engro polymer & chemicals

Financial Information for the Half Year ended June 30, 2013

CONTENTS

COMPANY INFORMATION

Chairman	Muhammad Aliuddin Ansari
President and Chief Executive	Khalid Siraj Subhani
Directors	Isar Ahmed Kimihide Ando Shahzada Dawood Shabbir Hashmi Waqar Malik Takashi Yoshida Naz Khan
Company Secretary	Kaleem Ahmad
Chief Financial Officer	Haseeb Hafeezudden
Board Audit Committee	Isar Ahmad Kimihide Ando Shabbir Hashmi Naz Khan
Bankers / Lenders	Allied Bank Ltd. Askari Bank Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. Barclays Bank PLC., Pakistan Citibank N.A. Deutsche Bank AG Faysal Bank Ltd. Habib Bank Ltd. HSBC Bank Middle East Limited-Pakistan International Finance Corporation MCB Bank Ltd. Meezan Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. Summit Bank Ltd. 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. Tel: 34380101-2 Fax: 34380106
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engro polymer & chemicals
and its subsidiary company

DIRECTORS' REVIEW &
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED JUNE 30, 2013

ENGRO POLYMER AND CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED JUNE 30, 2013

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 half year ended June 30, 2013.

Business Review

The Company achieved revenue of Rs.12,031 million giving a growth of 27% over 1H 2012. The profit after tax for the period was Rs. 425 million as compared to Rs.59 million in the same period last year. Higher profit was attributable mainly to higher sales volumes, improved margins and lower financial cost. The Company posted an EBITDA of Rs. 1.8 billion for 1H 2013, a growth of 50% over EBITDA for the same period last year (excluding insurance claim received in 1H 2012).

Vinyl Chloride Monomer (VCM) plant operations reached new levels and produced 84 K tons in 1H 2013 which is the highest ever VCM production during any six months. An increase of 25% over the production of 1H 2012 which was 67 K tons. Most of the VCM was consumed in producing PVC while the surplus production of 10 K tons was exported. Total VCM exports during the same period last year amounted to 3 K tons.

Poly Vinyl Chloride (PVC) resin production during 1H 2013 was 70 K tons which was the same as last year. PVC domestic sales volume showed a healthy growth of 12% over 1H 2012. A total of 69 KT of PVC was sold in the domestic market during the first six months as compared to 62 K Tons in the same period last year. Market Development efforts put in by the Company in terms of new product development, import substitution and creating awareness among the end users about PVC applications to enhance the domestic demand of PVC have started to bear fruits. Company also exported 4.3 K Tons of PVC during the period as compared to 4 K Tons last year.

The Company achieved the highest ever Caustic Soda production during 1H 2013 achieving 55 K tons as against 53 K tons during same period last year. Around 6 K tons were consumed in house while 48 K tons were sold in the domestic market. A significant margin improvement of 23%, over last year, was achieved mainly by improving the regional sales mix and through increased efficiencies in product transportation, storage and handling. The Company continued to maintain its leadership position in the South region.

The Company strengthened its position in the Sodium Hypochlorite market showing a volumetric growth of 5% over 1H 2012. The Company maintains its market leadership position in the South region.

The Company continued to focus its effort towards increasing its revenue base and added Hydrochloric Acid, this year, to its product line. The product made its inroads into the market very smoothly and within a period of three months of its launch market share of around 70% was captured in the South market.

The Company continued to maintain its focus on safe operations and completed 12 million man-hours without any Lost Workday Injury. In addition to this the Fleet Accident Frequency Rate (FAFR) for Sales and Logistics fleet, during the first six months, was 0.46 as against 1.79 during 1H 2012 showing an improvement of 74%. This year, on the Occupational Health & Industrial Hygiene (OHIH) front, the Company has taken an initiative to align its management system with DuPont OHIH Management System. The work is underway and the alignment is expected to be complete in 2014, followed by third party audit from DuPont Safety Systems.

Future Outlook

Domestic demand of PVC and Caustic soda is expected to remain strong during 2013, however the profitability of the Company will substantially depend upon the dynamics of the international margins in the Vinyl chain.

The Company has initiated work on de-bottlenecking of PVC production capacity. The first step of PVC-1 plant debottlenecking is currently under implementation which will add about 6 K Tons per year incremental PVC capacity. In the 2nd step PVC-II plant will be debottlenecked which will add another 15 K Tons per annum capacity. The engineering work for step-2 has been completed and equipment ordering will start soon for project completion in 3Q 2014. This capacity enhancement will allow the Company to convert its surplus VCM into PVC which will result in better margins for the Company.

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

Karachi
August 5, 2013

A.F.FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying consolidated condensed interim balance sheet of Engro Polymer and Chemicals Limited and its subsidiary company, Engro Polymer Trading (Private) Limited as at June 30, 2013 and the related 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, together with the notes forming part thereof (here-in-after referred to as the "consolidated condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review. The figures of the consolidated condensed interim profit and loss account and consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2013.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information as of and for the half year ended June 30, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi
Date: August 21, 2013

Engagement Partner: Waqas A. Sheikh

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(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2013

	Note	Unaudited June 30, 2013	Audited (Restated) December 31, 2012
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	17,311,452	17,633,526
Intangible assets	6	29,783	30,864
Long term loans and advances		61,441	49,340
Deferred taxation	7	857,788	885,117
		18,260,464	18,598,847
Current Assets			
Stores, spares and loose tools		1,460,406	1,478,662
Stock-in-trade	8	2,981,580	3,052,436
Trade debts - considered good	9	205,390	266,465
Loans, advances, deposits, prepayments and other receivables	10	355,560	404,115
Taxes recoverable	11	1,010,951	1,026,562
Short term Investments		70,426	169,545
Cash and bank balances	12	278,026	94,732
Derivative financial instruments	15	3,885	-
		6,366,224	6,492,517
TOTAL ASSETS		24,626,688	25,091,364
EQUITY AND LIABILITIES			
Equity			
Share capital	13	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(72,934)	(92,077)
Accumulated loss		(754,958)	(1,178,636)
Remeasurement of post employment benefits - Actuarial loss		(5,113)	(5,113)
		6,765,712	6,322,891
Non-Current Liabilities			
Long term borrowings	14	6,647,922	7,531,866
Derivative financial instruments	15	110,506	141,656
Retirement and other service benefit obligations		64,660	59,647
		6,823,088	7,733,169
Current Liabilities			
Current portion of long term borrowings	14	2,080,578	2,052,981
Short term borrowings	16	1,355,493	2,004,084
Trade and other payables	17	7,343,784	6,768,466
Accrued interest / mark-up		101,360	121,555
Provisions	18	156,673	88,218
		11,037,888	11,035,304
TOTAL EQUITY AND LIABILITIES		24,626,688	25,091,364
Commitments	19		

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
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 HALF YEAR ENDED JUNE 30, 2013

	Note	Quarter ended		Half year ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		Rupees			
Net revenue	20	6,143,918	4,457,691	12,031,424	9,476,400
Cost of sales	21	(5,095,086)	(3,786,715)	(9,761,400)	(7,738,381)
Gross profit		1,048,832	670,976	2,270,024	1,738,019
Distribution and marketing expenses	22	(283,223)	(250,697)	(624,399)	(543,985)
Administrative expenses	23	(151,856)	(157,019)	(271,426)	(254,136)
Other expenses	24	(92,827)	(273,623)	(206,786)	(364,999)
Other income	25	15,447	8,758	39,651	415,065
Operating profit / (loss)		536,373	(1,605)	1,207,064	989,964
Finance costs	26	(327,132)	(552,510)	(643,834)	(913,166)
Profit / (Loss) before taxation		209,241	(554,115)	563,230	76,798
Taxation		(46,789)	198,940	(137,904)	(17,714)
Profit / (Loss) for the period		162,452	(355,175)	425,326	59,084
Earnings / (Loss) per share - basic and diluted		0.24	(0.54)	0.64	0.09

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	Quarter ended		Half year ended	
	June 30, 2013	(Restated) June 30, 2012	June 30, 2013	(Restated) June 30, 2012
	Rupees			
Profit / (Loss) for the period	162,452	(355,175)	425,326	59,084
Other comprehensive income / (loss) :				
Items that will not be reclassified to profit or loss				
Remeasurement of of post employment benefits obligation - Actuarial gain, net of tax	-	8,150	-	8,150
Deferred tax charge relating to revaluation of equity related items	(1,648)	-	(1,648)	-
	(1,648)	8,150	(1,648)	8,150
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (loss) arising during the period	18,652	(25,408)	7,639	(28,534)
Reclassification adjustments for losses included in profit and loss	12,094	31,046	23,511	31,631
Income tax relating to hedging reserve	(11,866)	(1,973)	(12,007)	(1,084)
Other comprehensive gain for the period - net of tax	17,232	11,815	17,495	10,163
Total comprehensive income / (loss) for the period	179,684	(343,360)	442,821	69,247

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

		RESERVES				
	CAPITAL		REVENUE			
	Share capital	Share premium	Hedging reserve	Accumulated loss	Remeasurement of post employment benefits - Actuarial (loss)	Total
	Rupees					
Balance as at January 1, 2012 (Audited)	6,634,688	964,029	(102,221)	(1,255,645)	-	6,240,851
Effect of change in accounting policy due to application of IAS - 19 (Revised) note 3.1, net of tax	-	-	-	-	(21,414)	(21,414)
Balance as at January 1, 2012 (Restated)	6,634,688	964,029	(102,221)	(1,255,645)	(21,414)	6,219,437
Total comprehensive income for the half year ended June 30, 2012 (Restated)	-	-	2,013	59,084	8,150	69,247
Balance as at June 30, 2012 (Restated)	6,634,688	964,029	(100,208)	(1,196,561)	(13,264)	6,288,684
Total comprehensive income for the half year ended December 31, 2012 (Restated)	-	-	8,131	17,925	8,151	34,207
Balance as at December 31, 2012 (Restated)	6,634,688	964,029	(92,077)	(1,178,636)	(5,113)	6,322,891
Total comprehensive income for the half year ended June 30, 2013	-	-	19,143	423,678	-	442,821
Balance as at June 30, 2013 (Unaudited)	6,634,688	964,029	(72,934)	(754,958)	(5,113)	6,765,712

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	Note	Half year ended June 30, 2013	Half year ended June 30, 2012
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	2,730,551	1,232,751
Finance costs paid		(664,029)	(713,289)
Long term loans and advances		(12,101)	(20,933)
Income tax paid		(108,619)	(187,481)
Net cash generated from operating activities		1,945,802	311,048
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(273,583)	(240,668)
Purchases of intangible assets		(3,934)	(10,364)
Proceeds from disposal of property, plant and equipment		4,213	13,191
Proceeds from sale of short term investments		200,000	143,119
Purchases of short term investments		(95,000)	(139,000)
Income on bank deposits		11,160	3,854
Net cash utilized in investing activities		(157,144)	(229,868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(956,773)	(1,702,100)
Proceeds from short term borrowings		420,000	950,000
Net cash utilized in financing activities		(536,773)	(752,100)
Net increase / (decrease) in cash and cash equivalents		1,251,885	(670,920)
Cash and cash equivalents at beginning of the period		(1,109,352)	(607,905)
Cash and cash equivalents at end of the period	28	142,533	(1,278,825)

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

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

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

2. BASIS OF PREPARATION

This consolidated condensed interim financial information of the Company for the half year ended June 30, 2013 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 consolidated 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, 2012.

3. ACCOUNTING POLICIES

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, 2012 except as noted below:

3.1 Initial application of a standard, amendment or interpretation to an existing standard

Change in accounting policy due to the application of International Accounting Standard 19 - 'Employee Benefits' (as revised by IASB in 2011 and applicable for annual period beginning on or after January 1, 2013).

The Company has applied IAS 19 - Employee Benefits which is applicable for annual periods beginning on or after January 1, 2013. In accordance with the transitional provisions as set out in IAS 19, the Company has applied IAS 19 retrospectively and consequently the earliest periods presented in the consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim balance sheet have been restated. The impact of such application on the consolidated condensed interim profit and loss account and consolidated condensed interim statement of cash flows is not material.

(Amounts in thousand)

The revised standard requires (i) past service cost to be recognized immediately in profit and loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; and (iii) introduced a new term ‘remeasurements’ which is made up of actuarial gains and losses, the difference between actual investment return and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gains or losses / actuarial gain or losses in the Other Comprehensive Income immediately as they occur.

The impact of retrospective application of IAS 19 (revised) is as follows:

	Retirement and other service benefit obligations	**Other Comprehensive Income - Remeasurement of post employment benefits - Actuarial loss**
Balance as previously reported as at January 1, 2012	62,107	-
Restatement - recognition of remeasurement loss in OCI	21,414	(21,414)
Balance as at January 1, 2012 (Restated)	83,521	(21,414)
Balance as previously reported as at January 1, 2013	54,534	-
Restatement - recognition of remeasurement loss in OCI	5,113	(5,113)
Balance as at December 31, 2012 (Restated)	59,647	(5,113)

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, 2012.

(Amounts in thousand)

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value		
- notes 5.1 and 5.2	17,112,883	17,476,546
Capital work-in-progress	198,569	156,980
	17,311,452	17,633,526

5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	7,466	48,854
Plant and machinery	213,823	259,888
Furniture, fixtures and equipment	5,793	7,082
Vehicles	4,912	43,335
	231,994	359,159

5.2 During the period, assets costing Rs. 9,492 (December 31, 2012: Rs. 31,050), having net book value of Rs. 2,786 (December 31, 2012: Rs. 16,093) were disposed off for Rs. 4,182 (December 31, 2012: Rs. 18,520) and assets costing Rs. 37,316 (December 31, 2012: Rs. 11,385) having net book value of Rs. 6,350 (December 31, 2012: Rs. 7,109) were written-off. Insurance claim received against written-off assets was Rs. 31 (December 31, 2012: Rs. 58).

6. INTANGIBLE ASSETS

Additions made during the period amount to Rs. 3,934 (December 31, 2012: Rs. 10,227)

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
7. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(3,993,637)	(4,149,265)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	4,100,414	4,412,854
- recoupable minimum turnover tax - note 7.2	531,830	420,691
- unpaid liabilities and provision for retirement and other service benefits	59,860	50,770
- provision against custom duty and SED refundable	53,269	37,191
- provision for slow moving stores and spares	6,282	5,588
- fair value of hedging instruments and others	43,709	49,579
- share issuance cost, net to equity	56,061	57,709
	4,851,425	5,034,382
	857,788	885,117

(Amounts in thousand)

7.1 The aggregate tax losses available for carry-forward as at June 30, 2013 amount to Rs.12,060,040 (December 31, 2012: Rs.12,608,153), on which deferred income tax asset has been recognized. The aforementioned tax losses are entirely attributable to unabsorbed tax depreciation.

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

7.3 As at June 30, 2013, deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at the rate of 34% being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

8. STOCK-IN-TRADE

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
Raw and packing materials - note 8.1	2,466,440	2,218,014
Work-in-progress	19,972	-
Finished goods - note 8.2	495,168	834,422
	2,981,580	3,052,436

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

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
Engro Vopak Terminal Limited, a related party	1,352,886	918,703
Dawood Hercules Chemicals Limited, a related party	6,841	2,773
Al-Rahim Trading Company (Private) Limited	115,363	520,158
	1,475,090	1,441,634

8.2 This includes carrying value of PVC resin, net of realizable value reduction of Rs.18,682 (December 31, 2012: Rs. 20,822).

(Amounts in thousand)

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
9. TRADE DEBTS - considered good		
Secured	142,102	214,570
Unsecured - note 9.1	63,288	51,895
	205,390	266,465

9.1 Includes amounts due from the following related parties:

- Engro Foods Limited	2,352	2,788

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

These include receivables from the following related parties:

Engro Vopak Terminal Limited	862	1,436
Engro Fertilizers Limited	4,399	3,658
Engro Foundation	6	-
Engro Powergen Qadirpur limited	5	-
	5,272	5,094

11. TAXES RECOVERABLE

11.1 Tax Year 2008

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

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying balance of Rs. 32,404 'under protest'.

During 2011, through appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

On May 24, 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, based on the advice of its tax consultant, is in the process of filing a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the consolidated condensed interim financial information.

11.2 Tax Year 2009

The DCIR through order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowing finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowing provision for the retirement benefits of Rs. 14,239; disallowing provision against receivable of Special Excise Duty (SED) of Rs. 36,689; adding imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss as per the revised return as a consequence of the matter explained in note 11.3.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by the Company before the CIR(A).

In 2011, through an appellate order, the CIR(A) maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed by the Company before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A) deleting the addition on account of provision for retirement benefits.

On May 24, 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, based on the advice of its tax consultant, is in the process of filing a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the consolidated condensed interim financial information.

11.3 Assessment Year 2000-2001

While finalizing the assessment, the Taxation Officer had disallowed the First Year Allowance (FYA) claimed by the Company on the grounds that the Company had not met the criteria for claiming this allowance as required under the repealed Income Tax Ordinance, 1979. The Company had filed an appeal against the said disallowance before the CIR(A) which was decided in favor of the Company. The department, thereafter, filed second appeal before the ATIR. Although in case of assessment year 2001-2002, a similar issue was decided by the ATIR in the Company's favor, the ATIR, for assessment year 2000-2001 departing from the previous view, has decided the matter against the Company and maintained the disallowance of FYA amounting to Rs. 1,884,359.

This disallowance had resulted in tax deductible timing differences, the effects of which had been duly recognized by revising the income tax returns for the tax years 2003 to 2007 and 2009. Due to the aforesaid revision, a tax liability of Rs. 86,767 arose in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years.

(Amounts in thousand)

		Unaudited June 30, 2013	Audited December 31, 2012
		Rupees	
12.	**CASH AND BANK BALANCES**		
	Cash in hand	540	755
	Cash at bank on:		
	- current accounts	166,576	75,363
	- saving accounts	110,910	18,614
		277,486	93,977
		278,026	94,732

13. SHARE CAPITAL

	Unaudited June 30, 2013	Audited December 31, 2012
Authorized capital		
800,000,000 (2012: 800,000,000) ordinary shares of Rs. 10 each	8,000,000	8,000,000
Issued, subscribed and paid-up capital		
663,468,788 (2012: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash - note 13.1	6,634,688	6,634,688

13.1 As at June 30, 2013, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2012: 372,809,989 ordinary shares of Rs. 10 each).

14. LONG TERM BORROWINGS, secured

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited June 30, 2013	Audited December 31, 2012
				Rupees	
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	3,883,805	4,254,218
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	963,518	1,068,045
Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May 2013	410,472	490,764
Master Istisna I	6 months KIBOR + 1.5%	6 half yearly	May 2013	-	100,000
Master Istisna III	6 months KIBOR + 2%	6 half yearly	June 2015	200,000	200,000
Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	April 2016	100,000	-
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	3,170,705	3,471,820
				8,728,500	9,584,847
Less: Current portion shown under current liabilities				(2,080,578)	(2,052,981)
				6,647,922	7,531,866

(Amounts in thousand)

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at June 30, 2013, all debt covenants have been complied with except for current ratio and debt service coverage ratio. Waiver for current ratio deviation has been obtained from IFC, whereas, waiver has been applied with local syndicate for current ratio and debt service coverage ratio.

15. DERIVATIVE FINANCIAL INSTRUMENTS

15.1 As at June 30, 2013, the Company has outstanding cross-currency interest rate swap agreements with banks for notional amounts aggregating US$ 5,969 to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR plus margin where applicable on the relevant PKR notional amount and will pay six month USD-LIBOR plus margin on the relevant USD notional amount, which will be settled semi-annually.

15.2 As at June 30, 2013, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 21,334 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 fixed rates, which will be settled semi-annually.

15.3 As at June 30, 2013, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US$ 33,493 to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
16. SHORT TERM BORROWINGS		
Sub-ordinate loan from Engro Corporation Limited - note 16.1	1,220,000	800,000
Running finance utilized under mark-up arrangements - note 16.2	135,493	1,204,084
	1,355,493	2,004,084

16.1 During the period, the Company obtained additional loan of Rs.420,000 from Engro Corporation Limited (the Holding Company) to meet its working capital requirements through enhancement of borrowing limit in the existing agreement. The loan is subordinate to the finances provided to the Company by its banking creditors. The loan carries mark-up at the rate of 3 months KIBOR plus 3.5%, payable quarterly.

16.2 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 1,400,000 (December 31, 2012: Rs.1,700,000). The corresponding purchase price is payable on various dates during the ensuing twelve months. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 1% to relevant period KIBOR plus 2.5% (December 31, 2012: relevant period KIBOR plus 1.0% to 2.5%). During the period, the mark-up rates, ranged from 10.54% to 12.02% per annum (December 31, 2012: 10.38% to 13.64% per annum). These facilities are secured by a floating charge over stocks and book debts of the Company.

(Amounts in thousand)

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
17. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 17.1	5,378,783	5,143,772
Accrued liabilities - note 17.1	914,170	836,994
Advances from customers - note 17.1	944,083	723,545
Retention money against project payments	19,285	19,280
Security deposits	12,075	8,470
Workers' profits participation fund	29,407	9,229
Workers' welfare fund	26,715	11,006
Withholding tax payable	3,681	4,313
Others - note 17.1	15,585	11,857
	7,343,784	6,768,466

17.1 Includes amounts due to the following related parties:

- Engro Corporation Limited	320	4,211
- Mitsubishi Corporation	3,042,033	5,008,730
- Engro Foods Limited	246	255
- Engro Fertilizers Limited	458	4,719
- Engro Vopak Terminal Limited	90,562	84,549
- Engro PowerGen Limited	-	2,880
- Engro PowerGen Qadirpur Limited	-	81
- EPCL Provident Fund	6,474	-
	3,140,093	5,105,425

18. PROVISIONS

Provision for duty on import of raw materials - note 18.1	88,218	88,218
Provision for Gas Infrastructure Development Cess - note 18.2	68,455	-
	156,673	88,218

18.1 Provision for duty on import of raw materials

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

Although, no formal order creating a demand has yet been received by the Company, however, based on prudence, a provision amounting to Rs. 88,218 (December 31, 2012: Rs. 88,218) in respect of custom duty on such raw materials has been recognized.

(Amounts in thousand)

18.2 Provision for Gas Infrastructure Development Cess

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development (GID) cess on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. The Federal Government then revised GID cess rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance 2002. The Company therefore filed a suit before the Honorable High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favour of the Company. The Stay Order restrained the Sui Southern Gas Company Limited from charging any amount of GID cess over and above Rs. 13 per MMBTU till the final decision of this matter.

The Company is confident that the aforementioned matter will be decided in its favour, however, based on prudence the Company has recorded a provision of Rs. 68,455 being the financial exposure of differential GID cess as at June 30, 2013.

19. COMMITMENTS

19.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at June 30, 2013 amounts to Rs. 1,598,000 (December 31, 2012: Rs. 1,598,000). The amount utilized thereagainst is Rs. 977,840 (December 31, 2012: Rs. 930,932).

19.2 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Dawood Hercules Chemicals Limited – a related party, for storage and handling of Ethylene Di Chloride and Caustic soda respectively. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till April 30, 2019. The future aggregate lease payments under these arrangements are as follows:

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
Not later than 1 year	16,463	50,780
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	12,000	19,200
	86,063	127,580

20. NET REVENUE

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rupees			
Net local sales	5,323,816	4,047,235	10,745,592	8,833,199
Export sales	806,591	401,069	1,255,071	624,934
Supply of electricity	13,511	9,387	30,761	18,267
	6,143,918	4,457,691	12,031,424	9,476,400

(Amounts in thousand)

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rupees			
21. COST OF SALES				
Opening stock of work-in-progress	21,524	3,370	-	24,258
Raw and packing materials consumed	3,257,158	2,729,201	6,011,798	5,084,313
Salaries, wages and staff welfare	170,946	122,138	359,818	284,081
Fuel, power and gas	790,928	669,638	1,583,874	1,360,802
Repairs and maintenance	63,785	148,957	145,319	247,475
Depreciation	285,866	287,139	575,326	574,284
Consumable stores	100,299	51,238	150,789	94,779
Purchased services	12,535	13,327	27,322	21,944
Storage and handling	262,774	232,780	514,864	471,443
Training and travelling	2,994	887	3,830	4,400
Communication, stationery and other office expenses	2,124	855	3,176	2,078
Insurance	24,710	19,430	47,386	39,008
Other expenses	8,130	9,077	18,616	15,126
	4,982,249	4,284,667	9,442,118	8,199,733
Closing stock of work-in-progress	(19,972)	(16,953)	(19,972)	(16,953)
Cost of goods manufactured	4,983,801	4,271,084	9,422,146	8,207,038
Opening stock of finished goods	606,453	773,617	834,422	789,329
Closing stock of finished goods	(495,168)	(1,257,986)	(495,168)	(1,257,986)
	111,285	(484,369)	339,254	(468,657)
Cost of sales - own manufactured product	5,095,086	3,786,715	9,761,400	7,738,381
22. DISTRIBUTION AND MARKETING EXPENSES				
Salaries, wages and staff welfare	19,975	15,516	45,899	33,160
Sales promotion	1,747	706	2,188	802
Dealers' commission	30,210	28,117	60,163	57,535
Product transportation and handling	218,894	192,447	488,743	425,516
Rent, rates and taxes	1,881	3,708	5,575	6,278
Purchased services	1,755	1,035	3,178	3,953
Insurance	338	413	628	690
Depreciation	1,102	1,649	2,406	2,776
Training and travelling	448	2,722	4,726	4,187
Communication, stationery and other office expenses	997	1,028	1,994	1,845
Others	5,876	3,356	8,899	7,243
	283,223	250,697	624,399	543,985

(Amounts in thousand)

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rupees			
23. ADMINISTRATIVE EXPENSES				
Salaries, wages and staff welfare	60,182	80,024	113,334	129,544
Rent, rates and taxes	11,760	9,137	23,483	20,677
Purchased services	39,981	20,020	66,395	30,445
Insurance	(377)	1,155	1,496	2,135
Depreciation and amortization	8,656	5,861	13,804	9,545
Training and travelling expenses	21,955	25,540	38,673	40,947
Communication, stationery and other office expenses	5,826	6,847	8,867	8,985
Others	3,873	8,435	5,374	11,858
	151,856	157,019	271,426	254,136
24. OTHER EXPENSES				
Legal and professional charges	6,202	7,176	12,350	15,638
Auditors' remuneration	314	605	866	1,121
Donations	14	-	2,169	-
Workers' profit participation fund	6,381	(28,699)	20,178	1,108
Workers' welfare fund	6,517	(12,084)	15,709	2,037
Foreign exchange loss - net	67,657	306,548	149,091	345,095
Operating assets written-off	5,638	77	6,319	-
Others	104	-	104	-
	92,827	273,623	206,786	364,999
25. OTHER INCOME				
Scrap sales	4,045	3,841	21,214	14,511
Profit on disposal of operating assets	84	-	1,396	605
Income on short term investments and bank deposits	11,318	4,917	17,041	7,973
Insurance claim	-	-	-	391,000
Others	-	-	-	976
	15,447	8,758	39,651	415,065
26. FINANCE COSTS				
Interest / Mark-up on:				
- long term borrowings	223,849	329,479	449,784	630,748
- short term finances	44,343	41,985	83,256	65,197
Foreign exchange loss on borrowings	43,600	173,600	90,040	205,280
Guarantee commission	1,574	1,465	2,803	3,144
Bank charges and others	13,766	5,981	17,951	8,797
	327,132	552,510	643,834	913,166

(Amounts in thousand)

	Unaudited June 30, 2013	Unaudited June 30, 2012
	Rupees	

27. CASH GENERATED FROM OPERATIONS

Profit before taxation	563,230	76,798
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	5,013	(3,160)
Provision against concessionary import duty on import of raw materials and Special Excise Duty	-	12,896
Provision for Gas Infra-structure Development (GID) cess	68,455	-
Provision for net realizable value of stock-in-trade	18,682	24,228
Provision for slow moving stores and spares	2,511	1,913
Write-off of operating assets	6,319	-
Depreciation and amortization	591,536	586,605
Income on short term investments and bank deposits	(11,160)	(3,854)
Exchange loss on revaluation of IFC loan	90,040	187,600
Amortization of prepaid financial charges	10,386	10,844
Gain on sale of short term investments	(5,881)	(4,119)
Finance costs	643,834	714,722
Profit on disposal of operating assets	(1,396)	(605)
Unrealized Exchange gain on derivatives held for trading	(3,885)	-
Working capital changes - note 27.1	752,867	(371,117)
	2,730,551	1,232,751

27.1 WORKING CAPITAL CHANGES

Decrease / (increase) in current assets		
Stores, spares and loose tools	15,745	(199,027)
Stock-in-trade	52,174	(578,265)
Trade debts - considered good	61,075	84,253
Loans, advances, deposits, prepayments and other receivables	48,555	(4,179)
	177,549	(697,218)
Increase in current liabilities		
Trade and other payables	575,318	326,101
	752,867	(371,117)

28. CASH AND CASH EQUIVALENTS

Cash and bank balances	278,026	87,848
Running finance under mark-up arrangements	(135,493)	(1,366,673)
	142,533	(1,278,825)

(Amounts in thousand)

29. SEGMENT INFORMATION

29.1 The basis of segmentation and reportable segments presented in this consolidated condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2012.

	Unaudited June 30, 2013				Unaudited June 30, 2012			
	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	9,551,222	2,449,441	30,761	12,031,424	7,265,022	2,193,111	18,267	9,476,400
Profit before unallocated expenses	737,115	896,103	12,407	**1,645,625**	412,528	779,735	1,771	**1,194,034**
Unallocated expenses								
Administrative expenses				(271,426)				(254,136)
Other expenses				(206,786)				(364,999)
Other income				39,651				415,065
Finance costs				(643,834)				(913,166)
Taxation				(137,904)				(17,714)
Profit after taxation				**425,326**				**59,084**

	Unaudited June 30, 2013				Audited December 31, 2012			
	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	14,219,453	6,091,486	45,573	20,356,512	14,642,414	6,297,304	59,527	20,999,245
Unallocated assets				4,270,176				4,092,119
Total assets				**24,626,688**				**25,091,364**

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

(Amounts in thousand)

30. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited June 30, 2013	Unaudited June 30, 2012
		Rupees	
Holding Company			
- Engro Corporation Limited	Purchase of services	17,476	8,294
	Use of operating assets	894	-
	Markup on Subordinated Loan	61,696	7,093
	Reimbursement made	1,283	3,659
	Reimbursement received	3,205	1,119
	Pension fund contribution	2,998	2,417
	Provident fund contribution	4,654	3,918
	Medical contribution	89	-
	Gratuity fund contribution	940	1,338
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	3,068,725	4,964,285
	Sale of goods	960,293	444,438
	Purchase of services	215	-
	Reimbursement made	-	7,511
- Arabian Sea Country Club	Purchase of services	528	520
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Purchase of services	3,945	4,749
	Purchase of goods	2,862	-
	Sale of goods	6,782	12,477
	Sale of services	252	252
	Sale of steam and electricity	38,264	22,971
	Reimbursement made	8,365	5,441
	Reimbursement received	354	6,762
	Use of operating assets	3,555	3,921
- Engro Vopak Terminal Limited	Purchase of services	469,246	416,656
	Reimbursement made	10,134	8,952
	Reimbursement received	5,444	7,715
- Engro Foundation	Reimbursement received	-	31
	Purchase of Services	2,194	-
- Engro PowerGen Qadirpur Limited	Reimbursement made	1,180	-
	Reimbursement received	1,090	-
- Engro PowerGen Limited	Reimbursement made	896	-
- UBL Funds Limited	Purchase of units	-	100,000
- Engro Foods Limited	Sale of goods	23,980	26,189
	Reimbursement received	9	-
	Use of operating assets	233	-

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited June 30, 2013		Unaudited June 30, 2012
			Rupees	
- Akzo Nobel (formerly ICI Pakistan Ltd)	Purchase of goods	-		29,991
- Dawood Hercules Corporation Limited	Sale of goods	-		234
	Purchase of services	7,200		7,200
- Lahore University of Management Sciences	Purchase of services	550		162
- Pakistan Institute of Corporate Governance	Purchase of services	-		15
- Pakistan Japan Business Forum	Annual subscription	50		-
- Overseas Investors Chamber of Commerce & Industries	Annual subscription	-		121
- Institute of Business Administration	Purchase of services	847		-
Directors	Fee	900		850
	Final settlement	-		11,530
Contribution to staff retirement benefits	Pension fund	7,742		7,781
	Provident fund	18,823		11,366
	Gratuity fund	3,337		3,148
Key management personnel	Managerial remuneration	32,249		40,062
	Retirement benefit funds	4,399		5,282
	Bonus	12,016		11,752
	Other benefits	8,284		6,470

31. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on August 5, 2013 by the Board of Directors of the Company.

32. CORRESPONDING FIGURES

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

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

engro polymer & chemicals

UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED JUNE 30, 2013

A.F.FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Engro Polymer and Chemicals Limited as at June 30, 2013 and the related 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, together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2013.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Enity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi
Date: August 21, 2013

Engagement Partner: Waqas A. Sheikh

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(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2013

	Note	Unaudited June 30, 2013	Audited (Restated) December 31, 2012
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	17,311,452	17,633,526
Intangible assets	6	29,783	30,864
Long term investment - at cost		50,000	50,000
Long term loans and advances		61,441	49,340
Deferred taxation	7	857,788	885,117
		18,310,464	18,648,847
Current Assets			
Stores, spares and loose tools		1,460,406	1,478,662
Stock-in-trade	8	2,981,580	3,052,402
Trade debts - considered good	9	205,435	267,868
Loans, advances, deposits, prepayments and other receivables	10	345,036	393,880
Taxes recoverable	11	1,010,451	1,025,700
Cash and bank balances	12	188,579	89,300
Derivative financial instruments	15	3,885	-
		6,195,372	6,307,812
TOTAL ASSETS		24,505,836	24,956,659
EQUITY AND LIABILITIES			
Equity			
Share capital	13	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(72,934)	(92,077)
Accumulated loss		(1,070,621)	(1,308,239)
Remeasurement of post employment benefits - Actuarial loss		(5,113)	(5,113)
		6,450,049	6,193,288
Non-Current Liabilities			
Long term borrowings	14	6,647,922	7,531,866
Derivative financial instruments	15	110,506	141,656
Retirement and other service benefit obligations		64,660	59,647
		6,823,088	7,733,169
Current Liabilities			
Current portion of long term borrowings	14	2,080,578	2,052,981
Short term borrowings	16	1,555,493	2,004,084
Trade and other payables	17	7,338,595	6,763,364
Accrued interest / mark-up		101,360	121,555
Provisions	18	156,673	88,218
		11,232,699	11,030,202
TOTAL EQUITY AND LIABILITIES		24,505,836	24,956,659
Commitments	19		

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

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

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	Note	Quarter ended		Half year ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		Rupees			
Net revenue	20	6,055,212	4,916,620	11,842,748	9,880,450
Cost of sales	21	(5,095,086)	(4,299,292)	(9,761,366)	(8,211,976)
Gross profit		960,126	617,328	2,081,382	1,668,474
Distribution and marketing expenses	22	(282,669)	(242,912)	(623,270)	(527,686)
Administrative expenses	23	(151,820)	(157,019)	(271,354)	(254,136)
Other expenses	24	(90,888)	(272,201)	(201,969)	(360,503)
Other income	25	12,035	5,077	32,557	408,982
Operating profit / (loss)		446,784	(49,727)	1,017,346	935,131
Finance costs	26	(330,169)	(550,039)	(645,766)	(908,958)
Profit / (Loss) before taxation		116,615	(599,766)	371,580	26,173
Taxation		(43,771)	204,941	(132,314)	(9,238)
Profit / (Loss) for the period		72,844	(394,825)	239,266	16,935
Earnings / (Loss) per share - basic and diluted		0.11	(0.60)	0.36	0.03

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	Quarter ended		Half year ended	
	June 30, 2013	(Restated) June 30, 2012	June 30, 2013	(Restated) June 30, 2012
	Rupees			
Profit / (Loss) for the period	72,844	(394,825)	239,266	16,935
Other comprehensive income / (loss) :				
Items that will not be reclassified to profit or loss				
Remeasurement of of post employment benefits obligation - Actuarial gain, net of tax	-	8,150	-	8,150
Deferred tax charge relating to revaluation of equity related items	(1,648)	-	(1,648)	-
	(1,648)	8,150	(1,648)	8,150
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (loss) arising during the period	18,652	(25,408)	7,639	(28,534)
Reclassification adjustments for losses included in profit and loss	12,094	31,046	23,511	31,631
Income tax relating to hedging reserve	(11,866)	(1,973)	(12,007)	(1,084)
Other comprehensive gain for the period - net of tax	17,232	11,815	17,495	10,163
Total comprehensive income / (loss) for the period	90,076	(383,010)	256,761	27,098

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

		RESERVES				
		CAPITAL		REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Remeasurement of post employment benefits - Actuarial (loss)	Total
			Rupees			
Balance as at January 1, 2012 (Audited) - as previously reported	6,634,688	964,029	(102,221)	(1,357,965)	-	6,138,531
Effect of change in accounting policy due to application of IAS - 19 (Revised) note 3.1, net of tax	-	-	-	-	(21,414)	(21,414)
Balance as at January 1, 2012 (Restated)	6,634,688	964,029	(102,221)	(1,357,965)	(21,414)	6,117,117
Total comprehensive income for the half year ended June 30, 2012 (Restated)	-	-	2,013	16,935	8,150	27,098
Balance as at June 30, 2012 (Restated)	6,634,688	964,029	(100,208)	(1,341,030)	(13,264)	6,144,215
Total comprehensive income for the half year ended December 31, 2012 (Restated)	-	-	8,131	32,791	8,151	49,073
Balance as at December 31, 2012 (Restated)	6,634,688	964,029	(92,077)	(1,308,239)	(5,113)	6,193,288
Total comprehensive income for the half year ended June 30, 2013	-	-	19,143	237,618	-	256,761
Balance as at June 30, 2013 (Unaudited)	6,634,688	964,029	(72,934)	(1,070,621)	(5,113)	6,450,049

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

	Note	Half year ended June 30, 2013	Half year ended June 30, 2012
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	2,549,453	1,230,796
Finance costs paid		(665,961)	(709,616)
Long term loans and advances		(12,101)	(20,933)
Income tax paid		(103,391)	(179,255)
Net cash generated from operating activities		1,768,000	320,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(273,583)	(240,668)
Purchases of intangible assets		(3,934)	(10,364)
Proceeds from disposal of property, plant and equipment		4,213	13,191
Income on bank deposits		9,947	1,890
Net cash utilized in investing activities		(263,357)	(235,951)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(956,773)	(1,702,100)
Proceeds from short term borrowings		620,000	950,000
Net cash utilized in financing activities		(336,773)	(752,100)
Net increase / (decrease) in cash and cash equivalents		1,167,870	(667,059)
Cash and cash equivalents at beginning of the period		(1,114,784)	(616,112)
Cash and cash equivalents at end of the period	28	53,086	(1,283,171)

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2013

1. LEGAL STATUS AND OPERATIONS

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

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

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the half year ended June 30, 2013 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, 2012.

3. ACCOUNTING POLICIES

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, 2012 except as noted below:

3.1 Initial application of a standard, amendment or interpretation to an existing standard

Change in accounting policy due to the application of International Accounting Standard 19 - 'Employee Benefits' (as revised by IASB in 2011 and applicable for annual period beginning on or after January 1, 2013).

The Company has applied IAS 19 - Employee Benefits which is applicable for annual periods beginning on or after January 1, 2013. In accordance with the transitional provisions as set out in IAS 19, the Company has applied IAS 19 retrospectively and consequently the earliest periods presented in the condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim balance sheet have been restated. The impact of such application on the condensed interim profit and loss account and condensed interim statement of cash flows is not material.

The revised standard requires (i) past service cost to be recognized immediately in profit and loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; and (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment return and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gains or losses / actuarial gain or losses in the Other Comprehensive Income immediately as they occur.

The impact of retrospective application of IAS 19 (revised) is as follows:

(Amounts in thousand)

	Retirement and other service benefit obligations	Other Comprehensive Income - Remeasurement of post employment benefits - Actuarial loss
Balance as previously reported as at January 1, 2012	62,107	-
Restatement - recognition of remeasurement loss in OCI	21,414	(21,414)
Balance as at January 1, 2012 (Restated)	83,521	(21,414)
Balance as previously reported as at January 1, 2013	54,534	-
Restatement - recognition of remeasurement loss in OCI	5,113	(5,113)
Balance as at December 31, 2012 (Restated)	59,647	(5,113)

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, 2012.

5. PROPERTY, PLANT AND EQUIPMENT	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
Operating assets, at net book value - notes 5.1 and 5.2	17,112,883	17,476,546
Capital work-in-progress	198,569	156,980
	17,311,452	17,633,526

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

Building on leasehold land	7,466	48,854
Plant and machinery	213,823	259,888
Furniture, fixtures and equipment	5,793	7,082
Vehicles	4,912	43,335
	231,994	359,159

(Amounts in thousand)

5.2 During the period, assets costing Rs. 9,492 (December 31, 2012: Rs. 31,050), having net book value of Rs. 2,786 (December 31, 2012: Rs. 16,093) were disposed off for Rs. 4,182 (December 31, 2012: Rs. 18,520) and assets costing Rs. 37,316 (December 31, 2012: Rs. 11,385) having net book value of Rs. 6,350 (December 31, 2012: Rs. 7,109) were written-off. Insurance claim received against written-off assets was Rs. 31 (December 31, 2012: Rs. 58).

6. INTANGIBLE ASSETS

Additions made during the period amount to Rs. 3,934 (December 31, 2012: Rs. 10,227).

7. DEFERRED TAXATION

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(3,993,637)	(4,149,265)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	4,100,414	4,412,854
- recoupable minimum turnover tax - note 7.2	531,830	420,691
- unpaid liabilities and provision for retirement and other service benefits	59,860	50,770
- provision against custom duty and SED refundable	53,269	37,191
- provision for slow moving stores and spares	6,282	5,588
- fair value of hedging instruments and others	43,709	49,579
- share issuance cost, net to equity	56,061	57,709
	4,851,425	5,034,382
	857,788	885,117

7.1 The aggregate tax losses available for carry-forward as at June 30, 2013 amount to Rs.12,060,040 (December 31, 2012: Rs.12,608,153), on which deferred income tax asset has been recognized. The aforementioned tax losses are entirely attributable to unabsorbed tax depreciation.

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

7.3 As at June 30, 2013, deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at the rate of 34% being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

(Amounts in thousand)

		Unaudited June 30, 2013	Audited December 31, 2012
		Rupees	
8.	**STOCK-IN-TRADE**		
	Raw and packing materials - note 8.1	2,466,440	2,218,014
	Work-in-progress	19,972	-
	Finished goods - note 8.2	495,168	834,388
		2,981,580	3,052,402

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

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
Engro Vopak Terminal Limited, a related party	1,352,886	918,703
Dawood Hercules Chemicals Limited, a related party	6,841	2,773
Al-Rahim Trading Company (Private) Limited	115,363	520,158
	1,475,090	1,441,634

8.2 This includes carrying value of PVC resin, net of realizable value reduction of Rs.18,682 (December 31, 2012: Rs. 20,822).

		Unaudited June 30, 2013	Audited December 31, 2012
		Rupees	
9.	**TRADE DEBTS - considered good**		
	Secured	142,102	214,570
	Unsecured - note 9.1	63,333	53,298
		205,435	267,868
9.1	**Includes amounts due from the following related parties:**		
	- Engro Foods Limited	2,352	2,788
	- Engro Polymer Trading (Private) Limited	45	1,403
		2,397	4,191

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

These include receivables from the following related parties:

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
Engro Vopak Terminal Limited	862	1,436
Engro Fertilizers Limited	4,399	3,658
Engro Foundation	6	-
Engro Powergen Qadirpur limited	5	-
	5,272	5,094

11. TAXES RECOVERABLE

11.1 Tax Year 2008

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

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying balance of Rs. 32,404 'under protest'.

During 2011, through appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

On May 24, 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, based on the advice of its tax consultant, is in the process of filing a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the condensed interim financial information.

11.2 Tax Year 2009

The DCIR through order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowing finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowing provision for the retirement benefits of Rs. 14,239; disallowing provision against receivable of Special Excise Duty (SED) of Rs. 36,689; adding imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss as per the revised return as a consequence of the matter explained in note 11.3.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by the Company before the CIR(A).

In 2011, through an appellate order, the CIR(A) maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed by the Company before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A) deleting the addition on account of provision for retirement benefits.

On May 24, 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, based on the advice of its tax consultant, is in the process of filing a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the condensed interim financial information.

(Amounts in thousand)

11.3 Assessment Year 2000-2001

While finalizing the assessment, the Taxation Officer had disallowed the First Year Allowance (FYA) claimed by the Company on the grounds that the Company had not met the criteria for claiming this allowance as required under the repealed Income Tax Ordinance, 1979. The Company had filed an appeal against the said disallowance before the CIR(A) which was decided in favor of the Company. The department, thereafter, filed second appeal before the ATIR. Although in case of assessment year 2001-2002, a similar issue was decided by the ATIR in the Company's favor, the ATIR, for assessment year 2000-2001 departing from the previous view, has decided the matter against the Company and maintained the disallowance of FYA amounting to Rs. 1,884,359.

This disallowance had resulted in tax deductible timing differences, the effects of which had been duly recognized by revising the income tax returns for the tax years 2003 to 2007 and 2009. Due to the aforesaid revision, a tax liability of Rs. 86,767 arose in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years.

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
12. CASH AND BANK BALANCES		
Cash in hand	540	755
Cash at bank on:		
- current accounts	166,020	74,713
- saving accounts	22,019	13,832
	188,039	88,545
	188,579	89,300

	Unaudited June 30, 2013	Audited December 31, 2012
13. SHARE CAPITAL		
Authorized capital		
800,000,000 (2012: 800,000,000) ordinary shares of Rs. 10 each	8,000,000	8,000,000
Issued, subscribed and paid-up capital		
663,468,788 (2012: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash - note 13.1	6,634,688	6,634,688

13.1 As at June 30, 2013, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2012: 372,809,989 ordinary shares of Rs. 10 each).

(Amounts in thousand)

14. LONG TERM BORROWINGS, secured

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited June 30, 2013	Audited December 31, 2012
				Rupees	
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	3,883,805	4,254,218
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	963,518	1,068,045
Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May 2013	410,472	490,764
Master Istisna I	6 months KIBOR + 1.5%	6 half yearly	May 2013	-	100,000
Master Istisna III	6 months KIBOR + 2%	6 half yearly	June 2015	200,000	200,000
Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	April 2016	100,000	-
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	3,170,705	3,471,820
				8,728,500	9,584,847
Less: Current portion shown under current liabilities				(2,080,578)	(2,052,981)
				6,647,922	7,531,866

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at June 30, 2013, all debt covenants have been complied with except for current ratio and debt service coverage ratio. Waiver for current ratio deviation has been obtained from IFC, whereas, waiver has been applied with local syndicate for current ratio and debt service coverage ratio.

15. DERIVATIVE FINANCIAL INSTRUMENTS

15.1 As at June 30, 2013, the Company has outstanding cross-currency interest rate swap agreements with banks for notional amounts aggregating US$ 5,969 to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR plus margin where applicable on the relevant PKR notional amount and will pay six month USD-LIBOR plus margin on the relevant USD notional amount, which will be settled semi-annually.

15.2 As at June 30, 2013, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 21,334 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.

15.3 As at June 30, 2013, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US$ 33,493 to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

(Amounts in thousand)

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
16. SHORT TERM BORROWINGS		
Sub-ordinate loan from Engro Corporation Limited - note 16.1	1,220,000	800,000
Sub-ordinate loan from Engro Polymer Trading (Private) Limited - note 16.2	200,000	-
Running finance utilized under mark-up arrangements - note 16.3	135,493	1,204,084
	1,555,493	2,004,084

16.1 During the period, the Company obtained additional loan of Rs. 420,000 from Engro Corporation Limited (the Holding Company) to meet its working capital requirements through enhancement of borrowing limit in the existing agreement. The loan is subordinate to the finances provided to the Company by its banking creditors. The loan carries mark-up at the rate of 3 months KIBOR plus 3.5%, payable quarterly.

16.2 During the period, the Company obtained a loan from Engro Polymer Trading (Private) Limited (Subsidiary Company) amounting to Rs. 200,000 for meeting its working capital requirements. The loan is subordinate to the finances provided to the Company by its banking creditors.The loan carries mark-up at the rate of 1 month KIBOR plus 2.0%, payable quarterly.

16.3 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 1,400,000 (December 31, 2012: Rs.1,700,000). The corresponding purchase price is payable on various dates during the ensuing twelve months. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 1% to relevant period KIBOR plus 2.5% (December 31, 2012: relevant period KIBOR plus 1.0% to 2.5%). During the period, the mark-up rates, ranged from 10.54% to 12.02% per annum (December 31, 2012: 10.38% to 13.64% per annum). These facilities are secured by a floating charge over stocks and book debts of the Company.

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
17. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 17.1	5,382,260	5,143,772
Accrued liabilities - note 17.1	913,906	836,383
Advances from customers - note 17.1	944,083	723,545
Retention money against project payments	19,285	19,280
Security deposits	12,075	8,470
Workers' profits participation fund	29,407	9,229
Workers' welfare fund	18,313	6,515
Withholding tax payable	3,681	4,313
Others - note 17.1	15,585	11,857
	7,338,595	6,763,364

(Amounts in thousand)

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
17.1 Includes amounts due to the following related parties:		
- Engro Corporation Limited	320	4,211
- Mitsubishi Corporation	3,042,033	5,008,730
- Engro Foods Limited	246	255
- Engro Fertilizers Limited	458	4,719
- Engro Vopak Terminal Limited	90,562	84,549
- Engro Powergen Limited	-	2,880
- Engro Powergen Qadirpur Limited	-	81
- EPCL Provident Fund	6,474	-
- Engro Polymer Trading (Private) Limited	4,370	-
	3,144,463	5,105,425

18. PROVISIONS

Provision for duty on import of raw materials - note 18.1	88,218	88,218
Provision for Gas Infrastructure Development Cess - note 18.2	68,455	-
	156,673	88,218

18.1 Provision for duty on import of raw materials

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

Although, no formal order creating a demand has yet been received by the Company, however, based on prudence, a provision amounting to Rs. 88,218 (December 31, 2012: Rs. 88,218) in respect of custom duty on such raw materials has been recognized.

18.2 Provision for Gas Infrastructure Development Cess

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development (GID) cess on gas bills at the rate of Rs.13 per MMBTU on all industrial consumers. The Federal Government then revised GID cess rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance 2002. The Company therefore filed a Suit before the Honorable High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favour of the Company. The Stay Order restrained the Sui Southern Gas Company Limited from charging any amount of GID cess over and above Rs. 13 per MMBTU till the final decision of this matter.

The Company is confident that the aforementioned matter will be decided in its favour, however, based on prudence the Company has recorded a provision of Rs. 68,455 being the financial exposure of differential GID cess as at June 30, 2013.

(Amounts in thousand)

19. COMMITMENTS

19.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at June 30, 2013 amounts to Rs. 1,165,000 (December 31, 2012: Rs. 1,165,000). The amount utilized thereagainst is Rs. 896,860 (December 31, 2012: Rs. 641,000).

19.2 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Dawood Hercules Chemicals Limited – a related party, for storage and handling of Ethylene Di Chloride and Caustic soda respectively. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till April 30, 2019. The future aggregate lease payments under these arrangements are as follows:

	Unaudited June 30, 2013	Audited December 31, 2012
	Rupees	
Not later than 1 year	16,463	50,780
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	12,000	19,200
	86,063	127,580

20. NET REVENUE

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rupees			
Net local sales	5,482,876	4,907,233	11,061,731	9,862,183
Export sales	558,825	-	750,256	-
Supply of electricity	13,511	9,387	30,761	18,267
	6,055,212	4,916,620	11,842,748	9,880,450

(Amounts in thousand)

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rupees			
21. COST OF SALES				
Opening stock of work-in-progress	21,524	3,370	-	24,258
Raw and packing materials consumed	3,257,158	2,729,201	6,011,798	5,084,313
Salaries, wages and staff welfare	170,946	122,138	359,818	284,081
Fuel, power and gas	790,928	669,638	1,583,874	1,360,802
Repairs and maintenance	63,785	148,957	145,319	247,475
Depreciation	285,866	287,139	575,326	574,284
Consumable stores	100,299	51,238	150,789	94,779
Purchased services	12,535	13,327	27,322	21,944
Storage and handling	262,774	232,780	514,864	471,443
Training and travelling	2,994	887	3,830	4,400
Communication, stationery and other office expenses	2,124	855	3,176	2,078
Insurance	24,710	19,430	47,386	39,008
Other expenses	8,130	9,077	18,616	15,126
	4,982,249	4,284,667	9,442,118	8,199,733
Closing stock of work-in-progress	(19,972)	(16,953)	(19,972)	(16,953)
Cost of goods manufactured	4,983,801	4,271,084	9,422,146	8,207,038
Opening stock of finished goods	606,453	773,583	834,388	750,313
Closing stock of finished goods	(495,168)	(745,375)	(495,168)	(745,375)
	111,285	28,208	339,220	4,938
Cost of sales - own manufactured product	5,095,086	4,299,292	9,761,366	8,211,976
22. DISTRIBUTION AND MARKETING EXPENSES				
Salaries, wages and staff welfare	19,975	15,516	45,899	33,160
Sales promotion	1,747	706	2,188	802
Dealers' commission	30,210	28,117	60,163	57,535
Product transportation and handling	218,340	185,010	487,614	410,438
Rent, rates and taxes	1,881	3,708	5,575	6,278
Purchased services	1,755	687	3,178	2,732
Insurance	338	413	628	690
Depreciation	1,102	1,649	2,406	2,776
Training and travelling	448	2,722	4,726	4,187
Communication, stationery and other office expenses	997	1,028	1,994	1,845
Others	5,876	3,356	8,899	7,243
	282,669	242,912	623,270	527,686

(Amounts in thousand)

	Unaudited			
	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rupees			
23. ADMINISTRATIVE EXPENSES				
Salaries, wages and staff welfare	60,182	80,024	113,334	129,544
Rent, rates and taxes	11,760	9,137	23,483	20,677
Purchased services	39,945	20,020	66,323	30,445
Insurance	(377)	1,155	1,496	2,135
Depreciation and amortization	8,656	5,861	13,804	9,545
Training and travelling expenses	21,955	25,540	38,673	40,947
Communication, stationery and other office expenses	5,826	6,847	8,867	8,985
Others	3,873	8,435	5,374	11,858
	151,820	157,019	271,354	254,136
24. OTHER EXPENSES				
Legal and professional charges	5,343	3,876	10,891	9,309
Auditors' remuneration	314	640	807	1,091
Donations	14	-	2,169	-
Workers' profit participation fund	6,381	(28,699)	20,178	1,108
Workers' welfare fund	4,627	(12,919)	11,798	1,009
Foreign exchange loss - net	68,467	309,226	149,703	347,986
Operating assets written-off	5,638	77	6,319	-
Others	104	-	104	-
	90,888	272,201	201,969	360,503
25. OTHER INCOME				
Scrap sales	4,045	3,841	21,214	14,511
Profit on disposal of operating assets	84	-	1,396	605
Income on short term investments and bank deposits	7,906	1,236	9,947	1,890
Insurance claim	-	-	-	391,000
Others	-	-	-	976
	12,035	5,077	32,557	408,982
26. FINANCE COSTS				
Interest / Mark-up on:				
- long term borrowings	223,849	329,479	449,784	630,748
- short term finances	48,713	41,789	87,621	64,782
Foreign exchange loss on borrowings	43,600	173,600	90,040	205,280
Guarantee commission	1,261	1,199	2,471	2,599
Bank charges and others	12,746	3,972	15,850	5,549
	330,169	550,039	645,766	908,958

(Amounts in thousand)

	Unaudited June 30, 2013	Unaudited June 30, 2012
	Rupees	
27. CASH GENERATED FROM OPERATIONS		
Profit before taxation	371,580	26,173
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	5,013	(3,160)
Provision against concessionary import duty on import of raw materials and Special Excise Duty	-	12,896
Provision for Gas Infra-structure Development (GID) cess	68,455	-
Provision for net realizable value of stock-in-trade	18,682	24,228
Provision for slow moving stores and spares	2,511	1,913
Write-off of operating assets	6,319	-
Depreciation and amortization	591,536	586,605
Income on short term investments and bank deposits	(9,947)	(1,890)
Exchange loss on revaluation of IFC loan	90,040	187,600
Amortization of prepaid financial charges	10,386	10,844
Finance costs	645,766	710,514
Profit on disposal of operating assets	(1,396)	(605)
Unrealized exchange gain on derivatives held for trading	(3,885)	-
Working capital changes - note 27.1	754,393	(324,322)
	2,549,453	1,230,796

27.1 Working Capital Changes

Decrease / (increase) in current assets		
Stores, spares and loose tools	15,745	(199,027)
Stock-in-trade	52,140	(104,670)
Trade debts - considered good	62,433	(194,780)
Loans, advances, deposits, prepayments and other receivables	48,844	(95,949)
	179,162	(594,426)
Increase in current liabilities		
Trade and other payables	575,231	270,104
	754,393	(324,322)

28. CASH AND CASH EQUIVALENTS

Cash and bank balances	188,579	83,502
Running finance under mark-up arrangements	(135,493)	(1,366,673)
	53,086	(1,283,171)

(Amounts in thousand)

29. SEGMENT INFORMATION

29.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2012.

	Unaudited June 30, 2013				Unaudited June 30, 2012			
	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	9,362,546	2,449,441	30,761	11,842,748	7,672,455	2,189,728	18,267	9,880,450
Profit before unallocated expenses	549,602	896,103	12,407	**1,458,112**	362,665	776,352	1,771	**1,140,788**
Unallocated expenses								
Administrative expenses				(271,354)				(254,136)
Other expenses				(201,969)				(360,503)
Other income				32,557				408,982
Finance costs				(645,766)				(908,958)
Taxation				(132,314)				(9,238)
Profit after taxation				**239,266**				**16,935**

	Unaudited June 30, 2013				Audited December 31, 2012			
	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	14,219,453	6,091,486	45,573	20,356,512	14,642,414	6,297,304	59,527	20,999,245
Unallocated assets				4,149,324				3,957,414
Total assets				**24,505,836**				**24,956,659**

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

(Amounts in thousand)

30. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2013	Unaudited Half year ended June 30, 2012
		Rupees	Rupees
Holding Company			
- Engro Corporation Limited	Purchase of services	17,476	8,294
	Use of operating assets	894	-
	Markup on Subordinated Loan	61,696	7,093
	Reimbursement made	1,283	3,659
	Reimbursement received	3,205	1,119
	Pension fund contribution	2,998	2,417
	Provident fund contribution	4,654	3,918
	Medical contribution	89	-
	Gratuity fund contribution	940	1,338
Subsidiary Company			
- Engro Polymer Trading (Private) Limited	Sale of goods	316,169	1,028,983
	Sale of services	72	377
	Reimbursement made	9	-
	Reimbursement received	-	13
	Markup on working capital loan	4,370	686
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	3,068,725	4,964,285
	Sale of goods	455,478	-
	Purchase of services	215	-
	Reimbursement made	-	7,511
- Arabian Sea Country Club	Purchase of services	528	520
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Purchase of services	3,945	4,749
	Sale of goods	9,644	12,477
	Sale of services	252	252
	Sale of steam and electricity	38,264	22,971
	Reimbursement made	8,365	5,441
	Reimbursement received	354	6,762
	Use of operating assets	3,555	3,921
- Engro Vopak Terminal Limited	Purchase of services	469,246	416,656
	Reimbursement made	10,134	8,952
	Reimbursement received	5,444	7,715
- Engro Foundation	Reimbursement received	-	31
	Purchase of services	2,194	-
- Engro PowerGen Qadirpur Limited	Reimbursement made	1,180	-
	Reimbursement received	1,090	-
- Engro PowerGen Limited	Reimbursement made	896	-
- UBL Funds Limited	Purchase of units	-	100,000

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2013	Rupees	June 30, 2012
- Engro Foods Limited	Sale of goods	23,980		26,189
	Reimbursement received	9		-
	Use of operating assets	233		-
- Akzo Nobel (formerly ICI Pakistan Ltd)	Purchase of goods	-		29,991
- Dawood Hercules Corporation Limited	Sale of goods	-		234
	Purchase of services	7,200		7,200
- Lahore University of Management Sciences	Purchase of services	550		162
- Pakistan Institute of Corporate Governance	Purchase of services	-		15
- Pakistan Japan Business Forum	Annual subscription	50		-
- Overseas Investors Chamber of Commerce & Industries	Annual subscription	-		121
- Institute of Business Administration	Purchase of services	847		-
Directors	Fee	900		850
	Final settlement	-		11,530
Contribution to staff retirement benefits	Pension fund	7,742		7,781
	Provident fund	18,823		11,366
	Gratuity fund	3,337		3,148
Key management personnel	Managerial remuneration	32,249		40,062
	Retirement benefit funds	5,251		5,282
	Bonus	12,016		11,752
	Other benefits	7,432		6,470

31. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 5, 2013 by the Board of Directors of the Company.

32. CORRESPONDING FIGURES

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

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

Khalid Siraj Subhani
President & Chief Executive

Waqar Malik
Director

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