engro polymer & chemicals

Financial Information for the Half Year ended June 30, 2016

CONTENTS

COMPANY INFORMATION

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

engro polymer & chemicals

DIRECTORS' REVIEW &
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED JUNE 30, 2016

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

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

Business Review

During 2Q 2016, international PVC prices witnessed a modest uptick initially, however, trajectory could not be sustained towards the end of the quarter. On the other hand, Ethylene prices demonstrated slight drop due to improvement in supply side dynamics, providing some support to the margins.

On the domestic market front, PVC demand remained robust on account of strong construction activity and positive economic sentiment and the Company recorded highest ever sale during the period.Chlor-Alkali market remained stable in terms of volume, however, Caustic Soda margins remained under pressure due to competitive pricing landscape.

On the production side, EPCL achieved highest ever production of PVC and VCM during half year 2016 despite undergoing a planned shutdown, which was completed successfully. Chlor Alkali operations remained stable.

In 1H 2016, The Company recorded revenue of Rs. 11,161 million compared to Rs. 12,417 million in the same period last year and posted a Profit After Tax (PAT) of Rs. 40 million translating into an Earnings Per Share (EPS) of Rs. 0.06 Per share compared to a Loss After Tax (LAT) of Rs. 433 million translating into Loss Per Share (LPS) of Rs. 0.65 for the same period last year. Strong performance of PVC segment and lower financial charges contributed towards the Company's profitability.

The Company maintains a strong focus on Health, Safety & Environment in its operations. Regular monitoring of Safety indicators ensured the improvement of processes and also supplemented in preventive measures for avoidable incidents.

Future Outlook

Domestic market for PVC is expected to remain strong while the Caustic market is projected to remain stable. Caustic margin is expected to remain under pressure due to competitive landscape.The Company will continue to optimize operational performance.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

Karachi
August 03, 2016

pwc

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, 2016 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, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2016.

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, 2016 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 26, 2016

Engagement Partner: Waqas A. Sheikh

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(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2016

	Note	(Unaudited) June 30, 2016	(Audited) December 31, 2015
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	15,925,534	16,249,050
Intangible assets		97,942	90,345
Long term loans and advances	6	70,507	66,372
Deferred taxation	7	956,761	908,103
		17,050,744	17,313,870
Current Assets			
Stores, spares and loose tools		1,526,717	1,539,344
Stock-in-trade		2,729,604	2,941,206
Trade debts - considered good	8	270,362	436,852
Loans, advances, deposits, prepayments and other receivables	9	356,107	395,547
Taxes recoverable	10	1,075,132	1,115,723
Short term investments		-	300,000
Cash and bank balances	11	142,104	169,222
		6,100,026	6,897,894
TOTAL ASSETS		23,150,770	24,211,764
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(6,201)	(11,993)
Accumulated loss		(2,213,004)	(2,252,996)
		5,379,512	5,333,728
Non-Current Liabilities			
Long term borrowings	12	4,312,842	5,262,612
Derivative financial instruments	13	8,987	17,382
		4,321,829	5,279,994
Current Liabilities			
Current portion of long term borrowings	12	2,371,668	3,064,064
Derivative financial instruments - at fair value through profit or loss	13	873	23,982
Service benefit obligations		22,995	38,976
Short term borrowings	14	3,794,121	2,957,086
Trade and other payables	15	5,591,152	6,310,020
Accrued interest / mark-up		34,437	55,041
Provisions	16	1,634,183	1,148,873
		13,449,429	13,598,042
TOTAL EQUITY AND LIABILITIES		23,150,770	24,211,764
Contingencies and Commitments	17		

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

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

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

		Quarter ended		Half year ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
		Rupees			
Net revenue		5,421,862	5,715,564	11,161,213	12,417,010
Cost of sales		(4,741,741)	(5,352,650)	(9,745,082)	(11,309,675)
Gross profit		680,121	362,914	1,416,131	1,107,335
Distribution and marketing expenses		(284,000)	(292,673)	(597,070)	(670,822)
Administrative expenses		(128,196)	(129,486)	(242,981)	(248,005)
Other operating expenses		(5,857)	(77,848)	(53,423)	(145,652)
Other income	18	4,911	23,924	8,779	45,458
Operating profit / (loss)		266,979	(113,169)	531,436	88,314
Finance costs		(220,768)	(286,071)	(461,355)	(612,685)
Profit / (Loss) before taxation		46,211	(399,241)	70,081	(524,371)
Taxation		(24,047)	72,873	(30,089)	90,957
Profit / (Loss) for the period		22,164	(326,368)	39,992	(433,414)
Earnings / (Loss) per share - basic and diluted		0.03	(0.49)	0.06	(0.65)

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	Rupees			
Profit / (Loss) for the period	22,164	(326,368)	39,992	(433,414)
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)	-	(4,946)
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (Loss) arising during the period	4,133	8,754	(1,865)	(5,040)
Reclassification adjustments for losses included in profit or loss	5,397	8,935	10,260	18,097
Income tax relating to hedging reserve	(2,955)	(6,779)	(2,603)	(5,250)
	6,575	10,910	5,792	7,807
Other comprehensive income for the period - net of tax	6,575	5,964	5,792	2,861
Total comprehensive income / (loss) for the period	28,739	(320,404)	45,784	(430,553)

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

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

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
	Rupees				
Balance as at January 1, 2015 (Audited)	6,634,688	964,029	(29,757)	(1,603,926)	5,965,034
Total comprehensive loss for the 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
Total comprehensive loss for the half year ended December 31, 2015	-	-	9,957	(210,710)	(200,753)
Balance as at December 31, 2015 (Audited)	6,634,688	964,029	(11,993)	(2,252,996)	5,333,728
Total comprehensive income for the half year ended June 30, 2016	-	-	5,792	39,992	45,784
Balance as at June 30, 2016 (Unaudited)	6,634,688	964,029	(6,201)	(2,213,004)	5,379,512

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

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

	Note	Half year ended June 30, 2016	Half year ended June 30, 2015
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	1,423,526	75,265
Finance costs paid		(481,959)	(653,727)
Long term loans and advances		(4,135)	(3,081)
Payment against employee service benefits		(38,751)	(37,172)
Settlement of derivatives held for trading - net		(23,109)	(76,879)
Income tax paid		(40,759)	(142,476)
Net cash generated from / (utilized in) operating activities		834,813	(838,070)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(335,869)	(212,086)
Purchases of intangible assets		(14,974)	(41,341)
Proceeds from disposal of property, plant and equipment		4,015	8,740
Proceed from the sale of short term investments		-	69,986
Purchases of short term investments		-	(67,902)
Income on bank deposits		587	28,524
Net cash utilized in investing activities		(346,241)	(214,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(1,652,725)	(1,375,709)
Proceeds from short term borrowings		900,000	700,000
Repayments of short term borrowings		(750,000)	-
Net cash utilized in financing activities		(1,502,725)	(675,709)
Net decrease in cash and cash equivalents		(1,014,153)	(1,727,858)
Cash and cash equivalents at beginning of the period		(1,137,864)	762,889
Cash and cash equivalents at end of the period	20	(2,152,017)	(964,969)

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

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.

As notified on the stock exchanges of Pakistan on November 24, 2015, the Company received an announcement of intention by a potential acquirer to acquire entire shareholding of Engro Corporation Limited in the Company. Accordingly, the Company has provided certain information to enable the potential acquirer to carry out due diligence, which is currently in progress as at the balance sheet date.

2. BASIS OF PREPARATION

This consolidated condensed interim financial information of the Company for the half year ended June 30, 2016 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This consolidated condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required under the Code of Corporate Governance. 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, 2015.

3. ACCOUNTING POLICIES

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

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

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

(Amounts in thousand)

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 audited annual consolidated financial statements for the year ended December 31, 2015.

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,191,165	15,520,580
Capital work-in-progress	648,419	642,520
Capital spares	85,950	85,950
	15,925,534	16,249,050
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	-	1,099
Plant and machinery	312,550	315,102
Furniture, fixtures and equipment	17,420	10,683
Vehicles	-	2,700
	329,970	329,584

5.2 During the period, asset costing Rs. 12,690 (December 31, 2015: Rs. 33,704), having net book value of Rs. 3,760 (December 31, 2015: Rs. 12,325) was disposed off for Rs. 4,015 (December 31, 2015: Rs. 10,896) and assets costing Nil (December 31, 2015: Rs. 125) having net book value of Nil (December 31, 2015: Rs. 79) were written off in respect of which insurance claim of Nil (December 31, 2015: Rs. 70) has been received.

6. LONG TERM LOANS AND ADVANCES

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

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

(Amounts in thousand)

7. DEFERRED TAXATION

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(2,931,690)	(2,995,947)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	3,198,241	3,424,568
- recoupable minimum turnover tax - note 7.2	78,083	-
- unpaid liabilities	76,585	70,720
- provision for Gas Infrastructure Development Cess and Special Excise Duty	460,806	325,412
- provision for net realizable value against stock-in-trade	8,992	14,312
- provision for slow moving stores and spares	13,491	14,182
- fair value of hedging instruments	2,786	5,389
- share issuance cost, net to equity	49,467	49,467
	3,888,451	3,904,050
	956,761	908,103

7.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at June 30, 2016 amount to Rs. 10,660,804 (December 31, 2015: Rs. 11,415,228) which are entirely attributable to unabsorbed tax depreciation.

7.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 78,083 (December 31, 2015: Nil) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

(Amounts in thousand)

		(Unaudited) June 30, 2016	(Audited) December 31, 2015
		Rupees	
8.	**TRADE DEBTS - considered good**		
	Secured	112,924	301,035
	Unsecured - note 8.1	157,438	135,817
		270,362	436,852

8.1	Includes amounts due from the following related parties:		
	- Engro Foods Limited	1,875	2,689
	- Engro Fertilizers Limited	19,943	16,896
		21,818	19,585

		(Unaudited) June 30, 2016	(Audited) December 31, 2015
		Rupees	
9.	**LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**		
9.1	These include receivables from the following related parties:		
	- Engro Vopak Terminal Limited	178	1,800
	- Engro Fertilizers Limited	671	-
	- Engro Foundation	3	-
	- Sindh Engro Coal Mining Company Limited	94	-
	- Engro Foods Limited	6	7
	- Engro Powergen Limited	4,095	-
	- Engro Powergen Qadirpur Limited	1,667	253
		6,714	2,060

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

10. TAXES RECOVERABLE

10.1 Tax Year 2008

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

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

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

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

10.2 Tax Year 2009

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

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

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

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

11. CASH AND BANK BALANCES

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

(Amounts in thousand)

12. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited June 30, 2016	Audited December 31, 2015
				Rupees	
Permissible under Shariah					
Master Istisna IV	6 months KIBOR + 2.6%	Single	April 2016	-	100,000
Conventional					
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	725,591	1,385,616
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	-	212,085
Syndicated term finance V	6 months KIBOR + 1.5%	8 half yearly	June 2015	826,335	991,605
Bilateral loan I	6 months KIBOR + 2%	6 half yearly	June 2016	453,576	544,291
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	831,558	1,246,479
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,725	848,300
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,725	848,300
Sub-ordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5%	Repayable in full in five years		2,150,000	2,150,000
				6,684,510	8,226,676
				6,684,510	8,326,676
Less: Current portion shown under current liabilities				(2,371,668)	(3,064,064)
				4,312,842	5,262,612

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

13. DERIVATIVE FINANCIAL INSTRUMENTS

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

13.2 As at June 30, 2016, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US$ 779 (December 31, 2015: US$ 24,471) to manage exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreements on settlement dates.

14. SHORT TERM BORROWINGS

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
	Rupees	
Permissible under Shariah		
Master Istisna - note 14.1	300,000	-
Export refinance facility - note 14.2	-	200,000
Conventional		
Export refinance facility - note 14.2	-	550,000
Running finance utilized under mark-up arrangements - note 14.3	1,419,121	527,086
Money market loans - note 14.4	875,000	1,080,000
Sub-ordinated loan from Engro Corporation Limited - note 14.5	1,200,000	600,000
	3,794,121	2,957,086

(Amounts in thousand)

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

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

14.3 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 3,015,000 (December 31, 2015: Rs. 3,050,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to 1.25% (December 31, 2015: relevant period KIBOR plus 0.9% to 1%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 7.11% to 7.50% (December 31, 2015: 7.44% to 11.15%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

14.4 This represents money market loans obtained from commercial banks carrying mark-up ranging from 6.49% to 6.70% (December 31, 2015: 6.9% to 7.06%) per annum. These loans are obtained for a period ranging from 14 to 30 days and are secured by a hypothecation charge over the current assets of the Company.

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

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
	Rupees	
15. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 15.1	4,043,998	4,474,429
Accrued liabilities - note 15.1	1,099,120	1,240,189
Advances from customers - note 15.1	301,358	437,624
Retention money against project payments	12,076	11,887
Security deposits	32,947	41,937
Workers' profits participation fund	4,334	-
Workers' welfare fund	68,045	52,490
Withholding tax payable	4,070	4,858
Others - note 15.1	25,204	46,606
	5,591,152	6,310,020
15.1 Includes amounts due to the following related parties:		
- Engro Corporation Limited	6,541	392
- Mitsubishi Corporation	996,779	2,195,710
- Engro Fertilizers Limited	-	485
- Engro Vopak Terminal Limited	85,161	93,654
	1,088,481	2,290,241
16. PROVISIONS		
Provision for Gas Infrastructure Development Cess - note 16.1	1,634,183	1,148,873

(Amounts in thousand)

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

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

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

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and/or recovering the cess under GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 1,042,058 (December 31, 2015: Rs. 556,748) pertaining to the period subsequent to promulgation of GIDC Act, 2015.

17. CONTINGENCIES AND COMMITMENTS

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

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

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

	(Unaudited) June 30, 2016		**(Audited) December 31, 2015**
		Rupees	
Not later than 1 year	15,436		16,834
Later than 1 year and no later than 5 years	22,800		37,200
	38,236		54,034

(Amounts in thousand)

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

18. OTHER INCOME

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

19. CASH GENERATED FROM OPERATIONS

	(Unaudited) June 30, 2016	(Unaudited) June 30, 2015
	Rupees	
Profit / (Loss) before taxation	70,081	(524,371)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	22,770	21,428
Provision for GIDC	485,310	497,002
Reversal of provision for net realizable value of stock-in-trade, net	(19,008)	(548,838)
Provision for slow moving stores and spares	-	3,166
Depreciation and amortization	663,002	632,152
Income on short term investments and bank deposits	(587)	(30,608)
Exchange (gain) / loss on revaluation of foreign currency borrowings	(2,400)	25,979
Amortization of prepaid financial charges	12,959	13,535
Finance costs	461,355	612,685
(Profit) / Loss on disposal of operating assets	(255)	1,029
Working capital changes - note 19.1	(269,701)	(627,894)
	1,423,526	75,265

19.1 Working capital changes

Decrease / (Increase) in current assets		
Stores, spares and loose tools	12,627	(92,419)
Stock-in-trade	230,610	2,464,895
Trade debts - considered good	166,490	245,057
Loans, advances, deposits, prepayments and other receivables - net	39,440	211,674
	449,167	2,829,207
Decrease in current liabilities		
Trade and other payables	(718,868)	(3,457,101)
	(269,701)	(627,894)

(Amounts in thousand)

	(Unaudited) June 30, 2016	(Unaudited) June 30, 2015
	Rupees	

20. CASH AND CASH EQUIVALENTS

Cash and bank balances	142,104	83,902
Short term investments	-	277,288
Money market loans - note 14	(875,000)	(400,000)
Running finance utilized under mark-up arrangements - note 14	(1,419,121)	(926,159)
	(2,152,017)	(964,969)

21. SEGMENT INFORMATION

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

	Unaudited June 30, 2016				Unaudited June 30, 2015			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Net revenue	8,724,128	2,413,052	24,033	11,161,213	9,984,853	2,404,183	27,974	12,417,010
Profit / (Loss) before unallocated expenses	225,007	601,044	(6,990)	**819,061**	(152,477)	650,084	14,558	**512,165**
Unallocated expenses								
Administrative expenses				(242,981)				(323,657)
Other operating expenses				(53,423)				(145,652)
Other income				8,779				45,458
Finance costs				(461,355)				(612,685)
Taxation				(30,089)				90,957
Profit / (Loss) after taxation				**39,992**				**(433,414)**

	Unaudited June 30, 2016				Audited December 31, 2015			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	13,399,699	5,662,805	12,423	19,074,927	14,785,696	5,093,381	12,585	19,891,662
Unallocated assets				4,075,842				4,320,102
Total assets				**23,150,769**				**24,211,764**

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

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

22.1 Financial risk factors

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

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

22.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Liabilities				
- Derivative financial instruments	-	9,860	-	9,860

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

22.3 Fair value of financial assets and liabilities

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

(Amounts in thousand)

23. TRANSACTIONS WITH RELATED PARTIES

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

		Unaudited	
		Half year ended	
Nature of relationship	Nature of transactions	June 30, 2016	June 30, 2015
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on sub-ordinated loan	137,404	34,537
	Reimbursement made	63,179	27,506
	Reimbursement received	978	5,414
	Provident fund contribution	4,976	4,535
	Gratuity fund contribution	3,301	3,079
	Pension fund contribution	1,394	1,154
	Medical contribution	97	112
	Short-term loan received	600,000	-
	Life insurance	306	253
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	995,703	4,205,619
	Sale of goods	91,262	52,443
- Arabian Sea Country Club	Purchase of services	150	201
	Annual subscription	-	16
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	10,161	7,845
	Sale of steam and electricity	33,618	29,075
	Reimbursement made	14,957	18,205
	Reimbursement received	6,818	1,394
	Use of operating assets	9	1,214
- Engro Vopak Terminal Limited	Purchase of services	463,195	499,917
	Reimbursement made	-	5,564
	Reimbursement received	355	3,572
- Engro Foundation	Reimbursement made	12	14
- Engro Powergen Qadirpur Limited	Reimbursement made	7,577	937
	Reimbursement received	4,338	-

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2016	Unaudited Half year ended June 30, 2015
		Rupees	
- Engro Foods Limited	Sale of goods	22,922	22,459
	Reimbursement made	4,769	-
	Reimbursement received	7	34
	Use of operating asset	165	-
- Engro Powergen Limited	Reimbursement received	5,598	-
- Sindh Engro Coal Mining Company Limited	Reimbursement received	579	-
- Engro Thar Power Limited	Reimbursement received	94	-
- Shell Pakistan Limited	Purchase of goods	3,798	-
- The Hub Power Company Limited	Sales of goods	1,552	-
- Dawood Hercules Corporation Limited	Purchase of services	-	7,293
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	-	33
- Pakistan Institute of Corporate Governance	Purchase of services	388	-
- Pakistan Japan Business Forum	Annual subscription	50	50
- Pakistan Society for Human Resource Management	Annual subscription	-	20
- Lahore University Of Management Sciences	Purchase of services	138	-
Directors	Fee	750	650
	Advance paid	-	4,950
	Repayment of advance	4,125	825
Contribution to staff retirement benefits	Provident fund	21,647	18,396
	Gratuity fund	18,085	15,408
Key management personnel	Managerial remuneration	34,631	37,631
	Retirement benefit funds	5,669	3,318
	Bonus	10,301	13,008
	Other benefits	8,123	7,046

(Amounts in thousand)

24. CORRESPONDING FIGURES

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

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison. During the period, for better presentation, Rs. 75,652 in respect of purchased services and staff related cost has been reclassified from 'administrative expenses' as reported in consolidated condensed interim financial information for the half year ended June 30, 2015 to 'cost of sales'.

The effects of other rearrangements and reclassifications are not material.

25. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on August 03, 2016 by the Board of Directors of the Company.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

engro polymer & chemicals

UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2016

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, 2016 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, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2016.

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, 2016 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 26, 2016

Engagement Partner: Waqas A. Sheikh

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(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2016

	Note	(Unaudited) June 30, 2016	(Audited) December 31, 2015
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	15,925,534	16,249,050
Intangible assets		97,942	90,345
Long term investment - at cost		50,000	50,000
Long term loans and advances	6	70,507	66,372
Deferred taxation	7	956,761	908,103
		17,100,744	17,363,870
Current Assets			
Stores, spares and loose tools		1,526,717	1,539,344
Stock-in-trade		2,729,604	2,941,206
Trade debts - considered good	8	270,362	436,852
Loans, advances, deposits, prepayments and other receivables	9	351,071	390,511
Taxes recoverable	10	1,074,754	1,115,596
Short term investments		-	300,000
Cash and bank balances	11	135,535	154,779
		6,088,043	6,878,288
TOTAL ASSETS		23,188,787	24,242,158
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(6,201)	(11,993)
Accumulated loss		(2,245,936)	(2,283,693)
		5,346,580	5,303,031
Non-Current Liabilities			
Long term borrowings	12	4,312,842	5,262,612
Derivative financial instruments	13	8,987	17,382
		4,321,829	5,279,994
Current Liabilities			
Current portion of long term borrowings	12	2,371,668	3,064,064
Derivative financial instruments - at fair value through profit or loss	13	873	23,982
Service benefit obligations		22,995	38,976
Short term borrowings	14	3,872,715	3,026,180
Trade and other payables	15	5,581,577	6,300,942
Accrued interest / mark-up		36,367	56,116
Provisions	16	1,634,183	1,148,873
		13,520,378	13,659,133
TOTAL EQUITY AND LIABILITIES		23,188,787	24,242,158

Contingencies and Commitments 17

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

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

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

		Quarter ended		Half year ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
		Rupees			
Net revenue		5,421,862	5,715,564	11,161,213	12,417,010
Cost of sales		(4,741,741)	(5,352,650)	(9,745,082)	(11,309,675)
Gross profit		680,121	362,914	1,416,131	1,107,335
Distribution and marketing expenses		(284,000)	(292,673)	(597,070)	(670,822)
Administrative expenses		(128,271)	(129,486)	(242,981)	(248,005)
Other operating expenses		(5,257)	(77,434)	(52,760)	(145,117)
Other income	18	4,850	22,640	8,549	42,620
Operating profit / (loss)		267,443	(114,039)	531,869	86,011
Finance costs		(222,696)	(286,071)	(465,005)	(612,685)
Profit / (Loss) before taxation		44,747	(400,110)	66,864	(526,674)
Taxation		(23,609)	72,841	(29,107)	91,398
Profit / (Loss) for the period		21,138	(327,269)	37,757	(435,276)
Earnings / (Loss) per share - basic and diluted		0.03	(0.49)	0.06	(0.66)

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	Rupees			
Profit / (Loss) for the period	21,138	(327,269)	37,757	(435,276)
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)	-	(4,946)
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (Loss) arising during the period	4,133	8,754	(1,865)	(5,040)
Reclassification adjustments for losses included in profit or loss	5,397	8,935	10,260	18,097
Income tax relating to hedging reserve	(2,955)	(6,779)	(2,603)	(5,250)
	6,575	10,910	5,792	7,807
Other comprehensive income for the period - net of tax	6,575	5,964	5,792	2,861
Total comprehensive income / (loss) for the period	27,713	(321,305)	43,549	(432,415)

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

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

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
			Rupees		
Balance as at January 1, 2015 (Audited)	6,634,688	964,029	(29,757)	(1,629,890)	5,939,070
Total comprehensive loss for the 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
Total comprehensive loss for the half year ended December 31, 2015	-	-	9,957	(213,581)	(203,624)
Balance as at December 31, 2015 (Audited)	6,634,688	964,029	(11,993)	(2,283,693)	5,303,031
Total comprehensive income for the half year ended June 30, 2016	-	-	5,792	37,757	43,549
Balance as at June 30, 2016 (Unaudited)	6,634,688	964,029	(6,201)	(2,245,936)	5,346,580

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

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

	Note	Half year ended June 30, 2016	Half year ended June 30, 2015
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	1,423,692	75,189
Finance costs paid		(484,754)	(653,727)
Long term loans and advances		(4,135)	(3,081)
Payment against employee service benefits		(38,751)	(37,172)
Settlement of derivatives held for trading - net		(23,109)	(76,879)
Income tax paid		(39,526)	(142,166)
Net cash generated from / (utilized in) operating activities		833,417	(837,836)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(335,869)	(212,086)
Purchases of intangible assets		(14,974)	(41,341)
Proceeds from disposal of property, plant and equipment		4,015	8,740
Income on bank deposits		357	28,365
Net cash utilized in investing activities		(346,471)	(216,322)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(1,652,725)	(1,375,709)
Proceeds from short term borrowings		909,500	700,000
Repayments of short term borrowings		(750,000)	-
Net cash utilized in financing activities		(1,493,225)	(675,709)
Net decrease in cash and cash equivalents		(1,006,279)	(1,729,867)
Cash and cash equivalents at beginning of the period		(1,152,307)	687,197
Cash and cash equivalents at end of the period	20	(2,158,586)	(1,042,670)

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

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

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

1. LEGAL STATUS AND OPERATIONS

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

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

As notified on the stock exchanges of Pakistan on November 24, 2015, the Company received an announcement of intention by a potential acquirer to acquire entire shareholding of Engro Corporation Limited in the Company. Accordingly, the Company has provided certain information to enable the potential acquirer to carry out due diligence, which is currently in progress as at the balance sheet date.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the half year ended June 30, 2016 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information has, however, been subjected to limited scope review by the auditors, as required under the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2015.

3. ACCOUNTING POLICIES

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

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

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

(Amounts in thousand)

4. ACCOUNTING ESTIMATES

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

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

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,191,165	15,520,580
Capital work-in-progress	648,419	642,520
Capital spares	85,950	85,950
	15,925,534	16,249,050
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	-	1,099
Plant and machinery	312,550	315,102
Furniture, fixtures and equipment	17,420	10,683
Vehicles	-	2,700
	329,970	329,584

5.2 During the period, asset costing Rs. 12,690 (December 31, 2015: Rs. 33,704), having net book value of Rs. 3,760 (December 31, 2015: Rs. 12,325) was disposed off for Rs. 4,015 (December 31, 2015: Rs. 10,896) and assets costing Nil (December 31, 2015: Rs. 125) having net book value of Nil (December 31, 2015: Rs. 79) were written off in respect of which insurance claim of Nil (December 31, 2015: Rs. 70) has been received.

6. LONG TERM LOANS AND ADVANCES

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

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

(Amounts in thousand)

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
7. DEFERRED TAXATION	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(2,931,690)	(2,995,947)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	3,198,241	3,424,568
- recoupable minimum turnover tax - note 7.2	78,083	-
- unpaid liabilities	76,585	70,720
- provision for Gas Infrastructure Development Cess and Special Excise Duty	460,806	325,412
- provision for net realizable value against stock-in-trade	8,992	14,312
- provision for slow moving stores and spares	13,491	14,182
- fair value of hedging instruments	2,786	5,389
- share issuance cost, net to equity	49,467	49,467
	3,888,451	3,904,050
	956,761	908,103

7.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at June 30, 2016 amount to Rs. 10,660,804 (December 31, 2015: Rs. 11,415,228) which are entirely attributable to unabsorbed tax depreciation.

7.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 78,083 (December 31, 2015: Nil) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

(Amounts in thousand)

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
	Rupees	
8. TRADE DEBTS - considered good		
Secured	112,924	301,035
Unsecured - note 8.1	157,438	135,817
	270,362	436,852

8.1 Includes amounts due from the following related parties:

- Engro Foods Limited	1,875	2,689
- Engro Fertilizers Limited	19,943	16,896
	21,818	19,585

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
	Rupees	

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

9.1 These include receivables from the following related parties:

- Engro Vopak Terminal Limited	178	1,800
- Engro Fertilizers Limited	671	-
- Engro Foundation	3	-
- Sindh Engro Coal Mining Company Limited	94	-
- Engro Foods Limited	6	7
- Engro Powergen Limited	4,095	-
- Engro Powergen Qadirpur Limited	1,667	253
	6,714	2,060

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

10. TAXES RECOVERABLE

10.1 Tax Year 2008

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

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

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

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

10.2 Tax Year 2009

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

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

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

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

11. CASH AND BANK BALANCES

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

(Amounts in thousand)

12. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited June 30, 2016	Audited December 31, 2015
				Rupees	Rupees
Permissible under Shariah					
Master Istisna IV	6 months KIBOR + 2.6%	Single	April 2016	-	100,000
Conventional					
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	725,591	1,385,616
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	-	212,085
Syndicated term finance V	6 months KIBOR + 1.5%	8 half yearly	June 2015	826,335	991,605
Bilateral loan I	6 months KIBOR + 2%	6 half yearly	June 2016	453,576	544,291
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	831,558	1,246,479
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,725	848,300
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	848,725	848,300
Sub-ordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5%	Repayable in full in five years		2,150,000	2,150,000
				6,684,510	8,226,676
				6,684,510	8,326,676
Less: Current portion shown under current liabilities				(2,371,668)	(3,064,064)
				4,312,842	5,262,612

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

13. DERIVATIVE FINANCIAL INSTRUMENTS

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

13.2 As at June 30, 2016, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US$ 779 (December 31, 2015: US$ 24,471) to manage exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreements on settlement dates.

14. SHORT TERM BORROWINGS

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
	Rupees	Rupees
Permissible under Shariah		
Master Istisna - note 14.1	300,000	-
Export refinance facility - note 14.2	-	200,000
Conventional		
Export refinance facility - note 14.2	-	550,000
Running finance utilized under mark-up arrangements - note 14.3	1,419,121	527,086
Money market loans - note 14.4	875,000	1,080,000
Sub-ordinated loan from Engro Corporation Limited - note 14.5	1,200,000	600,000
Sub-ordinated loan from Engro Polymer Trading (Private) Limited - note 14.6	78,594	69,094
	3,872,715	3,026,180

(Amounts in thousand)

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

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

14.3 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 3,015,000 (December 31, 2015: Rs. 3,050,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to 1.25% (December 31, 2015: relevant period KIBOR plus 0.9% to 1%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 7.11% to 7.50% (December 31, 2015: 7.44% to 11.15%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

14.4 This represents money market loans obtained from commercial banks carrying mark-up ranging from 6.49% to 6.70% (December 31, 2015: 6.9% to 7.06%) per annum. These loans are obtained for a period ranging from 14 to 30 days and are secured by a hypothecation charge over the current assets of the Company.

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

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

	(Unaudited) June 30, 2016	**(Audited) December 31, 2015**
	Rupees	
15. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 15.1	4,043,998	4,474,429
Accrued liabilities - note 15.1	1,098,349	1,239,837
Advances from customers - note 15.1	301,358	437,624
Retention money against project payments	12,076	11,887
Security deposits	32,947	41,937
Workers' profits participation fund	4,334	-
Workers' welfare fund	59,241	43,764
Withholding tax payable	4,070	4,858
Others - note 15.1	25,204	46,606
	5,581,577	6,300,942
15.1 Includes amounts due to the following related parties:		
- Engro Corporation Limited	6,541	392
- Mitsubishi Corporation	996,779	2,195,710
- Engro Fertilizers Limited	-	485
- Engro Vopak Terminal Limited	85,161	93,654
	1,088,481	2,290,241
16. PROVISIONS		
Provision for Gas Infrastructure Development Cess - note 16.1	1,634,183	1,148,873

(Amounts in thousand)

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

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

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

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and/or recovering the cess under GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a provision of Rs. 1,042,058 (December 31, 2015: Rs. 556,748) pertaining to the period subsequent to promulgation of GIDC Act, 2015.

17. CONTINGENCIES AND COMMITMENTS

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

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

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

	(Unaudited) June 30, 2016	(Audited) December 31, 2015
	Rupees	
Not later than 1 year	15,436	16,834
Later than 1 year and no later than 5 years	22,800	37,200
	38,236	54,034

(Amounts in thousand)

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

18. OTHER INCOME

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

19. CASH GENERATED FROM OPERATIONS

	(Unaudited) June 30, 2016	(Unaudited) June 30, 2015
	Rupees	
Profit / (Loss) before taxation	66,864	(526,674)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	22,770	21,428
Provision for GIDC	485,310	497,002
Reversal of provision for net realizable value of stock-in-trade, net	(19,008)	(548,838)
Provision for slow moving stores and spares	-	3,166
Depreciation and amortization	663,002	632,152
Income on short term investments and bank deposits	(357)	(28,365)
Exchange (gain) / loss on revaluation of foreign currency borrowings	(2,400)	25,979
Amortization of prepaid financial charges	12,959	13,535
Finance costs	465,005	612,685
(Profit) / Loss on disposal of operating assets	(255)	1,029
Working capital changes - note 19.1	(270,198)	(627,910)
	1,423,692	75,189

19.1 Working capital changes

Decrease / (Increase) in current assets		
Stores, spares and loose tools	12,627	(92,419)
Stock-in-trade	230,610	2,464,895
Trade debts - considered good	166,490	245,057
Loans, advances, deposits, prepayments and other receivables - net	39,440	211,674
	449,167	2,829,207
Decrease in current liabilities		
Trade and other payables	(719,365)	(3,457,117)
	(270,198)	(627,910)

(Amounts in thousand)

	(Unaudited) June 30, 2016	(Unaudited) June 30, 2015
	Rupees	
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances	135,535	75,591
Short term investments	-	207,898
Money market loans - note 14	(875,000)	(400,000)
Running finance utilized under mark-up arrangements - note 14	(1,419,121)	(926,159)
	(2,158,586)	(1,042,670)

21. SEGMENT INFORMATION

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

	Unaudited June 30, 2016				Unaudited June 30, 2015			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Net revenue	8,724,128	2,413,052	24,033	11,161,213	9,984,853	2,404,183	27,974	12,417,010
Profit / (Loss) before unallocated expenses	225,007	601,044	(6,990)	**819,061**	(228,129)	650,084	14,558	**436,513**
Unallocated expenses								
Administrative expenses				(242,981)				(248,005)
Other operating expenses				(52,760)				(145,117)
Other income				8,549				42,620
Finance costs				(465,005)				(612,685)
Taxation				(29,107)				91,398
Profit / (Loss) after taxation				**37,757**				**(435,276)**

	Unaudited June 30, 2016				Audited December 31, 2015			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	13,399,699	5,662,805	12,423	19,074,927	14,785,696	5,093,381	12,585	19,891,662
Unallocated assets				4,113,860				4,350,496
Total assets				**23,188,787**				**24,242,158**

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

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

22.1 Financial risk factors

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

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

22.2 Fair value estimation

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

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

	Level 1	Level 2	Level 3	Total
	Rupees			
Liabilities				
- Derivative financial instruments	-	9,860	-	9,860

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

22.3 Fair value of financial assets and liabilities

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

(Amounts in thousand)

23. TRANSACTIONS WITH RELATED PARTIES

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

		Unaudited	
		Half year ended	
Nature of relationship	**Nature of transactions**	**June 30, 2016**	**June 30, 2015**
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on sub-ordinated loan	137,404	34,537
	Reimbursement made	63,179	27,506
	Reimbursement received	978	5,414
	Provident fund contribution	4,976	4,535
	Gratuity fund contribution	3,301	3,079
	Pension fund contribution	1,394	1,154
	Medical contribution	97	112
	Short-term loan received	600,000	-
	Life insurance	306	253
Subsidiary Company			
- Engro Polymer Trading (Private) Limited	Mark-up on short-term loan	3,650	-
	Short-term loan received	9,500	-
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	995,703	4,205,619
	Sale of goods	91,262	52,443
- Arabian Sea Country Club	Purchase of services	150	201
	Annual subscription	-	16
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	10,161	7,845
	Sale of steam and electricity	33,618	29,075
	Reimbursement made	14,957	18,205
	Reimbursement received	6,818	1,394
	Use of operating assets	9	1,214
- Engro Vopak Terminal Limited	Purchase of services	463,195	499,917
	Reimbursement made	-	5,564
	Reimbursement received	355	3,572
- Engro Foundation	Reimbursement made	12	14
- Engro Powergen Qadirpur Limited	Reimbursement made	7,577	937
	Reimbursement received	4,338	-

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2016	Unaudited Half year ended June 30, 2015
		Rupees	
- Engro Foods Limited	Sale of goods	22,922	22,459
	Reimbursement made	4,769	-
	Reimbursement received	7	34
	Use of operating asset	165	-
- Engro Powergen Limited	Reimbursement received	5,598	-
- Sindh Engro Coal Mining Company Limited	Reimbursement received	579	-
- Engro Thar Power Limited	Reimbursement received	94	-
- Shell Pakistan Limited	Purchase of goods	3,798	-
- The Hub Power Company Limited	Sales of goods	1,552	-
- Dawood Hercules Corporation Limited	Purchase of services	-	7,293
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	-	33
- Pakistan Institute of Corporate Governance	Purchase of services	388	-
- Pakistan Japan Business Forum	Annual subscription	50	50
- Pakistan Society for Human Resource Management	Annual subscription	-	20
- Lahore University Of Management Sciences	Purchase of services	138	-
Directors	Fee	750	650
	Advance paid	-	4,950
	Repayment of advance	4,125	825
Contribution to staff retirement benefits	Provident fund	21,647	18,396
	Gratuity fund	18,085	15,408
Key management personnel	Managerial remuneration	34,631	37,631
	Retirement benefit funds	5,669	3,318
	Bonus	10,301	13,008
	Other benefits	8,123	7,046

(Amounts in thousand)

24. CORRESPONDING FIGURES

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

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison. During the period, for better presentation, Rs. 75,652 in respect of purchased services and staff related cost has been reclassified from 'administrative expenses' as reported in condensed interim financial information for the half year ended June 30, 2015 to 'cost of sales'.

The effects of other rearrangements and reclassifications are not material.

25. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 03, 2016 by the Board of Directors of the Company.

Imran Anwer
President & Chief Executive

Kimihide Ando
Director

اینگرو پولیمر اینڈ کیمیکل لمیٹڈ

ڈائریکٹرز کا جائزہ بابت شیئر ہولڈرز

چھ ماہ کیلئے غیر آڈٹ شدہ متوسط مالیاتی حسابات مورخہ 30 جون 2016ء

اینگرو پولیمر اینڈ کیمیکل لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم چھ مہینوں کیلئے مورخہ 30 جون 2016ء کیلئے کمپنی کی غیر آڈٹ شدہ مالیاتی معلومات پیش کرنا چاہتے ہیں۔

کاروباری جائزہ:

دوسری سہ ماہی 2016ء کے دوران انٹرنیشنل PVC کی قیمتیں بنیادی طور پر متوسط رہیں اور سہ ماہی کے آخر تک اس میں اضافہ نہیں ہوسکا جبکہ دوسری جانب ایتھیلین کی بڑھتی ہوئی سپلائی کے باعث قیمتوں میں کمی واقع ہوئی۔ اس حوالہ سے دوسری سہ ماہی میں مارجن کو کم و بیش سپورٹ ملی۔

مقامی مارکیٹ پر PVC کی طلب مضبوط تعمیراتی سرگرمی اور مثبت اقتصادی حالت کے تحت زیادہ رہی جس کے باعث پہلی ششماہی کے دوران کمپنی نے ریکارڈ سیل حاصل کی۔ کلورالکلی کی مارکیٹ بھی پائیدار رہی جبکہ کاسٹک سوڈا کا مارجن قیمتوں میں مقابلہ کی وجہ سے دباؤ میں رہا۔

پیداوار کی جانب کمپنی PVC اور VCM کی 2016ء کی پہلی ششماہی میں سب سے زیادہ پیداوار حاصل کرنے میں کامیاب رہی۔ کلورالکلی کی پیداوار بھی مستحکم رہی۔

سال 2016ء کی پہلی ششماہی میں کمپنی نے مبلغ 11,161 ملین روپے کی سیل حاصل کی جس کا موازنہ گزشتہ سال کے اسی مدت کے دوران 12,417 ملین روپے سے کیا جاسکتا ہے۔ آمدنی بعد از ٹیکس مبلغ 40 ملین روپے رہی جس سے آمدنی فی شیئر 0.06 روپے رہی جبکہ گزشتہ سال کی مدت کیلئے خسارہ بعد از ٹیکس 433 ملین روپے رہا اور خسارہ فی شیئر 0.65 روپے گزشتہ سال اسی مدت کیلئے رہا۔ PVC کی مضبوط کارکردگی کے باعث کم رہے جس سے منافع کے حوالے سے کمپنی کی مدد ہوئی۔

کمپنی مستقل طور پر صحت، حفاظت اور ماحول میں ماحولیات پر انحصار کرتی ہے اور باقاعدگی سے حفاظتی انتظامات پر نظر ثانی سے عمل میں بہتری آئی اور حادثات سے بچنے کے لئے جو قدم اٹھائے گئے ان میں مدد ملی۔

مستقبل پر نظر:

PVC کی مقامی مارکیٹ سے امید کی جاتی ہے کہ یہ اسی طرح مضبوطی سے قائم رہے گی جبکہ کاسٹک مارکیٹ مستقل طور پر پائیدار رہے گی۔ کاسٹک کے مارجن کے حوالے سے امید کی جاتی ہے کہ یہ قیمتوں میں مقابلہ کی وجہ سے مستقل طور پر زیر اثر رہیں گے۔ کمپنی مستقل طور پر اپنی کارکردگی کو بہتر بنانے کیلئے کوشاں ہے۔

کیمیہا ئیڈ اینڈو

ڈائریکٹر

عمران انور

پریزیڈنٹ اینڈ چیف ایگزیکٹو

کراچی

03 اگست, 2016

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