engro polymer & chemicals

Financial Information for the Half Year ended June 30, 2015

CONTENTS

COMPANY INFORMATION

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

engro polymer & chemicals

DIRECTORS' REVIEW & UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2015

ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2015

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, 2015.

Business Review

During 2Q 2015 international PVC prices increased, however, rise in Ethylene prices was far more substantial which shrank the PVC-Ethylene core delta. This unusual rise in Ethylene prices was due to supply tightness resulting from regional Ethylene cracker turnarounds that kept the PVC margins suppressed throughout the quarter.

Consistent and good PVC domestic demand continued in 2Q 2015 as international PVC prices remained stable and customers did not encounter international PVC price volatility whereas Caustic margins remained under pressure. High energy prices in domestic market adversely effected margins of all products. During 1H 2015 PVC domestic sales increase of 27% was achieved as the Company sold 80 kilo tons of PVC compared to 63 kilo tons in same period last year. Caustic Soda market remained stable during1H 2015 and the Company sold 46 kilo tons of Caustic Soda in domestic market, in line with sales for same period last year.

Imposition of 5% duty last year on imports of Ethylene and EDC by the Federal Board of Revenue (FBR) continued to increase Company's raw material cost in 1H 2015 and impacted financial performance. However, the Company was successful in obtaining reduction in duty on Ethylene to minimum slab of 2% effective from July 1, 2015 in the Federal Budget for fiscal year 2016.

During 1H 2015 Company's PVC production increased by 16% as it realized the full effect of PVC capacity enhancement through debottlenecking projects completed last year and produced 79 kilo tons of PVC compared to 68 kilo tons in same period last year. The Company produced 80 kilo tons of VCM during 1H 2015 to meet its PVC raw material requirement. The Company produced 52 kilo tons of Caustic Soda during 1H 2015 compared to 56 kilo tons in same period last year mainly due to operational issues experienced at the Chlor Alkali plant.

In 1H 2015 the Company recorded a revenue of Rs.12,417 million compared to Rs.11,903 million in same period last year and posted a Loss After Tax (LAT) of Rs.433 million as compared to a Profit After Tax (PAT) of Rs.123 million in same period last year. The Loss per Share for 1H 2015 stood at Rs.0.65 as compared to a Profit per Share of Rs.0.19 in same period last year. Higher sales volume could not be translated into higher earnings in 1H 2015 due to lower international PVC – Ethylene core delta, higher domestic energy prices, duty impact on raw material and high cost raw material inventory carried from last year.

The Company continued to maintain its focus on Health, Safety & Environment in its operations. In order to achieve operational excellence baseline audit was conducted by DuPont and report is being finalized.

Future Outlook

Domestic market demand for PVC is expected to remain strong while Caustic market to remain stable. As regional Ethylene plant turnaround season comes to an end, Ethylene prices are expected to decline which will improve International PVC – Ethylene core delta. Additionally, reduction in import duty on Ethylene will reduce Company's raw material cost and provide support to PVC margins during 3Q 2015.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

Karachi
August 04, 2015

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 Limitedand its subsidiary company, Engro Polymer Trading (Private) Limited as at June 30, 2015 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 Pakistanfor 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, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

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 signiÏcant 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, 2015 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 20, 2015

Engagement Partner: Waqas A. Sheikh

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(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2015

	Note	(Unaudited) June 30, 2015	(Audited) December 31, 2014
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	16,499,826	16,923,190
Intangible assets		86,717	51,847
Long term loans and advances		69,432	66,351
Deferred taxation	6	1,171,634	966,120
		17,827,609	18,007,508
Current Assets			
Stores, spares and loose tools		1,566,014	1,476,761
Stock-in-trade		1,981,446	3,897,503
Trade debts - considered good	7	309,609	554,666
Loans, advances, deposits, prepayments and other receivables	8	333,407	545,081
Taxes recoverable	9	1,110,030	1,092,307
Short term investments		277,288	218,872
Cash and bank balances		83,902	544,017
		5,661,696	8,329,207
TOTAL ASSETS		23,489,305	26,336,715
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(21,950)	(29,757)
Accumulated loss		(2,042,286)	(1,603,926)
		5,534,481	5,965,034
Non-Current Liabilities			
Long term borrowings	10	4,484,219	6,098,708
Derivative financial instruments	11	31,357	44,414
		4,515,576	6,143,122
Current Liabilities			
Current portion of long term borrowings	10	3,294,490	3,016,196
Derivative financial instruments - at fair value through profit or loss	11	42,692	119,571
Service benefit obligations		23,993	39,737
Short term borrowings	12	2,626,159	600,000
Trade and other payables	13	5,888,986	9,346,087
Accrued interest / mark-up		51,743	92,785
Provisions	14	1,511,185	1,014,183
		13,439,248	14,228,559
TOTAL EQUITY AND LIABILITIES		23,489,305	26,336,715
Commitments	15		

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

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

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Rupees			
Net revenue	5,715,564	6,535,652	12,417,010	11,902,528
Cost of sales	(5,300,334)	(5,702,483)	(11,234,023)	(10,262,557)
Gross profit	415,230	833,169	1,182,987	1,639,971
Distribution and marketing expenses	(292,673)	(343,403)	(670,822)	(665,743)
Administrative expenses	(181,802)	(171,254)	(323,657)	(309,594)
Other operating expenses	(77,848)	(105,326)	(145,652)	(128,075)
Other income	23,924	38,415	45,458	62,240
Operating profit / (loss)	(113,169)	251,601	88,314	598,799
Finance costs	(286,072)	(300,440)	(612,685)	(390,058)
Profit / (Loss) before taxation	(399,241)	(48,839)	(524,371)	208,741
Taxation	72,873	23,907	90,957	(85,403)
Profit / (Loss) for the period	(326,368)	(24,932)	(433,414)	123,338
Earnings / (Loss) per share - basic and diluted	(0.49)	(0.04)	(0.65)	0.19

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Rupees			
Profit / (Loss) for the period	(326,368)	(24,932)	(433,414)	123,338
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items	(4,946)	(1,649)	(4,946)	(1,649)
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (Loss) arising during the period	8,754	(35,676)	(5,040)	37,555
Reclassification adjustments for losses / (gains) included in profit or loss	8,935	5,868	18,097	(20,386)
Income tax relating to hedging reserve	(6,779)	9,506	(5,250)	(6,466)
	10,910	(20,302)	7,807	10,703
Other comprehensive gain / (loss) for the period - net of tax	5,964	(21,951)	2,861	9,054
Total comprehensive income / (loss) for the period	(320,404)	(46,883)	(430,553)	132,392

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
	Rupees				
Balance as at January 1, 2014 (Audited)	6,634,688	964,029	(52,804)	(492,960)	7,052,953
Total comprehensive income for the half year ended June 30, 2014	-	-	10,703	121,689	132,392
Balance as at June 30, 2014 (Unaudited)	6,634,688	964,029	(42,101)	(371,271)	7,185,345
Total comprehensive loss for the half year ended December 31, 2014	-	-	12,344	(1,232,655)	(1,220,311)
Balance as at December 31, 2014 (Audited)	6,634,688	964,029	(29,757)	(1,603,926)	5,965,034
Total comprehensive loss for the half year ended June 30, 2015	-	-	7,807	(438,360)	(430,553)
Balance as at June 30, 2015 (Unaudited)	6,634,688	964,029	(21,950)	(2,042,286)	5,534,481

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

	Note	Half year ended June 30, 2015	Half year ended June 30, 2014
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	(23,042)	1,655,186
Finance costs paid		(653,727)	(393,910)
Long term loans and advances		(3,081)	(3,541)
Payment against employee service benefits		(15,744)	(47,045)
Income tax paid		(142,476)	(178,499)
Net cash (utilized in) / generated from operating activities		(838,070)	1,032,191
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(212,086)	(471,343)
Purchases of intangible assets		(41,341)	(14,819)
Proceeds from disposal of property, plant and equipment		8,740	4,635
Proceed from the sale of short term investments		69,986	100,009
Purchases of short term investments		(67,902)	-
Income on bank deposits		28,524	41,103
Net cash utilized in investing activities		(214,079)	(340,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(1,375,709)	(1,069,440)
Proceeds from short term borrowings		700,000	300,000
Net cash utilized in financing activities		(675,709)	(769,440)
Net decrease in cash and cash equivalents		(1,727,858)	(77,664)
Cash and cash equivalents at beginning of the period		762,889	998,978
Cash and cash equivalents at end of the period	17	(964,969)	921,314

The annexed notes 1 to 22 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

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), Vinyl Chloride Monomer (VCM), 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, 2015 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 consolidated financial statements of the Company for the year ended December 31, 2014.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2014.

3.2 There are certain new International Financial Reporting Standards (standards), amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2015. These new standards include IFRS 13 - "Fair value measurement" which only adds certain disclosure requirements with respect to the fair value accounting. Other than IFRS 13, the new standards, amendments and interpretations are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in the consolidated condensed interim financial information.

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

4. ACCOUNTING ESTIMATES

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

During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited consolidated financial statements for the year ended December 31, 2014.

(Amounts in thousand)

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	16,089,250	16,472,475
Capital work-in-progress	326,520	366,659
Capital spares	84,056	84,056
	16,499,826	16,923,190
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	1,100	3,611
Plant and machinery	239,760	849,384
Furniture, fixtures and equipment	8,666	29,149
Vehicles	2,700	-
	252,226	882,144

5.2 During the period, assets costing Rs. 24,403 (December 31, 2014: Rs. 34,586), having net book value of Rs. 9,723 (December 31, 2014: Rs. 11,002) were disposed off for Rs. 8,670 (December 31, 2014: Rs. 11,836) and assets costing Rs. 125 (December 31, 2014: Rs. 42,747) having net book value of Rs. 46 (December 31, 2014: Rs. 8,093) were written-off in respect of which insurance claim of Rs. 70 (December 31, 2014: Rs. 188) has been received.

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
6. DEFERRED TAXATION	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(3,144,040)	(3,517,629)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 6.1	3,389,617	3,628,101
- recoupable minimum turnover tax - note 6.2	264,984	154,348
- unpaid liabilities	90,036	88,283
- provision for Gas Infrastructure Development Cess, Custom Duty and Special Excise Duty	451,829	314,747
- provision for net realizable value against stock-in-trade	51,688	220,655
- provision for slow moving stores and spares	8,646	8,545
- fair value of hedging instruments	9,407	14,657
- share issuance cost, net to equity	49,467	54,413
	4,315,674	4,483,749
	1,171,634	966,120

(Amounts in thousand)

6.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at June 30, 2015 amount to Rs. 11,298,723 (December 31, 2014: Rs.10,994,246) which are entirely attributable to unabsorbed tax depreciation.

6.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 110,636 and maintained deferred tax on minimum turnover tax in respect of tax year 2015 amounting to Rs. 154,348 as the Company, based on its financial projections, expects to recoup it in the ensuing years. Further, in 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach, if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
	Rupees	
7. TRADE DEBTS - considered good		
Secured	167,486	464,597
Unsecured - note 7.1	142,123	90,069
	309,609	554,666
7.1 Includes amounts due from the following related parties:		
- Engro Foods Limited	154	1,492
- Engro Fertilizers Limited	12,792	4,752
- Mitsubishi Corporation	-	135,342
	12,946	141,586
8. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
These include receivables from the following related parties:		
- Engro Vopak Terminal Limited	1,256	-
- Engro Fertilizers Limited	15,127	9,754
- Engro Elengy Limited	307	-
- Engro Foods Limited	34	-
- Engro Powergen Limited	10	-
- Engro Powergen Qadirpur Limited	1,179	9
	17,913	9,763

9. TAXES RECOVERABLE

9.1 Tax Year 2008

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

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

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

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

9.2 Tax Year 2009

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

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

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

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

(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

10.1

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited June 30, 2015	Audited December 31, 2014
				Rupees	
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	1,985,361	2,530,284
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	399,965	566,842
Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May 2013	83,333	166,667
Syndicated term finance V	6 months KIBOR + 1.5%	8 half yearly	June 2015	1,156,869	1,322,136
Bilateral loan I	6 months KIBOR + 2%	6 half yearly	June 2016	543,340	542,388
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	100,000
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	1,614,091	1,991,687
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	847,875	847,450
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	847,875	847,450
				7,778,709	9,114,904
Less: Current portion shown under current liabilities				(3,294,490)	(3,016,196)
				4,484,219	6,098,708

10.2 Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and Syndicate banks and under the bilateral loans agreements, the Company is required to comply with certain debt covenants. The Company is not in compliance with some of these debt covenants and has notified the concerned financial institutions. The Company has already obtained approval from the shareholders for issuance of preference shares during the current period, by way of right issue, amounting to Rs. 4,000,000 to improve the Company's financial position and ratios.

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at June 30, 2015, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 10,668 (December 31, 2014: US $ 13,334) 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.

11.2 As at June 30, 2015, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US$ 40,683 (December 31, 2014: US $ 52,339) to manage exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

12. SHORT TERM BORROWINGS

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
	Rupees	
Sub-ordinate loan from Engro Corporation Limited - note 12.1	600,000	600,000
Export Re-finance utilized under mark-up arrangements - note 12.2	700,000	-
Running finance utilized under mark-up arrangements - note 12.3	926,159	-
Money market loans - note 12.4	400,000	-
	2,626,159	600,000

(Amounts in thousand)

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

12.2 During the period, the Company has availed Export Refinance Facility (ERF Part-II) of Rs. 700,000 carrying mark-up at the rate of 6% on rollover basis for six months. This facility is secured by a floating charge over stocks and book debts of the Company.

12.3 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 2,950,000 (December 31, 2014: Rs. 2,875,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 1% to 1.25% (December 31, 2014: relevant period KIBOR plus 1% to 1.25%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 7.81% to 11.15% (December 31, 2014: 10.77% to 11.69%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

12.4 This represents money market loans obtained from commercial banks carrying mark-up ranging from 7.45% to 7.57% per annum. These loans are obtained for a period ranging from 14 to 30 days and are secured by a hypothecation charge over the current assets of the Company.

		(Unaudited) June 30, 2015	(Audited) December 31, 2014
		Rupees	
13.	**TRADE AND OTHER PAYABLES**		
	Trade and other creditors - note 13.1	4,342,889	7,446,284
	Accrued liabilities - note 13.1	1,077,050	1,253,221
	Advances from customers - note 13.1	323,502	516,138
	Retention money against project payments	11,851	8,733
	Security deposits	42,727	35,614
	Workers' welfare fund	52,419	52,373
	Withholding tax payable	6,280	8,912
	Sales tax payable	10,871	-
	Others - note 13.1	21,397	24,812
		5,888,986	9,346,087
13.1	Includes amounts due to the following related parties:		
	- Engro Corporation Limited	22,628	1,100
	- Mitsubishi Corporation	2,601,466	5,920,255
	- Engro Fertilizers Limited	3,386	-
	- Engro Vopak Terminal Limited	89,853	95,479
		2,717,333	6,016,834
14.	**PROVISIONS**		
	Provision for Gas Infrastructure Development Cess - note 14.1	1,420,767	923,765
	Provision for duty on import of raw materials	90,418	90,418
		1,511,185	1,014,183

(Amounts in thousand)

14.1 On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs. 100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumers, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

The matter regarding levy of the cess prior to promulgation of the GIDC Act, 2015 is presently indeterminate and subjudice. Further a committee has been formed by the Federal Government to review the anomalies of GIDC Act, 2015. Moreover, Sui Southern Gas Company Limited (SSGCL) has also not yet billed cess amount pertaining to period prior to the promulgation of GIDC Act, 2015 to the Company.

On July 24, 2015 the Company has obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained SSGCL from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter.

In the light of foregoing, as a matter of prudence, the Company has maintained the GIDC provision of Rs. 1,345,789 relating to the period prior to the promulgation of GIDC Act, 2015, until the final outcome of the matter. Likewise additional provision of Rs. 74,978 has also been recognized for cess billed by SSGCL relating to the period subsequent to the promulgation of GIDC Act, 2015. Therefore the financial exposure of the Company upto June 30, 2015 is Rs. 1,420,767 (December 31, 2014: Rs. 923,765) which has been fully recognized in this consolidated condensed interim financial information.

15. COMMITMENTS

15.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at June 30, 2015 amounts to Rs. 1,165,000 (December 31, 2014: Rs. 1,165,000). The amount utilized there against is Rs. 1,080,939 (December 31, 2014: Rs. 1,080,939).

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

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
	Rupees	
Not later than 1 year	15,500	14,788
Later than 1 year and no later than 5 years	44,400	51,600
	59,900	66,388

(Amounts in thousand)

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
	Rupees	
16. CASH GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	(524,371)	208,741
Adjustments for non cash charges and other items:		
Provision for GIDC	497,002	225,873
Provision / (Reversal of provision) for net realizable value of stock-in-trade - net	(548,838)	11,865
Provision for slow moving stores and spares	3,166	2,601
Depreciation and amortization	632,152	613,065
Income on short term investments and bank deposits	(30,608)	(41,103)
Exchange loss / (gain) on revaluation of foreign currency borrowings	25,979	(184,680)
Amortization of prepaid financial charges	13,535	14,824
Gain on sale of short term investments - Mutual funds	-	(4,512)
Finance costs	612,685	390,058
Loss on disposal / write off of operating assets	1,029	4,893
Exchange (gain) / loss on derivatives held for trading - net	(76,879)	59,075
Working capital changes - note 16.1	(627,894)	354,486
	(23,042)	1,655,186

16.1 Working capital changes

Decrease / (Increase) in current assets		
Stores, spares and loose tools	(92,419)	(111,013)
Stock-in-trade	2,464,895	80,092
Trade debts - considered good	245,057	266,016
Loans, advances, deposits, prepayments and other receivables	211,674	226,253
	2,829,207	461,348
Decrease in current liabilities		
Trade and other payables	(3,457,101)	(106,862)
	(627,894)	354,486

17. CASH AND CASH EQUIVALENTS

Cash and bank balances	83,902	821,314
Short term investments	277,288	100,000
Money market loans - note 12	(400,000)	-
Running finance utilized under mark-up arrangements - note 12	(926,159)	-
	(964,969)	921,314

(Amounts in thousand)

18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this consolidated condensed interim financial information are same as disclosed in the annual consolidated financial statements of the Company for the year ended December 31, 2014.

	Unaudited June 30, 2015				Unaudited June 30, 2014			
	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	9,984,853	2,404,183	27,974	12,417,010	9,286,185	2,592,483	23,860	11,902,528
Profit / (Loss) before unallocated expenses	(152,477)	650,084	14,558	**512,165**	(299,522)	1,269,146	4,604	**974,228**
Unallocated expenses								
Administrative expenses				(323,657)				(309,594)
Other operating expenses				(145,652)				(128,075)
Other income				45,458				62,240
Finance costs				(612,685)				(390,058)
Taxation				90,957				(85,403)
Profit / (Loss) after taxation				**(433,414)**				**123,338**

	Unaudited June 30, 2015				Audited December 31, 2014			
	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	13,452,816	5,787,878	12,746	19,253,440	15,560,768	6,218,330	12,907	21,792,005
Unallocated assets				4,235,865				4,544,710
Total assets				**23,489,305**				**26,336,715**

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

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

19.1 Financial risk factors

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

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

19.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Assets				
Financial assets at fair value through profit or loss				
- Short term investments	-	207,898	-	207,898
Liabilities				
- Derivative financial instruments	-	74,049	-	74,049

There were no transfers amongst the levels during the period.

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

19.3 Fair value of financial assets and liabilities

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

(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

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

		Unaudited	
		Half year ended	
Nature of relationship	**Nature of transactions**	**June 30, 2015**	**June 30, 2014**
		Rupees	
Engro Corporation Holding Company			
- Engro Corporation Limited	Markup on sub-ordinated loan	34,537	40,593
	Reimbursement made	27,506	54,672
	Reimbursement received	5,414	333
	Use of operating assets	-	466
	Provident fund contribution	4,535	3,664
	Gratuity fund contribution	3,079	2,986
	Pension fund contribution	1,154	1,039
	Medical contribution	112	469
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	4,205,619	3,180,680
	Sale of goods	52,443	147,431
	Purchase of services	-	350
- Arabian Sea Country Club	Purchase of services	201	120
	Annual subscription	16	44
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Purchase of services	-	2,473
	Sale of goods	7,845	11,574
	Sale of services	-	252
	Sale of steam and electricity	29,075	32,105
	Reimbursement made	18,205	4,088
	Reimbursement received	1,394	345
	Use of operating assets	1,214	3,235
- Engro Vopak Terminal Limited	Purchase of services	499,917	510,552
	Reimbursement made	5,564	8,485
	Reimbursement received	3,572	8,337
- Engro Foundation	Reimbursement made	14	131
	Purchase of services	-	19
- Engro PowerGen Qadirpur Limited	Reimbursement made	937	4
- Engro PowerGen Limited	Reimbursement made	-	429
	Use of operating assets	-	481
- Engro Foods Limited	Sale of goods	22,459	28,786
	Reimbursement received	34	-
	Reimbursement made	-	5
	Use of operating assets	-	305
- Engro Eximp (Private) Limited	Reimbursement received	-	61
	Use of operating assets	-	57

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2015	Rupees	Unaudited Half year ended June 30, 2014
- Dawood Hercules Corporation Limited	Purchase of services	7,293		7,200
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	33		-
- Pakistan Institute of Corporate Governance	Purchase of services	-		1,010
	Annual subscription	-		214
- Pakistan Japan Business Forum	Annual subscription	50		-
- Pakistan Society for Human Resource Management	Annual subscription	20		-
- Institute of Business Administration	Purchase of services	-		422
Directors	Fee	650		500
	Advance paid	4,950		-
	Repayment of advance	825		-
Contribution to staff retirement benefits	Provident fund	18,396		20,398
	Gratuity fund	15,408		16,943
Key management personnel	Managerial remuneration	37,631		32,350
	Retirement benefit funds	3,318		6,137
	Bonus	13,008		14,356
	Other benefits	7,046		7,319

21. 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. During the period, for better presentation, an amount of Rs. 74,822 has been reclassified from 'cost of sales' as reported in consolidated condensed interim financial information for the half year ended June 30, 2014 to 'finance cost'.

The effect of other rearrangements and reclassification is not material.

22. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on August 4, 2015 by the Board of Directors of the Company.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

engro polymer & chemicals

UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2015

pwc

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, 2015 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, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

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 condensed interim financial information as of and for the half year ended June 30, 2015 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 20, 2015

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, 2015

	Note	(Unaudited) June 30, 2015	(Audited) December 31, 2014
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	16,499,826	16,923,190
Intangible assets		86,717	51,847
Long term investment - at cost		50,000	50,000
Long term loans and advances		69,432	66,351
Deferred taxation	6	1,171,634	966,120
		17,877,609	18,057,508
Current Assets			
Stores, spares and loose tools		1,566,014	1,476,761
Stock-in-trade		1,981,446	3,897,503
Trade debts - considered good	7	309,609	554,666
Loans, advances, deposits, prepayments and other receivables	8	324,016	535,690
Taxes recoverable	9	1,109,713	1,091,859
Short term investments		207,898	150,012
Cash and bank balances		75,591	537,185
		5,574,287	8,243,676
TOTAL ASSETS		23,451,896	26,301,184
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(21,950)	(29,757)
Accumulated loss		(2,070,112)	(1,629,890)
		5,506,655	5,939,070
Non-Current Liabilities			
Long term borrowings	10	4,484,219	6,098,708
Derivative financial instruments	11	31,357	44,414
		4,515,576	6,143,122
Current Liabilities			
Current portion of long term borrowings	10	3,294,490	3,016,196
Derivative financial instruments - at fair value through profit or loss	11	42,692	119,571
Service benefit obligations		23,993	39,737
Short term borrowings	12	2,626,159	600,000
Trade and other payables	13	5,879,403	9,336,520
Accrued interest / mark-up		51,743	92,785
Provisions	14	1,511,185	1,014,183
		13,429,665	14,218,992
TOTAL EQUITY AND LIABILITIES		23,451,896	26,301,184
Commitments	15		

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

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

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Rupees			
Net revenue	5,715,564	6,535,652	12,417,010	11,902,528
Cost of sales	(5,300,334)	(5,702,483)	(11,234,023)	(10,262,557)
Gross profit	415,230	833,169	1,182,987	1,639,971
Distribution and marketing expenses	(292,673)	(343,403)	(670,822)	(665,743)
Administrative expenses	(181,802)	(171,254)	(323,657)	(309,594)
Other operating expenses	(77,434)	(105,106)	(145,117)	(127,736)
Other income	22,640	33,618	42,620	157,591
Operating profit / (loss)	(114,039)	247,024	86,011	694,489
Finance costs	(286,071)	(297,343)	(612,685)	(390,053)
Profit / (Loss) before taxation	(400,110)	(50,319)	(526,674)	304,436
Taxation	72,841	23,934	91,398	(85,360)
Profit / (Loss) for the period	(327,269)	(26,385)	(435,276)	219,076
Earnings / (Loss) per share - basic and diluted	(0.49)	(0.04)	(0.66)	0.33

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Rupees			
Profit / (Loss) for the period	(327,269)	(26,385)	(435,276)	219,076
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items	(4,946)	(1,649)	(4,946)	(1,649)
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (Loss) arising during the period	8,754	(35,676)	(5,040)	37,555
Reclassification adjustments for losses / (gains) included in profit or loss	8,935	5,868	18,097	(20,386)
Income tax relating to hedging reserve	(6,779)	9,506	(5,250)	(6,466)
	10,910	(20,302)	7,807	10,703
Other comprehensive gain / (loss) for the period - net of tax	5,964	(21,951)	2,861	9,054
Total comprehensive income / (loss) for the period	(321,305)	(48,336)	(432,415)	228,130

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
	Rupees				
Balance as at January 1, 2014 (Audited)	6,634,688	964,029	(52,804)	(612,103)	6,933,810
Total comprehensive income for the half year ended June 30, 2014	-	-	10,703	217,427	228,130
Balance as at June 30, 2014 (Unaudited)	6,634,688	964,029	(42,101)	(394,676)	7,161,940
Total comprehensive loss for the half year ended December 31, 2014	-	-	12,344	(1,235,214)	(1,222,870)
Balance as at December 31, 2014 (Audited)	6,634,688	964,029	(29,757)	(1,629,890)	5,939,070
Total comprehensive loss for the half year ended June 30, 2015	-	-	7,807	(440,222)	(432,415)
Balance as at June 30, 2015 (Unaudited)	6,634,688	964,029	(21,950)	(2,070,112)	5,506,655

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

	Note	Half year ended June 30, 2015	Half year ended June 30, 2014
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	(23,118)	1,654,198
Finance costs paid		(653,727)	(393,905)
Long term loans and advances		(3,081)	(3,541)
Payment against employee service benefits		(15,744)	(47,045)
Income tax paid		(142,166)	(178,462)
Net cash (utilized in) / generated from operating activities		(837,836)	1,031,245
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(212,086)	(471,343)
Purchases of intangible assets		(41,341)	(14,819)
Proceeds from disposal of property, plant and equipment		8,740	4,635
Dividend from subsidiary		-	100,000
Income on bank deposits		28,365	40,966
Net cash utilized in investing activities		(216,322)	(340,561)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(1,375,709)	(1,069,440)
Proceeds from short term borrowings		700,000	300,000
Net cash utilized in financing activities		(675,709)	(769,440)
Net decrease in cash and cash equivalents		(1,729,867)	(78,756)
Cash and cash equivalents at beginning of the period		687,197	994,273
Cash and cash equivalents at end of the period	17	(1,042,670)	915,517

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2015

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), Vinyl Chloride Monomer (VCM), 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, 2015 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, 2014.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2014.

3.2 There are certain new International Financial Reporting Standards (standards), amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2015. These new standards include IFRS 13 - "Fair value measurement" which only adds certain disclosure requirements with respect to the fair value accounting. Other than IFRS 13, the new standards, amendments and interpretations are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in the condensed interim financial information.

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

4. ACCOUNTING ESTIMATES

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

During the preparation of this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited financial statements for the year ended December 31, 2014.

(Amounts in thousand)

		(Unaudited) June 30, 2015	(Audited) December 31, 2014
		Rupees	
5.	**PROPERTY, PLANT AND EQUIPMENT**		
	Operating assets, at net book value - notes 5.1 and 5.2	16,089,250	16,472,475
	Capital work-in-progress	326,520	366,659
	Capital spares	84,056	84,056
		16,499,826	16,923,190
5.1	Additions to operating assets during the period / year were as follows:		
	Building on leasehold land	1,100	3,611
	Plant and machinery	239,760	849,384
	Furniture, fixtures and equipment	8,666	29,149
	Vehicles	2,700	-
		252,226	882,144

5.2 During the period, assets costing Rs. 24,403 (December 31, 2014: Rs. 34,586), having net book value of Rs. 9,723 (December 31, 2014: Rs. 11,002) were disposed off for Rs. 8,670 (December 31, 2014: Rs. 11,836) and assets costing Rs. 125 (December 31, 2014: Rs. 42,747) having net book value of Rs. 46 (December 31, 2014: Rs. 8,093) were written-off in respect of which insurance claim of Rs. 70 (December 31, 2014: Rs. 188) has been received.

		(Unaudited) June 30, 2015	(Audited) December 31, 2014
6.	**DEFERRED TAXATION**	Rupees	
	Credit balances arising due to:		
	- accelerated tax depreciation	(3,144,040)	(3,517,629)
	Debit balances arising due to:		
	- recoupable carried forward tax losses - note 6.1	3,389,617	3,628,101
	- recoupable minimum turnover tax - note 6.2	264,984	154,348
	- unpaid liabilities	90,036	88,283
	- provision for Gas Infrastructure Development Cess, Custom Duty and Special Excise Duty	451,829	314,747
	- provision for net realizable value against stock-in-trade	51,688	220,655
	- provision for slow moving stores and spares	8,646	8,545
	- fair value of hedging instruments	9,407	14,657
	- share issuance cost, net to equity	49,467	54,413
		4,315,674	4,483,749
		1,171,634	966,120

(Amounts in thousand)

6.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at June 30, 2015 amount to Rs. 11,298,723 (December 31, 2014: Rs.10,994,246) which are entirely attributable to unabsorbed tax depreciation.

6.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 110,636 and maintained deferred tax on minimum turnover tax in respect of tax year 2015 amounting to Rs. 154,348 as the Company, based on its financial projections, expects to recoup it in the ensuing years. Further, in 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach, if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

		(Unaudited) June 30, 2015	(Audited) December 31, 2014
		Rupees	
7.	**TRADE DEBTS - considered good**		
	Secured	167,486	464,597
	Unsecured - note 7.1	142,123	90,069
		309,609	554,666
7.1	Includes amounts due from the following related parties:		
	- Engro Foods Limited	154	1,492
	- Engro Fertilizers Limited	12,792	4,752
	- Mitsubishi Corporation	-	135,342
		12,946	141,586
8.	**LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**		
	These include receivables from the following related parties:		
	- Engro Vopak Terminal Limited	1,256	-
	- Engro Fertilizers Limited	15,127	9,754
	- Engro Elengy Limited	307	-
	- Engro Foods Limited	34	-
	- Engro Powergen Limited	10	-
	- Engro Powergen Qadirpur Limited	1,179	9
		17,913	9,763

9. TAXES RECOVERABLE

9.1 Tax Year 2008

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

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

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

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

9.2 Tax Year 2009

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

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

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

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

(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

10.1

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited June 30, 2015	Audited December 31, 2014
				Rupees	
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	1,985,361	2,530,284
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	399,965	566,842
Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May 2013	83,333	166,667
Syndicated term finance V	6 months KIBOR + 1.5%	8 half yearly	June 2015	1,156,869	1,322,136
Bilateral loan I	6 months KIBOR + 2%	6 half yearly	June 2016	543,340	542,388
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	100,000
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	1,614,091	1,991,687
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	847,875	847,450
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	847,875	847,450
				7,778,709	9,114,904
Less: Current portion shown under current liabilities				(3,294,490)	(3,016,196)
				4,484,219	6,098,708

10.2 Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and Syndicate banks and under the bilateral loans agreements, the Company is required to comply with certain debt covenants. The Company is not in compliance with some of these debt covenants and has notified the concerned financial institutions. The Company has already obtained approval from the shareholders for issuance of preference shares during the current period, by way of right issue, amounting to Rs. 4,000,000 to improve the Company's financial position and ratios.

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at June 30, 2015, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 10,668 (December 31, 2014: US $ 13,334) 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.

11.2 As at June 30, 2015, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US$ 40,683 (December 31, 2014: US $ 52,339) to manage exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

12. SHORT TERM BORROWINGS

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
	Rupees	
Sub-ordinate loan from Engro Corporation Limited - note 12.1	600,000	600,000
Export Re-finance utilized under mark-up arrangements - note 12.2	700,000	-
Running finance utilized under mark-up arrangements - note 12.3	926,159	-
Money market loans - note 12.4	400,000	-
	2,626,159	600,000

(Amounts in thousand)

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

12.2 During the period, the Company has availed Export Refinance Facility (ERF Part-II) of Rs. 700,000 carrying mark-up at the rate of 6% on rollover basis for six months. This facility is secured by a floating charge over stocks and book debts of the Company.

12.3 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 2,950,000 (December 31, 2014: Rs. 2,875,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 1% to 1.25% (December 31, 2014: relevant period KIBOR plus 1% to 1.25%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 7.81% to 11.15% (December 31, 2014: 10.77% to 11.69%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

12.4 This represents money market loans obtained from commercial banks carrying mark-up ranging from 7.45% to 7.57% per annum. These loans are obtained for a period ranging from 14 to 30 days and are secured by a hypothecation charge over the current assets of the Company.

		(Unaudited) June 30, 2015	(Audited) December 31, 2014
		Rupees	
13.	**TRADE AND OTHER PAYABLES**		
	Trade and other creditors - note 13.1	4,342,889	7,446,284
	Accrued liabilities - note 13.1	1,076,122	1,252,263
	Advances from customers - note 13.1	323,502	516,138
	Retention money against project payments	11,851	8,733
	Security deposits	42,727	35,614
	Workers' welfare fund	43,764	43,764
	Withholding tax payable	6,280	8,912
	Sales tax payable	10,871	-
	Others - note 13.1	21,397	24,812
		5,879,403	9,336,520
13.1	Includes amounts due to the following related parties:		
	- Engro Corporation Limited	22,628	1,100
	- Mitsubishi Corporation	2,601,466	5,920,255
	- Engro Fertilizers Limited	3,386	-
	- Engro Vopak Terminal Limited	89,853	95,479
		2,717,333	6,016,834
14.	**PROVISIONS**		
	Provision for Gas Infrastructure Development Cess - note 14.1	1,420,767	923,765
	Provision for duty on import of raw materials	90,418	90,418
		1,511,185	1,014,183

(Amounts in thousand)

14.1 On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs. 100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumers, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

The matter regarding levy of the cess prior to promulgation of the GIDC Act, 2015 is presently indeterminate and subjudice. Further a committee has been formed by the Federal Government to review the anomalies of GIDC Act, 2015. Moreover, Sui Southern Gas Company Limited (SSGCL) has also not yet billed cess amount pertaining to period prior to the promulgation of GIDC Act, 2015 to the Company.

On July 24, 2015 the Company has obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained SSGCL from charging and/ or recovering the cess under the GIDC Act, 2015 till the final decision on this matter.

In the light of foregoing, as a matter of prudence, the Company has maintained the GIDC provision of Rs. 1,345,789 relating to the period prior to the promulgation of GIDC Act 2015, until the final outcome of the matter. Likewise additional provision of Rs. 74,978 has also been recognized for cess billed by SSGCL relating to the period subsequent to the promulgation of GIDC Act 2015. Therefore the financial exposure of the Company upto June 30, 2015 is Rs. 1,420,767 (December 31, 2014: Rs. 923,765) which has been fully recognized in this condensed interim financial information.

15. COMMITMENTS

15.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at June 30, 2015 amounts to Rs. 1,165,000 (December 31, 2014: Rs. 1,165,000). The amount utilized there against is Rs. 1,080,939 (December 31, 2014: Rs. 1,080,939).

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

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
	Rupees	
Not later than 1 year	15,500	14,788
Later than 1 year and no later than 5 years	44,400	51,600
	59,900	66,388

(Amounts in thousand)

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
	Rupees	
16. CASH GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	(526,674)	304,436
Adjustments for non cash charges and other items:		
Provision for GIDC	497,002	225,873
Provision / (Reversal of provision) for net realizable value of stock-in-trade - net	(548,838)	11,865
Provision for slow moving stores and spares	3,166	2,601
Depreciation and amortization	632,152	613,065
Income on short term investments and bank deposits	(28,365)	(40,966)
Exchange loss / (gain) on revaluation of foreign currency borrowings	25,979	(184,680)
Amortization of prepaid financial charges	13,535	14,824
Finance costs	612,685	390,053
Loss on disposal / write off of operating assets	1,029	4,893
Exchange (gain) / loss on derivatives held for trading - net	(76,879)	59,075
Dividend from subsidiary	-	(100,000)
Working capital changes - note 16.1	(627,910)	353,159
	(23,118)	1,654,198

16.1 Working capital changes

Decrease / (Increase) in current assets		
Stores, spares and loose tools	(92,419)	(111,013)
Stock-in-trade	2,464,895	80,092
Trade debts - considered good	245,057	266,016
Loans, advances, deposits, prepayments and other receivables	211,674	225,031
	2,829,207	460,126
Decrease in current liabilities		
Trade and other payables	(3,457,117)	(106,967)
	(627,910)	353,159

17. CASH AND CASH EQUIVALENTS

Cash and bank balances	75,591	815,517
Short term investments	207,898	100,000
Money market loans - note 12	(400,000)	-
Running finance utilized under mark-up arrangements - note 12	(926,159)	-
	(1,042,670)	915,517

(Amounts in thousand)

18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2014.

	Unaudited June 30, 2015				Unaudited June 30, 2014			
	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	9,984,853	2,404,183	27,974	12,417,010	9,286,185	2,592,483	23,860	11,902,528
Profit / (Loss) before unallocated expenses	(152,477)	650,084	14,558	**512,165**	(299,522)	1,269,146	4,604	**974,228**
Unallocated expenses								
Administrative expenses				(323,657)				(309,594)
Other operating expenses				(145,117)				(127,736)
Other income				42,620				157,591
Finance costs				(612,685)				(390,053)
Taxation				91,398				(85,360)
Profit / (Loss) after taxation				**(435,276)**				**219,076**

	Unaudited June 30, 2015				Audited December 31, 2014			
	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	13,452,816	5,787,878	12,746	19,253,440	15,560,768	6,218,330	12,907	21,792,005
Unallocated assets				4,198,456				4,509,179
Total assets				**23,451,896**				**26,301,184**

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

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

19.1 Financial risk factors

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

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

19.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Assets				
Financial assets at fair value through profit or loss				
- Short term investments	-	207,898	-	207,898
Liabilities				
- Derivative financial instruments	-	74,049	-	74,049

There were no transfers amongst the levels during the period.

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

19.3 Fair value of financial assets and liabilities

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

(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

20.1 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, 2015	Unaudited Half year ended June 30, 2014
		Rupees	
Holding Company			
- Engro Corporation Limited	Markup on sub-ordinated loan	34,537	40,593
	Reimbursement made	27,506	54,672
	Reimbursement received	5,414	333
	Use of operating assets	-	466
	Provident fund contribution	4,535	3,664
	Gratuity fund contribution	3,079	2,986
	Pension fund contribution	1,154	1,039
	Medical contribution	112	469
Subsidiary Company			
- Engro Polymer Trading (Private) Limited	Dividend received	-	100,000
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	4,205,619	3,180,680
	Sale of goods	52,443	147,431
	Purchase of services	-	350
- Arabian Sea Country Club	Purchase of services	201	120
	Annual subscription	16	44
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Purchase of services	-	2,473
	Sale of goods	7,845	11,574
	Sale of services	-	252
	Sale of steam and electricity	29,075	32,105
	Reimbursement made	18,205	4,088
	Reimbursement received	1,394	345
	Use of operating assets	1,214	3,235
- Engro Vopak Terminal Limited	Purchase of services	499,917	510,552
	Reimbursement made	5,564	8,485
	Reimbursement received	3,572	8,337
- Engro Foundation	Reimbursement made	14	131
	Purchase of services	-	19

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2015	Unaudited Half year ended June 30, 2014
		Rupees	
- Engro PowerGen Qadirpur Limited	Reimbursement made	937	4
- Engro PowerGen Limited	Reimbursement made	-	429
	Use of operating assets	-	481
- Engro Foods Limited	Sale of goods	22,459	28,786
	Reimbursement received	34	-
	Reimbursement made	-	5
	Use of operating assets	-	305
- Engro Eximp (Private) Limited	Reimbursement received	-	61
	Use of operating assets	-	57
- Dawood Hercules Corporation Limited	Purchase of services	7,293	7,200
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	33	-
- Pakistan Institute of Corporate Governance	Purchase of services	-	1,010
	Annual subscription	-	214
- Pakistan Japan Business Forum	Annual subscription	50	-
- Pakistan Society for Human Resource Management	Annual subscription	20	-
- Institute of Business Administration	Purchase of services	-	422
Directors	Fee	650	500
	Advance paid	4,950	-
	Repayment of advance	825	-
Contribution to staff retirement benefits	Provident fund	18,396	20,398
	Gratuity fund	15,408	16,943
Key management personnel	Managerial remuneration	37,631	32,350
	Retirement benefit funds	3,318	6,137
	Bonus	13,008	14,356
	Other benefits	7,046	7,319

(Amounts in thousand)

21. 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. During the period, for better presentation, an amount of Rs. 74,822 has been reclassified from 'cost of sales' as reported in condensed interim financial information for the half year ended June 30, 2014 to 'finance cost'.

The effect of other rearrangements and reclassifications are not material.

22. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 4, 2015 by the Board of Directors of the Company.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

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