engro polymer & chemicals

Financial Information for the Period
ended March 31, 2017

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COMPANY INFORMATION

Chairman	Ghiasuddin Khan
President and Chief Executive	Imran Anwer
Directors	Muhammad Asif Sultan Tajik Nadir Salar Qureshi Feroz Rizvi Noriyuki Koga Mazhar Abbas Hasnani
Board Audit Committee	Feroz Rizvi Noriyuki Koga Mazhar Abbas Hasnani
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
Website	www.engropolymer.com

engro polymer & chemicals

DIRECTORS' REVIEW &
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2017

ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017

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, 2017.

Business Review

During 1Q 2017, international PVC prices maintained positive trajectory initially, however closed the period on a soft note on account of softer than expected demand and ample availability of trade product. On the other hand, ethylene prices behaved in volatile fashion throughout the quarter on the back of cracker turnaround expectations, unanticipated supply loss and downstream derivative margin movement.

On the domestic market front, PVC demand remained robust on account of strong downstream activity and positive economic sentiment. The continued strength exhibited by PVC reflects an increase appetite and the Company is investing, via plant debottlenecking, to ensure indigenous supply to domestic market. Chlor Alkali market remained stable throughout the quarter.

On the production side, the Company maintained operational excellence and achieved highest ever quarterly PVC production. Continuous process improvement and diligent planning supplemented plant operations. Chlor Alkali operations remained stable throughout the quarter.

During 1Q 2017, the Company recorded revenue of Rs. 6,812 million compared to Rs. 5,739 million in the same period last year and posted Profit After Tax (PAT) of Rs.847 million translating into Earning Per Share (EPS) of Rs. 1.27 Per share compared to Profit After Tax (PAT) of Rs. 18 million translating into Earning Per Share (EPS) of Rs. 0.03 for the same period last year. Strong performance of the PVC segment and manufacturing efficiencies contributed towards the Company's profitability.

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 will remain dependent on global economic sentiment, energy prices, currency volatility, supply and demand dynamics. Domestic market for PVC is expected to remain strong while the Caustic market is projected to remain stable. The Company will continue to focus on optimizing and achieving operational excellence.

Imran Anwer	**Mazhar Abbas Hasnani**
President & Chief Executive	Director

Karachi
April 18, 2017

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2017

	Note	Unaudited March 31, 2017	Audited December 31, 2016
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	15,893,617	16,008,366
Intangible assets		93,515	90,855
Long term loans and advances		78,470	69,971
Deferred taxation	6	354,768	549,328
		16,420,370	16,718,520
Current Assets			
Stores, spares and loose tools		1,608,949	1,545,381
Stock-in-trade		4,244,954	3,024,268
Trade debts - considered good	7	366,360	456,396
Loans, advances, deposits, prepayments and other receivables	8	388,230	436,471
Taxes recoverable	9	980,780	1,123,578
Short term investments		335,000	740,000
Cash and bank balances		925,356	376,147
		8,849,629	7,702,241
TOTAL ASSETS		25,269,999	24,420,761
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(617)	(1,475)
Accumulated loss		(747,177)	(1,593,063)
		6,850,923	6,004,179
Non-Current Liabilities			
Long term borrowings	10	8,750,000	8,750,000
Current Liabilities			
Current portion of long term borrowings	10	418,887	416,903
Derivative financial instruments - at fair value through profit or loss	11	882	2,107
Service benefit obligations		17,639	45,622
Short term borrowings	12	-	329,638
Trade and other payables	13	6,751,402	6,731,452
Accrued interest / mark-up		105,490	11,096
Provisions	14	2,374,776	2,129,764
		9,669,076	9,666,582
TOTAL EQUITY AND LIABILITIES		25,269,999	24,420,761
Contingencies and Commitments	15		

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
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, 2017

	Quarter ended	
	March 31, 2017	March 31, 2016
	Rupees	
Net revenue	6,812,363	5,739,351
Cost of sales	(4,876,706)	(5,003,341)
Gross profit	1,935,657	736,010
Distribution and marketing expenses	(316,782)	(313,070)
Administrative expenses	(127,314)	(114,785)
Other operating expenses	(77,654)	(47,566)
Other income	24,730	3,868
Operating profit	1,438,637	264,457
Finance costs	(232,971)	(240,587)
Profit before taxation	1,205,666	23,870
Taxation	(359,780)	(6,042)
Profit for the period	845,886	17,828
Earnings per share - basic and diluted	1.27	0.03

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

	Quarter ended	
	March 31, 2017	March 31, 2016
	Rupees	
Profit for the period	845,886	17,828
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve		
Loss arising during the period	(1,203)	(5,998)
Reclassification adjustments for losses included in profit and loss	2,428	4,863
Income tax relating to hedging reserve	(368)	352
Other comprehensive gain / (loss) for the period - net of tax	858	(784)
Total comprehensive income for the period	846,744	17,044

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
			Rupees		
Balance as at January 1, 2016 (Audited)	6,634,688	964,029	(11,993)	(2,252,996)	5,333,728
Total comprehensive income for the three months ended March 31, 2016	-	-	(784)	17,828	17,044
Balance as at March 31, 2016 (Unaudited)	6,634,688	964,029	(12,777)	(2,235,168)	5,350,772
Total comprehensive income for the nine months ended December 31, 2016	-	-	11,302	642,105	653,407
Balance as at December 31, 2016 (Audited)	6,634,688	964,029	(1,475)	(1,593,063)	6,004,179
Total comprehensive income for the three months ended March 31, 2017	-	-	858	845,886	846,744
Balance as at March 31, 2017 (Unaudited)	6,634,688	964,029	(617)	(747,177)	6,850,923

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

	Note	Quarter ended March 31, 2017	Quarter ended March 31, 2016
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	739,641	892,592
Finance costs paid		(138,577)	(126,325)
Long term loans and advances		(8,499)	(11,309)
Income tax paid		(22,789)	(20,649)
Net cash generated from operating activities		569,776	734,309
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(116,006)	(196,243)
Proceeds from disposal of property, plant and equipment		90	2,000
Income on short term investments and bank deposits		19,987	377
Net cash utilized in investing activities		(95,929)	(193,866)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings		-	200,000
Repayment of Export Refinancing facility		(300,000)	(750,000)
Net cash utilized in financing activities		(300,000)	(550,000)
Net increase / (decrease) in cash and cash equivalents		173,847	(9,557)
Cash and cash equivalents at beginning of the period		1,086,509	(1,137,864)
Cash and cash equivalents at end of the period	17	1,260,356	(1,147,421)

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

1. LEGAL STATUS AND OPERATIONS

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

1.2 Engro Polymer and Chemicals Limited (EPCL) was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984. The Company is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad Stock Exchanges have merged).

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

2. BASIS OF PREPARATION

This consolidated condensed interim financial information of the Company for the three months period ended March 31, 2017 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance takes precedence.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2016.

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, 2016.

(Amounts in thousand)

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,213,185	15,245,662
Capital work-in-progress	597,034	679,306
Capital spares	83,398	83,398
	15,893,617	16,008,366

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

Plant and machinery	186,067	558,399
Furniture, fixtures and equipment	6,488	37,050
	192,556	595,449

5.2 During the period, asset costing Nil (December 31, 2016: Rs. 21,984), having net book value of Nil (December 31, 2016: Rs. 6,254) was disposed off for Nil (December 31, 2016: Rs. 6,312) and assets costing 173 (December 31, 2016: Rs. 1,194) having net book value of Rs. 27 (December 31, 2016: Rs. 381) were written off.

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
6. DEFERRED TAXATION	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(3,163,442)	(3,178,960)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 6.1	2,330,636	2,778,309
- recoupable minimum turnover tax	168,659	168,659
- recoupable alternative corporate tax	163,996	-
- unpaid liabilities	91,260	87,783
- provision against GIDC, custom duty and SED refundable	689,131	618,568
- provision for net realizable value of stocks	7,134	7,208
- provision for slow moving stores and spares	17,662	17,662
- fair value of hedging instruments	264	632
- share issuance cost, net to equity	49,467	49,467
	3,518,210	3,728,288
	354,768	549,328

(Amounts in thousand)

6.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at March 31, 2017 amount to Rs. 7,768,787 (December 31, 2016: Rs. 9,261,030).

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
	Rupees	
7. TRADE DEBTS - considered good		
Secured	237,360	291,581
Unsecured - note 7.1	129,000	164,815
	366,360	456,396

7.1 Includes amounts due from the following related parties:

- Engro Fertilizer Limited	44,832	23,721
- Engro Foods Limited	723	425
	45,554	24,146

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

These include receivables from the following related parties:

Engro Fertilizers Limited	1,137	-
Engro Vopak Terminal Limited	8	8
Engro Corporation Limited	7,762	290
Engro Foods Limited	5	39
Sindh Engro Coal Mining Company	126	220
Engro Foundation	-	7
Engro Powergen Limited	7,158	4,124
Engro Powergen Qadirpur Limited	9	9
	16,205	4,697

9. TAXES RECOVERABLE

9.1 Tax Year 2008

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

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

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

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

9.2 Tax Year 2009

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

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

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

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

(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

10.1

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited March 31, 2017	Audited December 31, 2016
				Rupees	Rupees
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	-	-
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	-	-
Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May, 2013	-	-
Syndicated term finance V	6 months KIBOR+1.5%	8 half yearly	June, 2015	-	-
Bilateral loan I	6 months KIBOR +2%	6 half yearly	June, 2016	-	-
Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	April 2016	-	-
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	418,887	416,903
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	-	-
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	-	-
Bilateral loan IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral VI	6 months KIBOR + 0.8%	10 half yearly	June 1, 2019	750,000	750,000
Bilateral VII	6 months KIBOR + 0.8%	10 half yearly	July 28, 2019	1,250,000	1,250,000
Bilateral VIII	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	750,000	750,000
Subordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5% Repayable in full five years			3,000,000	3,000,000
				9,168,887	9,166,903
Less: Current portion shown under current liabilities				(418,887)	(416,903)
				8,750,000	8,750,000

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at March 31, 2017, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 2,666 (December 31, 2016: US $ 2,666) 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.

12. SHORT TERM BORROWINGS

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
	Rupees	Rupees
Running finance utilized under mark-up arrangements - note 12.1	-	29,638
Export refinance facility - note 12.2	-	300,000
	-	329,638

(Amounts in thousand)

12.1 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 2,950,000 (December 31, 2016: Rs.3,300,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to 1% (December 31, 2016: relevant period KIBOR plus 0.9% to 1.25%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 7.3% to 7.5% (December 31, 2016: 7.02% to 7.52%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

12.2 This represented export refinancing facility carrying markup at the rate of Nil (December 31, 2016: 3%) on rollover basis for six months. The facility was secured by floating charge over stocks and book debts of the Company.

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
	Rupees	
13. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 13.1	5,192,420	4,964,249
Accrued liabilities	1,224,543	1,282,790
Advances from customers	117,835	291,490
Retention money against project payments	10,895	10,895
Security deposits	28,955	28,955
Workers Welfare Fund	44,172	49,764
Workers Profit Participation Fund	63,371	62,424
Withholding tax payable	30,127	-
Others - note 13.1	39,084	31,535
	6,751,402	6,722,102

13.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	2,309,604	2,682,171
- Engro Corporation Limited	18,219	-
- Engro Fertilizers Limited	9,932	108
	2,337,755	2,682,279

14. PROVISIONS

Provision for Gas Infrastructure Development Cess - note 14.1	2,374,776	2,129,764

14.1 Provision for Gas Infrastructure Development Cess (GIDC)

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

On May 22, 2015 the Gas Infrastructure Deveopment 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.

(Amounts in thousand)

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

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and/or recovering the cess under GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 1,822,651 pertaining to the period subsequent to promulgation of GIDC Act, 2015.

15. CONTINGENCIES AND COMMITMENTS

15.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2017 amounts to Rs. 1,297,000 (December 31, 2016: Rs. 1,156,750). The amount utilized there against is Rs. 1,140,950 (December 31, 2016: Rs. 1,140,950).

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

	(Unaudited) March 31, 2017		(Audited) December 31, 2016
		Rupees	
Not later than 1 year	15,484		14,400
Later than 1 year and no later than 5 years	30,000		22,800
	45,484		37,200

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

(Amounts in thousand)

	Unaudited Quarter ended March 31, 2017		Unaudited Quarter ended March 31, 2016
		Rupees	
16. CASH GENERATED FROM OPERATIONS			
Profit before taxation	1,205,666		23,870
Adjustments for non cash charges and other items:			
Provision for staff retirement and other service benefits	(27,983)		(27,552)
Provision for GIDC	245,012		257,864
Provision for net realizable value of stock-in-trade	(258)		(24,665)
Depreciation and amortization	228,068		326,514
Income on short term investments and bank deposits	(19,987)		(381)
Loss on revaluation of IFC loan	2,400		166
Net amortization of prepaid financial charges	(416)		6,767
Unrealized foreign exchange loss on derivatives held at fair value through profit and loss	-		(18,126)
Finance costs	232,971		235,905
Gain on disposal and Write-off of damaged operating assets	(63)		375
Working capital changes - note 16.1	(1,125,769)		111,855
	739,641		892,592

16.1 WORKING CAPITAL CHANGES

	March 31, 2017	March 31, 2016
Increase in current assets		
Stores, spares and loose tools	(63,568)	15,693
Stock-in-trade	(1,220,428)	(564,384)
Trade debts - considered good	90,036	138,563
Loans,advances,deposits,prepayments and other receivables	48,241	(63,010)
	(1,145,719)	(473,138)
Increase in current liabilities		
Trade and other payables	19,950	584,993
	(1,125,769)	111,855

17. CASH AND CASH EQUIVALENTS

	March 31, 2017	March 31, 2016
Cash and bank balances	925,356	84,917
Short term investments	335,000	-
Short term borrowings	-	(1,232,338)
	1,260,356	(1,147,421)

(Amounts in thousand)

18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this consolidated condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2016.

	Unaudited March 31, 2017				Unaudited March 31, 2016			
	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	5,597,991	1,201,167	13,205	6,812,363	4,578,544	1,148,215	12,592	5,739,351
Cost of sales	(4,062,373)	(804,322)	(10,011)	(4,876,706)	(4,025,465)	(963,182)	(14,694)	(5,003,341)
Gross Profit	1,535,618	396,844	3,194	1,935,657	553,079	185,033	(2,102)	736,010
Distribution and marketing expenses	(232,286)	(84,496)	-	(316,782)	(258,752)	(54,318)	-	(313,070)
Administrative expenses	(104,619)	(22,448)	(247)	(127,314)	(91,569)	(22,964)	(252)	(114,785)
Other operating expenses	(62,748)	(14,770)	(136)	(77,654)	(41,218)	(6,475)	126	(47,566)
Other operating income	20,322	4,360	48	24,730	3,086	774	8	3,868
Finance costs	(193,948)	(38,311)	(711)	(232,971)	(198,830)	(40,955)	(801)	(240,587)
Taxation	(287,169)	(71,970)	(641)	(359,780)	8,658	(15,464)	765	(6,042)
Profit after taxation	675,169	169,210	1,507	845,886	(25,547)	45,631	(2,256)	17,828

	Unaudited March 31, 2017				Audited December 31, 2016			
	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	14,910,258	5,452,947	52,208	20,415,414	14,883,358	4,854,186	32,573	19,770,117
Unallocated assets				4,854,585				4,650,644
Total assets				25,269,999				24,420,761

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

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

19.1 Financial risk factors

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

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

19.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
		Rupees		
Liabilities				
- Derivative financial instruments	-	882	-	882

There were no transfers amongst the levels during the year.

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

(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Period ended March 31, 2017	Unaudited Period ended March 31, 2016
		Rupees	
Holding			
	Mark up on subordinated loan	71,162	68,724
	Reimbursement made	3,924	26,111
	Reimbursements received	16,408	-
	Life insurance contribution	158	172
	Medical contribution	47	52
	Pension fund contribution	750	697
	Provident fund contribution	2,593	2,650
	Gratuity fund contribution	1,706	1,785
	Purchased services	18,220	-
Associated companies	Purchase of goods	658,926	350,063
	Sale of goods	115,120	91,262
Related parties by virtue of common directorship	Purchase of services	285,777	188,384
	Sale of goods	7,905	18,458
	Sale of steam and electricity	21,108	17,402
	Purchase of goods	957	2,181
	Use of operating assets	5,263	174
	Annual Subscription	91	50
	Reimbursement made	9,801	14,521
	Reimbursement received	-	11,969
Other related party	Purchase of services	134	-
	Annual Subscription	-	30
Directors	Fee	350	500
Key management personnel	Managerial remuneration	21,111	17,467
	Retirement benefits	3,272	2,887
	Bonus	6,709	5,103
	Other benefits	5,224	4,022
Contribution to staff retirement benefits	Provident fund	11,554	10,941
	Gratuity fund	9,624	9,168

21. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim Ïnancial information was authorized for issue on April 18, 2017 by the Board of Directors of the Company.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

engro polymer & chemicals

UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2017

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2017

	Note	Unaudited March 31, 2017	Audited December 31, 2016
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	15,893,617	16,008,366
Intangible assets		93,515	90,855
Long term investment - at cost		50,000	50,000
Long term loans and advances		78,470	69,971
Deferred taxation	6	354,768	549,328
		16,470,370	16,768,520
Current Assets			
Stores, spares and loose tools		1,608,949	1,545,381
Stock-in-trade		4,244,954	3,024,268
Trade debts - considered good	7	366,360	456,396
Loans, advances, deposits, prepayments and other receivables	8	381,859	431,435
Taxes recoverable	9	980,147	1,122,953
Short term investments		250,000	740,000
Cash and bank balances		921,026	371,616
		8,753,295	7,692,049
TOTAL ASSETS		25,223,665	24,460,569
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(617)	(1,475)
Accumulated loss		(784,195)	(1,628,905)
		6,813,905	5,968,337
Non-Current Liabilities			
Long term borrowings	10	8,750,000	8,750,000
Current Liabilities			
Current portion of long term borrowings	10	418,887	416,903
Derivative financial instruments - at fair value through profit or loss	11	882	2,107
Service benefit obligations		17,639	45,622
Short term borrowings	12	-	414,638
Trade and other payables	13	6,742,088	6,722,102
Accrued interest / mark-up		105,488	11,096
Provisions	14	2,374,776	2,129,764
		9,659,760	9,742,232
TOTAL EQUITY AND LIABILITIES		25,223,665	24,460,569
Contingencies and Commitments	15		

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
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, 2017

	Quarter ended	
	March 31, 2017	March 31, 2016
	Rupees	
Net revenue	6,812,363	5,739,351
Cost of sales	(4,876,706)	(5,003,341)
Gross profit	1,935,657	736,010
Distribution and marketing expenses	(316,782)	(313,070)
Administrative expenses	(127,314)	(114,710)
Other operating expenses	(77,654)	(47,503)
Other income	24,338	3,699
Operating profit	1,438,245	264,426
Finance costs	(234,203)	(242,309)
Profit before taxation	1,204,042	22,117
Taxation	(359,332)	(5,498)
Profit for the period	844,710	16,619
Earnings per share - basic and diluted	1.27	0.03

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

	Quarter ended	
	March 31, 2017	March 31, 2016
	Rupees	
Profit for the period	844,710	16,619
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve		
Loss arising during the period	(1,203)	(5,998)
Reclassification adjustments for losses included in profit and loss	2,428	4,863
Income tax relating to hedging reserve	(368)	352
Other comprehensive gain / (loss) for the period - net of tax	858	(784)
Total comprehensive income for the period	845,568	15,835

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
			Rupees		
Balance as at January 1, 2016 (Audited)	6,634,688	964,029	(11,993)	(2,283,693)	5,303,031
Total comprehensive income for the three months ended March 31, 2016	-	-	(784)	16,619	15,835
Balance as at March 31, 2016 (Unaudited)	6,634,688	964,029	(12,777)	(2,267,074)	5,318,866
Total comprehensive income for the nine months ended December 31, 2016	-	-	11,302	638,169	649,471
Balance as at December 31, 2016 (Audited)	6,634,688	964,029	(1,475)	(1,628,905)	5,968,337
Total comprehensive income for the three months ended March 31, 2017	-	-	858	844,710	845,568
Balance as at March 31, 2017 (Unaudited)	6,634,688	964,029	(617)	(784,195)	6,813,905

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

	Note	Quarter ended March 31, 2017	Quarter ended March 31, 2016
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	740,620	894,454
Finance costs paid		(139,811)	(129,123)
Long term loans and advances		(8,499)	(11,309)
Income tax paid		(22,333)	(20,633)
Net cash generated from operating activities		569,977	733,389
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(116,006)	(196,243)
Proceeds from disposal of property, plant and equipment		90	2,000
Income on short term investments and bank deposits		19,987	209
Net cash utilized in investing activities		(95,929)	(194,034)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings		-	209,500
Repayment of short term borrowings		(385,000)	(750,000)
Net cash generated from financing activities		(385,000)	(540,500)
Net increase / (decrease) in cash and cash equivalents		89,048	(1,145)
Cash and cash equivalents at beginning of the period		1,081,978	(1,152,307)
Cash and cash equivalents at end of the period	17	1,171,026	(1,153,452)

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

1. LEGAL STATUS AND OPERATIONS

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

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

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the three months period ended March 31, 2017 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance takes precedence.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2016.

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, 2016.

(Amounts in thousand)

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,213,185	15,245,662
Capital work-in-progress	597,034	679,306
Capital spares	83,398	83,398
	15,893,617	16,008,366
5.1 Additions to operating assets during the period / year were as follows:		
Plant and machinery	186,067	558,399
Furniture, fixtures and equipment	6,488	37,050
	192,556	595,449

5.2 During the period, asset costing Nil (December 31, 2016: Rs. 21,984), having net book value of Nil (December 31, 2016: Rs. 6,254) was disposed off for Nil (December 31, 2016: Rs. 6,312) and assets costing 173 (December 31, 2016: Rs. 1,194) having net book value of Rs. 27 (December 31, 2016: Rs. 381) were written off.

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
6. DEFERRED TAXATION	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(3,163,442)	(3,178,960)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 6.1	2,330,636	2,778,309
- recoupable minimum turnover tax	168,659	168,659
- recoupable alternative corporate tax	163,996	-
- unpaid liabilities	91,260	87,783
- provision against GIDC, custom duty and SED refundable	689,131	618,568
- provision for net realizable value of stocks	7,134	7,208
- provision for slow moving stores and spares	17,662	17,662
- fair value of hedging instruments	264	632
- share issuance cost, net to equity	49,467	49,467
	3,518,210	3,728,288
	354,768	549,328

(Amounts in thousand)

6.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at March 31, 2017 amount to Rs. 7,768,787 (December 31, 2016: Rs. 9,261,030).

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
	Rupees	
7. TRADE DEBTS - considered good		
Secured	237,360	291,581
Unsecured - note 7.1	129,000	164,815
	366,360	456,396

7.1 Includes amounts due from the following related parties:

- Engro Fertilizer Limited	44,832	23,721
- Engro Foods Limited	723	425
	45,554	24,146

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

These include receivables from the following related parties:

Engro Fertilizers Limited	1,137	-
Engro Vopak Terminal Limited	8	8
Engro Corporation Limited	7,762	290
Engro Foods Limited	5	39
Sindh Engro Coal Mining Company	126	220
Engro Foundation	-	7
Engro Powergen Limited	7,158	4,124
Engro Powergen Qadirpur Limited	9	9
	16,205	4,697

9. TAXES RECOVERABLE

9.1 Tax Year 2008

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

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

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

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

9.2 Tax Year 2009

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

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

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

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

(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

10.1

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited March 31, 2017 (Rupees)	Audited December 31, 2016 (Rupees)
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	-	-
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	-	-
Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May, 2013	-	-
Syndicated term finance V	6 months KIBOR+1.5%	8 half yearly	June, 2015	-	-
Bilateral loan I	6 months KIBOR +2%	6 half yearly	June, 2016	-	-
Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	April 2016	-	-
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	418,887	416,903
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	-	-
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	-	-
Bilateral loan IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral VI	6 months KIBOR + 0.8%	10 half yearly	June 1, 2019	750,000	750,000
Bilateral VII	6 months KIBOR + 0.8%	10 half yearly	July 28, 2019	1,250,000	1,250,000
Bilateral VIII	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	750,000	750,000
Subordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5% Repayable in full five years			3,000,000	3,000,000
				9,168,887	9,166,903
Less: Current portion shown under current liabilities				(418,887)	(416,903)
				8,750,000	8,750,000

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at March 31, 2017, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 2,666 (December 31, 2016: US $ 2,666) 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.

12. SHORT TERM BORROWINGS

	(Unaudited) March 31, 2017 (Rupees)	(Audited) December 31, 2016 (Rupees)
Sub-ordinate loan from Engro Polymer Trading (Private) Limited - note 12.1	-	85,000
Running finance utilized under mark-up arrangements - note 12.2	-	29,638
Export refinance facility - note 12.3	-	300,000
	-	414,638

(Amounts in thousand)

12.1 This represented loan from Engro Polymer Trading (Private) Limited, the wholly owned subsidiary. The loan was subordinated to other financial arrangements (other than creditors) and carried markup at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.

12.2 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 2,950,000 (December 31, 2016: Rs.3,300,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to 1% (December 31, 2016: relevant period KIBOR plus 0.9% to 1.25%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 7.3% to 7.5% (December 31, 2016: 7.02% to 7.52%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

12.3 This represented export refinancing facility carrying markup at the rate of Nil (December 31, 2016: 3%) on rollover basis for six months. The facility was secured by floating charge over stocks and book debts of the Company.

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
	Rupees	
13. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 13.1	5,192,420	4,964,249
Accrued liabilities	1,215,229	1,282,790
Advances from customers	117,835	291,490
Retention money against project payments	10,895	10,895
Security deposits	28,955	28,955
Workers Welfare Fund	44,172	49,764
Workers Profit Participation Fund	63,371	62,424
Withholding tax payable	30,127	-
Others - note 13.1	39,084	31,535
	6,742,088	6,722,102

13.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	2,309,604	2,682,171
- Engro Corporation Limited	18,219	-
- Engro Fertilizers Limited	9,932	108
	2,337,755	2,682,279

14. PROVISIONS

Provision for Gas Infrastructure Development Cess - note 14.1	2,374,776	2,129,764

14.1 Provision for Gas Infrastructure Development Cess (GIDC)

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

On May 22, 2015 the Gas Infrastructure Deveopment 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.

(Amounts in thousand)

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

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and/or recovering the cess under GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 1,782,651 pertaining to the period subsequent to promulgation of GIDC Act, 2015.

15. CONTINGENCIES AND COMMITMENTS

15.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2017 amounts to Rs. 1,297,000 (December 31, 2016: Rs. 1,156,750). The amount utilized there against is Rs. 1,140,950 (December 31, 2016: Rs. 1,140,950).

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

	(Unaudited) March 31, 2017		(Audited) December 31, 2016
		Rupees	
Not later than 1 year	15,484		14,400
Later than 1 year and no later than 5 years	30,000		22,800
	45,484		37,200

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

		(Amounts in thousand)	
		Unaudited	
		Quarter ended	
	March 31, 2017	**Rupees**	**March 31, 2016**
16. CASH GENERATED FROM OPERATIONS			
Profit before taxation	1,204,042		22,117
Adjustments for non cash charges and other items:			
Provision for staff retirement and other service benefits	(27,983)		(27,552)
Provision for GIDC	245,012		257,864
Provision for net realizable value of stock-in-trade	(258)		(24,665)
Depreciation and amortization	228,068		326,514
Income on short term investments and bank deposits	(19,987)		(212)
Loss on revaluation of IFC loan	2,400		166
Net amortization of prepaid financial charges	(416)		6,767
Unrealized foreign exchange loss on derivatives held at fair value through profit and loss	-		(18,126)
Finance costs	234,203		237,628
Gain on disposal and Write-off of damaged operating assets	(63)		375
Working capital changes - note 16.1	(1,124,398)		113,578
	740,620		894,454
16.1 WORKING CAPITAL CHANGES			
Increase in current assets			
Stores, spares and loose tools	(63,568)		15,693
Stock-in-trade	(1,220,428)		(564,384)
Trade debts - considered good	90,036		138,563
Loans,advances,deposits,prepayments and other receivables	49,576		(63,010)
	(1,144,384)		(473,138)
Increase in current liabilities			
Trade and other payables	19,986		586,716
	(1,124,398)		113,578
17. CASH AND CASH EQUIVALENTS			
Cash and bank balances	921,026		78,886
Short term investments	250,000		-
Short term borrowings	-		(1,232,338)
	1,171,026		(1,153,452)

(Amounts in thousand)

18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2016.

	Unaudited March 31, 2017				Unaudited March 31, 2016			
	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	5,597,991	1,201,167	13,205	6,812,363	4,578,544	1,148,215	12,592	5,739,351
Cost of sales	(4,062,373)	(804,322)	(10,011)	(4,876,706)	(4,025,465)	(963,182)	(14,694)	(5,003,341)
Distribution and marketing expenses	(232,286)	(84,496)	-	(316,782)	(258,752)	(54,318)	-	(313,070)
Administrative expenses	(104,619)	(22,448)	(247)	(127,314)	(91,509)	(22,949)	(252)	(114,710)
Other operating expenses	(62,737)	(14,780)	(136)	(77,654)	(41,128)	(6,502)	126	(47,503)
Other operating income	20,000	4,291	47	24,338	2,951	740	8	3,699
Finance costs	(195,180)	(38,311)	(711)	(234,203)	(200,552)	(40,955)	(801)	(242,309)
Taxation	(293,783)	(64,908)	(641)	(359,332)	8,927	(15,176)	751	(5,498)
Profit after taxation	667,013	176,191	1,506	844,710	(26,985)	45,873	(2,270)	16,619

	Unaudited March 31, 2017				Audited December 31, 2016			
	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	14,910,258	5,452,947	52,208	20,415,414	14,883,358	4,854,186	32,573	19,770,117
Unallocated assets				4,808,251				4,690,452
Total assets				25,223,665				24,460,569

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

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

19.1 Financial risk factors

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

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

19.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Liabilities				
- Derivative financial instruments	-	882	-	882

There were no transfers amongst the levels during the year.

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

(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Period ended March 31, 2017	Unaudited Period ended March 31, 2016
		Rupees	
Holding			
	Mark up on subordinated loan	71,162	68,724
	Reimbursement made	3,924	26,111
	Reimbursements received	16,408	-
	Life insurance contribution	158	172
	Medical contribution	47	52
	Pension fund contribution	750	697
	Provident fund contribution	2,593	2,650
	Gratuity fund contribution	1,706	1,785
	Purchased services	18,220	-
Subsidiary Company	Loan (repaid) / received	(85,000)	9,500
	Interest on loan paid	1,232	1,075
Associated companies	Purchase of goods	658,926	350,063
	Sale of goods	115,120	91,262
Related parties by virtue of common directorship	Purchase of services	285,777	188,384
	Sale of goods	7,905	18,458
	Sale of steam and electricity	21,108	17,402
	Purchase of goods	957	2,181
	Use of operating assets	5,263	174
	Annual Subscription	91	50
	Reimbursement made	9,801	14,521
	Reimbursement received	-	11,969
Other related party	Purchase of services	134	-
	Annual Subscription	-	30
Directors	Fee	350	500
Key management personnel	Managerial remuneration	21,111	17,467
	Retirement benefits	3,272	2,887
	Bonus	6,709	5,103
	Other benefits	5,224	4,022
Contribution to staff retirement benefits	Provident fund	11,554	10,941
	Gratuity fund	9,624	9,168

21. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 18, 2017 by the Board of Directors of the Company.

Imran Anwer
President & Chief Executive

Mazhar Abbas Hasnani
Director

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ

ڈائریکٹرز ریویو برائے شیئر ہولڈرز

غیر آڈٹ شدہ عبوری مالیاتی بیانیہ

31 مارچ 2017ء کو ختم ہونے والی سہ ماہی کیلئے

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم مسرت کے ساتھ 31 مارچ کو ختم ہونے والی سہ ماہی کیلئے کمپنی کی غیر آڈٹ شدہ تفصیلات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کاروباری جائزہ:

سال 2017ء کی پہلی سہ ماہی کے دوران، انٹرنیشنل پی وی سی کی قیمتیں ابتدا میں مثبت حد پر برقرار رہیں، تاہم متوقع طلب اور تجارتی پروڈکٹ کی فراخی سے دستیابی پر عرصے کے اختتام پر زم تر نوٹ پر بند ہوا۔ دوسری جانب، ایتھلین کی قیمتیں کریکر کی ٹرن اراؤنڈ توقعات، فراہمی کے غیر متوقع نقصانات اور مارجن کی زوال پزیر حرکت سے پوری سہ ماہی میں طیران پزیر رہیں۔

ملکی مارکیٹ کے محاذ پر، مثبت معاشی میلان اور مستحکم ہوتی سرگرمیوں کے باعث پی وی سی کی طلب میں اضافہ ہوا۔ پی وی سی کی مسلسل مضبوطی نے اس کے رجحان میں اضافہ کیا اور کمپنی ملکی مارکیٹ میں مقامی فراہمی کو ممکن بنانے کیلئے debottlenecking پلانٹ کے ذریعے سرمایہ کاری کر رہی ہے۔ Chlor Alkali کی مارکیٹ پوری سہ ماہی کے دوران مستحکم رہی۔

پیداواری طور پر، کمپنی نے اعلیٰ کارکردگی کو برقرار رکھا اور اب تک سب سے بلند ترین سہ ماہی پی وی سی پیداوار حاصل کی۔ عمل میں بہتری کے تسلسل اور مستعد منصوبہ بندی نے پلانٹ کی فعالیت کو بڑھایا۔ Chlor Alkal کی مارکیٹ پوری سہ ماہی کے دوران مستحکم رہی۔

2017ء کی پہلی سہ ماہی کے دوران کمپنی نے گزشتہ سال کے اسی عرصے کے 5,739 ملین روپوں کے مقابلے میں 6,812 ملین روپے ریونیو ریکارڈ کیا اور بعد از ٹیکس منافع 846 ملین روپے بحساب -/1.27 روپے فی شیئر حاصل کیا جو کہ پچھلے سال کے اسی عرصے کے میں 18 ملین روپے بحساب فی شیئر 0.03 روپے تھا۔ پی وی سی کی مضبوط کارکردگی اور مینوفیکچرنگ کی فعالیت کا کمپنی کی منفعت میں اہم کردار ہے۔

کمپنی صحت، حفاظت اور ماحول (ہیلتھ سیفٹی اور انوائرنمنٹ) کے فلسفے پر پختہ یقین اور عزم رکھتی ہے۔ حفاظتی علامات کی مستقل نگرانی اس عمل کو بہتر بنانے میں معاون ہے اور اس کے اطلاق اور ممکنہ حادثات کی روک تھام کو یقینی بنانے کی باعث ہے۔

مستقبل کی توقعات:

پی وی سی اور ایتھلین کی انٹرنیشنل قیمتیں بدستور گلوبل اکنامک سنٹمنٹ، انرجی کی قیمتوں، کرنسی کے اُتار چڑھاؤ اور فراہمی اور طلب کی حرکات پر منحصر رہیں گی۔ پی وی سی کیلئے ملکی مارکیٹ مستحکم رہنے کی توقع ہے۔ کمپنی اپنی توجہ اصلاح اور آپریشنل کامیابی کے حصول پر مرکوز رکھے گی۔

مظہر عباس حسنینی

ڈائریکٹر

عمران انور

صدر اور چیف ایگزیکٹیو

اپریل 18، 2017

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