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding the case has been carried out by ATIR, till the period end.

17.2 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at September 30, 2016 amounts to Rs. 1,297,000 (December 31, 2015: Rs. 1,098,000). The amount utilized there against is Rs. 1,097,280 (December 31, 2015: Rs. 1,097,280).

17.3 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Fatimafert Limited, for storage and handling of Ethylene Di-Chloride (EDC) and Caustic soda, respectively. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till July 29, 2019. The future aggregate lease payments under these arrangements are as follows:

	Unaudited September 30, 2016		Audited December 31, 2015
		Rupees	
Not later than 1 year	14,761		16,834
Later than 1 year and no later than 5 years	19,200		37,200
	33,961		54,034

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

18. OTHER INCOME

During the period, the Company has not earned any profit from bank accounts under an arrangement permissible under Shariah (September 30, 2015: Nil).

(Amounts in thousand)

	Unaudited September 30, 2016	Rupees	Unaudited September 30, 2015
19. CASH GENERATED FROM OPERATIONS			
Profit / (Loss) before taxation	53,431		(1,061,166)
Adjustments for non cash charges and other items:			
Provision for staff retirement and other service benefits	34,424		(6,702)
Provision for GIDC	739,462		721,219
Reversal of provision for net realizable value of stock-in-trade, net	(42,474)		(679,376)
Provision for slow moving stores and spares	-		4,749
Write-off of operating assets	-		46
Depreciation and amortization	999,912		952,696
Income on short term investments and bank deposits	(627)		(28,013)
Exchange loss on revaluation of foreign currency borrowings	(2,065)		62,625
Amortization of prepaid financial charges	18,725		20,302
Finance costs	687,262		846,510
(Profit) / Loss on disposal of operating assets	(55)		1,340
Exchange gain on derivatives held for trading	-		(126,050)
Working capital changes - note 19.1	(570,025)		(1,056,143)
	1,917,970		(347,963)

19.1 Working Capital Changes

Decrease / (Increase) in current assets			
Stores, spares and loose tools	27,849		(66,415)
Stock-in-trade	(226,620)		1,860,940
Trade debts - considered good	127,420		243,269
Loans, advances, deposits, prepayments and other receivables - net	19,616		108,817
	(51,735)		2,146,611
Decrease in current liabilities			
Trade and other payables	(518,290)		(3,202,754)
	(570,025)		(1,056,143)

20. CASH AND CASH EQUIVALENTS

Cash and bank balances	56,663		86,433
Money market loans - note 14	(980,000)		(600,000)
Running finance utilized under mark-up arrangements - note 14	(986,155)		(372,618)
	(1,909,492)		(886,185)

(Amounts in thousand)

21. SEGMENT INFORMATION

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

	Unaudited September 30, 2016				Unaudited September 30, 2015			
	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total
	Rupees							
Net revenue	13,221,349	3,349,124	39,089	16,609,562	13,650,629	3,359,812	53,327	17,063,768
Profit / (Loss) before unallocated expenses	440,492	691,835	(2,042)	**1,130,285**	(653,818)	1,072,086	19,950	**438,218**
Unallocated expenses								
Administrative expenses				(359,778)				(367,054)
Other operating expenses				(40,642)				(269,267)
Other income				10,828				46,072
Finance costs				(687,262)				(909,135)
Taxation				(24,919)				244,101
Profit / (Loss) after taxation				**28,512**				**(817,065)**

	Unaudited September 30, 2016				Audited December 31, 2015			
	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total
	Rupees							
Total segment assets	14,443,639	4,928,279	12,342	19,384,260	14,785,696	5,093,381	12,585	19,891,662
Unallocated assets				4,034,258				4,350,496
Total assets				23,418,518				24,242,158

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

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

22.1 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.

22.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Liabilities				
- Derivative financial instruments	-	8,462	-	8,462

There were no transfers amongst the levels, and any changes in the valuation techniques during the period.

22.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair values.

(Amounts in thousand)

23. TRANSACTIONS WITH RELATED PARTIES

23.1 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 Nine months period ended September 30, 2016	Unaudited Nine months period ended September 30, 2015
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on sub-ordinated loan	220,878	60,483
	Reimbursement made	90,026	58,583
	Reimbursement received	1,615	6,592
	Provident fund contribution	7,416	7,202
	Gratuity fund contribution	4,884	4,743
	Pension fund contribution	2,137	2,073
	Medical contribution	139	167
	Short-term loan received	1,000,000	-
	Short-term loan repaid	400,000	-
	Life insurance	465	381
Subsidiary Company			
- Engro Polymer Trading (Private) Limited	Mark-up on short-term loan	5,547	-
	Short-term loan received	15,906	-
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	2,096,689	6,249,354
	Sale of goods	91,262	83,319
- Arabian Sea Country Club	Purchase of services	182	201
	Annual subscription	-	41
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	13,775	10,384
	Sale of steam and electricity	58,717	68,851
	Reimbursement made	17,856	28,477
	Reimbursement received	8,299	1,440
	Use of operating assets	9	1,417
- Engro Vopak Terminal Limited	Purchase of services	741,160	778,781
	Reimbursement made	-	9,170
	Reimbursement received	355	6,603
- Engro Foundation	Reimbursement made	12	18
- Engro Elengy Terminal Limited	Reimbursement made	-	88
	Reimbursement received	126	307
- Engro Powergen Qadirpur Limited	Reimbursement made	8,306	-
	Reimbursement received	4,338	3,718
- Engro Foods Limited	Sale of goods	29,250	28,310
	Reimbursement made	6,082	68
	Reimbursement received	3,397	-
	Use of operating asset	165	33
- Engro Powergen Limited	Reimbursement received	10,318	-
- Sindh Engro Coal Mining Company Limited	Reimbursement received	579	-

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Nine months period ended September 30, 2016	Rupees	September 30, 2015
- Engro Thar Power Limited	Reimbursement received	94		-
- Shell Pakistan Limited	Purchase of goods	5,875		1,990
- The Hub Power Company Limited	Sales of goods	2,212		-
- Dawood Hercules Corporation Limited	Purchase of services	-		10,893
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	-		33
- Pakistan Institute of Corporate Governance	Purchase of services	463		-
- Pakistan Japan Business Forum	Annual subscription	50		50
- Pakistan Society for Human Resource Management	Annual subscription	-		20
- Lahore University Of Management Sciences	Purchase of services	138		143
Directors	Fee	1,050		900
	Advance paid	-		4,950
	Repayment of advance	4,125		825
Contribution to staff retirement benefits	Provident fund	33,509		33,598
	Gratuity fund	57,796		28,128
Key management personnel	Managerial remuneration	54,055		54,281
	Retirement benefit funds	8,862		6,082
	Bonus	15,929		18,265
	Other benefits	12,645		11,097

24. 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 considered necessary, for the purpose of comparison. During the period, for better presentation, Rs. 106,775 in respect of purchased services and staff related cost has been reclassified from 'administrative expenses' as reported in condensed interim financial information for the nine months ended September 30, 2015 to 'cost of sales'.

The effects of other rearrangements and reclassifications are not material.

25. DATE OF AUTHORIZATION FOR ISSUE

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

اینگرو پالیمر اینڈ کیمیکلز لمیٹڈ

حصص یافتگان کے لئے ڈائریکٹرز کا جائزہ

سال 2016ء ابتدائی مدت 9 مہینے کے برائے اختتام 30 ستمبر کے غیر آڈٹ شدہ عبوری مالیاتی گوشوارے

اینگرو پالیمر اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم غیر آڈٹ شدہ عبوری مالیاتی گوشوارے برائے اختتام 9 مہینے سال 2016 کو پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

کاروباری جائزہ:۔

سال 2016 کی تیسری سہ ماہی کے دوران پی وی سی کی قیمتوں میں بہتری دیکھی گئی۔ طلب میں اضافہ اور مستحکم رسد کی بدولت قیمت میں اضافہ ہوا۔ دوسری جانب ایتھلین کی قیمتیں بھی مستحکم رہیں۔ ان عوامل کی بنیاد پر کمپنی کو پی وی سی کے مارجن کی مد میں فائدہ ہوا۔

مثبت اقتصادی صورت حال کی بدولت پی وی سی کی مقامی طلب میں بھی اضافہ دیکھا گیا۔ زیر جائزہ نو مہینوں کے دوران کمپنی نے بلند ترین فروخت کا ٹارگٹ حاصل کیا۔ البتہ کلورالکلی سیگمنٹ تیسری سہ ماہی میں مارکیٹ میں مسابقت کی وجہ سے دباؤ کا شکار رہا۔

کمپنی نے سال 2016 کے پہلے نو مہینوں کے دوران وی سی ایم اور پی وی سی کی بلند ترین پیداوار کی۔ پلانٹ آپریشنز میں اختیار کی گئی محتاط پلاننگ اور جاری پراسس میں بہتری کی بدولت کمپنی زیادہ پیداوار کرنے میں کامیاب رہی۔

زیر جائزہ مدت میں کمپنی کی آمدن 16,160 ملین رہی جبکہ گزشتہ سال کی اسی مدت میں کمپنی کی آمدن 17,064 ملین تھی۔

کمپنی کا منافع بعد از ٹیکس 32 ملین رہا اور فی حصص آمدن 0.05 روپے رہی۔ پچھلے سال کی اسی مدت میں کمپنی کا خسارہ بعد از ٹیکس 813 ملین روپے تھا اور فی شیئر خسارہ 1.23 روپے فی حصص تھا۔ کمپنی کی فروخت کے حوالے سے ہم یہ بتانا چاہتے ہیں کہ تیسری سہ ماہی میں کمپنی کے ممکنہ خریدار نے عوامی اعلان کے ذریعے کمپنی کی خریداری سے معذرت کر لی تھی کیونکہ پیشکش کی مدت گزر گئی تھی۔

کمپنی نے اپنے آپریشنز میں صحت، حفاظت اور ماحولیات پر بھرپور توجہ مرکوز رکھی۔ سیفٹی انڈیکیٹرز کی مسلسل مانیٹرنگ کی گئی جس کی بدولت نا صرف قیمتوں میں بہتری دیکھی گئی بلکہ حادثات کی روک تھام کے اقدامات کو لاگو کرنے میں معاونت ملی۔

مستقبل کا احاطہ:۔

پی وی سی اور ایتھلین کی بین الاقوامی قیمتوں میں مستقبل قریب میں استحکام متوقع ہے۔ پی وی سی کی مقامی مارکیٹ میں بہتر ہونے کی توقع ہے۔ ساتھ ساتھ کاسٹک مارکیٹ میں بھی مستحکم نتائج کی امید ہے۔ کمپنی آپریشنل استعداد کار کو بہتر کرنے پر اپنی توجہ مرکوز رکھے گی۔

عمران انور

پریزیڈنٹ اینڈ چیف ایگزیکٹو

اکتوبر 18، 2016

کیمیہائیڈ اینڈو

ڈائریکٹر

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