engro polymer & chemicals

Financial Information for the Half Year ended June 30, 2017

CONTENTS

COMPANY INFORMATION

Chairman	Ghiasuddin Khan
President and Chief Executive	Imran Anwer
Directors	Muhammad Asif Sultan Tajik Nadir Salar Qureshi Feroz Rizvi Noriyuki Koga Hasnain Moochhala
Board Audit Committee	Feroz Rizvi Noriyuki Koga Hasnain Moochhala
Chief Financial Officer	Muhammad Imran Khalil
Company Secretary	Shazeb Siddiki
Corporate Audit Manager	Vijay Kumar
Bankers / Lenders	Allied Bank Ltd. Askari Bank Ltd. Al-Baraka Bank Pakistan Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. BankIslami Pakistan Ltd. Citibank N.A. Deutsche Bank AG Faysal Bank Ltd. Habib Bank Ltd. Industrial and Commercial Bank of China Ltd. JS Bank 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, 2017

ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited Financial Information of the Company for the six months ended June 30, 2017.

Business Review

During 2Q 2017, international PVC prices remained soft on account of relatively weaker demand. Ethylene prices fell on the back of improving supply and weakness in downstream derivative market. PVC – ethylene core delta remained healthy throughout the quarter.

On the domestic market front, PVC demand remained robust owing to strong downstream activity and positive economic sentiment. The Company in attempt to safeguard domestic industry from unfair business practice of dumping, filed an antidumping case against four countries, and a preliminary duty has been imposed. The Chlor Alkali market remained stable throughout the quarter.

On the production side, the Company maintained operational excellence and achieved highest ever PVC & VCM production for first half of the year. Continuous process improvement and diligent planning supplemented plant operations. Plant debottlenecking remains a key highlight for the year, which is on track to achieve 195 KT of production capacity for PVC & VCM by the end of 2017 and Q1 2018, respectively. Chlor Alkali operations remained stable throughout the quarter.

During 1H 2017, the Company recorded revenue of Rs. 13,045 million compared to Rs. 11,161 million in the same period last year and posted Profit After Tax (PAT) of Rs. 1,046 million translating into Earning Per Share (EPS) of Rs. 1.58 Per share compared to Profit After Tax (PAT) of Rs. 40 million translating into Earning Per Share (EPS) of Rs. 0.06 for the same period last year. Strong performance of the PVC segment and manufacturing efficiencies contributed towards the Company's profitability.

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

Future Outlook

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

Imran Anwer
President & Chief Executive

Feroz Rizvi
Director

Karachi
August 7, 2017

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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, 2017 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, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2017.

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, 2017 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 17, 2017

Engagement Partner: Farrukh Rehman

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■ KARACHI ■ LAHORE ■ ISLAMABAD

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2017

	Note	(Unaudited) June 30, 2017	(Audited) December 31, 2016
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	15,848,354	16,008,366
Intangibles		94,508	90,855
Long term loans and advances	6	77,546	69,971
Deferred taxation	7	296,275	549,328
		16,316,683	16,718,520
Current Assets			
Stores, spares and loose tools		1,541,925	1,545,381
Stock-in-trade		3,150,243	3,024,268
Trade debts - considered good	8	384,317	456,396
Loans, advances, deposits, prepayments and other receivables	9	579,042	436,471
Taxes recoverable	10	883,867	1,123,578
Short term investments		89,019	740,000
Cash and bank balances	11	376,870	376,147
		7,005,283	7,702,241
TOTAL ASSETS		23,321,966	24,420,761
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		-	(1,475)
Accumulated loss		(546,893)	(1,593,063)
		7,051,824	6,004,179
Non-Current Liabilities			
Long term borrowings	12	8,750,000	8,750,000
Current Liabilities			
Current portion of long term borrowings	12	-	416,903
Derivative financial instruments - at fair value through profit or loss		-	2,107
Service benefit obligations		25,196	45,622
Short term borrowings	13	-	329,638
Trade and other payables	14	4,810,143	6,731,452
Accrued interest / mark-up		94,778	11,096
Provisions	15	2,590,025	2,129,764
		7,520,142	9,666,582
TOTAL EQUITY AND LIABILITIES		23,321,966	24,420,761
Contingencies and Commitments	16		

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Imran Anwer	**Feroz Rizvi**	**Muhammad Imran Khalil**
President & Chief Executive	Director	Chief Financial Officer

[Amounts in thousand except for earnings per share]

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Note	Quarter ended		Half year ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
		Rupees			
Net revenue		6,233,294	5,421,862	13,045,657	11,161,213
Cost of sales		(5,221,397)	(4,741,741)	(10,098,103)	(9,745,082)
Gross profit		1,011,897	680,121	2,947,554	1,416,131
Distribution and marketing expenses		(323,499)	(284,000)	(640,281)	(597,070)
Administrative expenses		(130,130)	(128,196)	(257,444)	(242,981)
Other operating expenses		(34,665)	(5,857)	(112,319)	(53,423)
Other income	17	24,518	4,911	49,248	8,779
Operating profit		548,121	266,979	1,986,758	531,436
Finance costs		(162,545)	(220,768)	(395,516)	(461,355)
Profit before taxation		385,576	46,211	1,591,242	70,081
Taxation		(185,292)	(24,047)	(545,072)	(30,089)
Profit for the period		200,284	22,164	1,046,170	39,992
Earnings per share - basic and diluted		0.30	0.03	1.58	0.06

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Imran Anwer President & Chief Executive	**Feroz Rizvi** Director	**Muhammad Imran Khalil** Chief Financial Officer

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Quarter ended		Half year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	Rupees			
Profit for the period	200,284	22,164	1,046,170	39,992
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (Loss) arising during the period	5,978	4,133	(21)	(1,865)
Reclassification adjustments for losses included in profit or loss	(2,735)	5,397	2,128	10,260
Income tax relating to hedging reserve	(984)	(2,955)	(632)	(2,603)
Other comprehensive income for the period - net of tax	2,259	6,575	1,475	5,792
Total comprehensive income for the period	202,543	27,713	1,047,645	45,784

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Imran Anwer
President & Chief Executive

Feroz Rizvi
Director

Muhammad Imran Khalil
Chief Financial Officer

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
	Rupees				
Balance as at January 1, 2016 (Audited)	6,634,688	964,029	(11,993)	(2,252,996)	5,333,728
Total comprehensive income for the 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
Total comprehensive income for the half year ended December 31, 2016	-	-	4,726	619,941	624,667
Balance as at December 31, 2016 (Audited)	6,634,688	964,029	(1,475)	(1,593,063)	6,004,179
Total comprehensive income for the half year ended June 30, 2017	-	-	1,475	1,046,170	1,047,645
Balance as at June 30, 2017 (Unaudited)	6,634,688	964,029	-	(546,893)	7,051,824

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Imran Anwer	**Feroz Rizvi**	**Muhammad Imran Khalil**
President & Chief Executive	Director	Chief Financial Officer

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Note	Half year ended June 30, 2017	Half year ended June 30, 2016
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	808,625	1,423,526
Finance costs paid		(311,834)	(481,959)
Long term loans and advances		(7,575)	(4,135)
Payment against employee service benefits		(45,622)	(38,751)
Settlement of derivatives held for trading - net		-	(23,109)
Income tax paid		(52,939)	(40,759)
Net cash generated from operating activities		390,654	834,813
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(319,289)	(335,869)
Purchases of intangible assets		(9,690)	(14,974)
Proceeds from disposal of property, plant and equipment		179	4,015
Income on bank deposits		36,954	587
Net cash utilized in investing activities		(291,846)	(346,241)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(419,428)	(1,652,725)
Proceeds from short term borrowings		-	900,000
Repayments of short term borrowings		(300,000)	(750,000)
Net cash utilized in financing activities		(719,428)	(1,502,725)
Net decrease in cash and cash equivalents		(620,620)	(1,014,153)
Cash and cash equivalents at beginning of the period		1,086,509	(1,137,864)
Cash and cash equivalents at end of the period	19	465,889	(2,152,017)

The annexed notes 1 to 24 form an integral part of this consolidated condensed interim financial information.

Imran Anwer	**Feroz Rizvi**	**Muhammad Imran Khalil**
President & Chief Executive	Director	Chief Financial Officer

1. LEGAL STATUS AND OPERATIONS

The Group consists of Engro Polymer and Chemicals Limited and its wholly owned subsidiary company, Engro Polymer Trading (Private) Limited (herein after refer as the Company).

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

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

2. BASIS OF PREPARATION

This consolidated condensed interim financial information of the Company for the half year ended June 30, 2017 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance), as required by circular CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and further clarification issued through SECP's press release dated July 20, 2017 that the companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017 shall prepare their financial statements in accordance with provisions of the repealed Companies Ordinance, 1984. 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, 2016.

3. ACCOUNTING POLICIES

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

3.2 There are certain new amendments to published International Financial Reporting Standards and interpretations that are mandatory to the financial year beginning on January 1, 2017. 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 consolidated 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 annual consolidated audited financial statements for the year ended December 31, 2016.

		(Unaudited) June 30, 2017	(Audited) December 31, 2016
		Rupees	
5.	**PROPERTY, PLANT AND EQUIPMENT**		
	Operating assets, at net book value - notes 5.1 and 5.2	15,190,323	15,245,662
	Capital work-in-progress	583,854	679,306
	Capital spares	74,177	83,398
		15,848,354	16,008,366
5.1	Additions to operating assets during the period / year were as follows:		
	Plant and machinery	415,567	558,399
	Furniture, fixtures and equipment	8,395	37,050
		423,962	595,449

5.2 During the period, asset costing Nil (December 31, 2016: Rs. 21,984), having net book value of Nil (December 31, 2016: Rs. 6,254) was disposed off for Nil (December 31, 2016: Rs. 6,312) and assets costing Rs. 347 (December 31, 2016: Rs. 1,194) having net book value of Rs. 54 (December 31, 2016: Rs. 381) were written off in respect of which insurance claim of Rs. 179 (December 31, 2016: Rs. 343) 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, 2017	(Audited) December 31, 2016
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(3,151,918)	(3,178,960)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	2,133,769	2,778,309
- recoupable minimum turnover tax - note 7.2	330,401	168,659
- recoupable alternative corporate tax - note 7.3	64,286	-
- unpaid liabilities	94,741	87,783
- provision for Gas Infrastructure Development Cess and Special Excise Duty	751,123	618,568
- provision for net realizable value against stock-in-trade	6,745	7,208
- provision for slow moving stores and spares	17,662	17,662
- fair value of hedging instruments	-	632
- share issuance cost, net to equity	49,467	49,467
	3,448,194	3,728,288
	296,275	549,328

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, 2017 amount to Rs. 7,112,563 (December 31, 2016: Rs. 9,261,030) which are entirely attributable to unabsorbed tax depreciation.

7.2 During the year, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 161,742 (December 31, 2016: Rs. 168,659) 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.

7.3 During the period, the Company has recognized deferred tax asset on alternative corporate tax in respect of current period amounting to Rs. 64,286 (December 31, 2016: Nil) as the Company, based on its financial projections, expects to recoup it in the ensuing years.

(Amounts in thousand)

		(Unaudited) June 30, 2017	(Audited) December 31, 2016
		Rupees	
8.	**TRADE DEBTS - considered good**		
	Secured	185,572	291,581
	Unsecured - note 8.1	198,745	164,815
		384,317	456,396

8.1 Includes amounts due from the following related parties:

- Engro Foods Limited	1	425
- Engro Fertilizers Limited	65,691	23,721
	65,692	24,146

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

9.1 These include receivables from the following related parties:

- Engro Vopak Terminal Limited	2,118	8
- Engro Fertilizers Limited	1,392	-
- Engro Foundation	-	7
- Sindh Engro Coal Mining Company Limited	126	220
- Engro Foods Limited	5	39
- Engro Corporation Limited	2,437	290
- Engro Powergen Limited	1,526	4,124
- Engro Powergen Qadirpur Limited	9	9
	7,613	4,697

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, 2017.

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, 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 (SED) 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, 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, 2017, no funds are placed in any account under an arrangement permissible under Shariah (December 31, 2016: Nil).

(Amounts in thousand)

12. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	(Unaudited) June 30, 2017 Rupees	(Audited) December 31, 2016 Rupees
Permissible under Shariah					
Bilateral VII	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	1,250,000	1,250,000
Conventional					
International Finance Corporation	6 months LIBOR + 2.6% to 3%	15 half yearly	June 2010	-	416,903
Bilateral loan IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral VI	6 months KIBOR + 0.8%	10 half yearly	June 1, 2019	750,000	750,000
Bilateral VIII	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	750,000	750,000
Subordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5%	Repayable full in 5 years		3,000,000	3,000,000
				8,750,000	9,166,903
Less: Current portion shown under current liabilities				-	(416,903)
				8,750,000	8,750,000

13. SHORT TERM BORROWINGS

Conventional		
Export refinance facility - note 13.1	-	300,000
Running finance utilized under mark-up arrangements - note 13.2	-	29,638
	-	329,638

13.1 This represented export refinancing facility carrying mark-up at the rate of 3% (December 31, 2016: 3%) on rollover basis for six months. This facility is secured by a floating charge over stocks and book debts of the Company.

13.2 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 3,450,000 (December 31, 2016: Rs. 3,300,000). The corresponding purchase price has been paid on various dates during the period. Mark-up charged at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.5% to 1% (December 31, 2016: relevant period KIBOR plus 0.9% to 1.25%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 6.76% to 7.26% (December 31, 2016: 7.02% to 7.52%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

(Amounts in thousand)

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
	Rupees	

14. TRADE AND OTHER PAYABLES

Trade and other creditors - note 14.1	2,971,240	4,964,249
Accrued liabilities - note 14.1	1,251,032	1,283,414
Advances from customers - note 14.1	384,739	291,490
Retention money against project payments	10,895	10,895
Security deposits	23,955	28,955
Workers' profits participation fund	84,080	62,424
Workers' welfare fund	44,172	58,490
Withholding tax payable	13,228	-
Others - note 14.1	26,802	31,535
	4,810,143	6,731,452

14.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	647,164	2,682,171
- Engro Fertilizers Limited	-	108
- Engro Vopak Terminal Limited	88,958	-
	736,122	2,682,279

15. PROVISIONS

Provision for Gas Infrastructure Development Cess - note 15.1	2,590,025	2,129,764

15.1 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 had 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.In 2016, the High Court of Sindh through order dated October 26, 2016, has decided the GIDC Act, 2015 is ultra vires to the Constitution of Pakistan, against with the Government has filed a review petition to larger bench of High Court of Sindh. However, based on prudence, the Company has recognized a provision of Rs. 1,997,900 (December 31, 2016: Rs. 1,577,639) pertaining to the period subsequent to promulgation of GIDC Act, 2015.

(Amounts in thousand)

16. CONTINGENCIES AND COMMITMENTS

16.1 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.

16.2 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at June 30, 2017 amounts to Rs. 1,297,000 (December 31, 2016: Rs. 1,156,750). The amount utilized there against is Rs. 1,279,790 (December 31, 2016: Rs. 1,140,950).

16.3 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, 2017	(Audited) December 31, 2016
	Rupees	
Not later than 1 year	14,400	14,400
Later than 1 year and no later than 5 years	15,600	22,800
	30,000	37,200

16.4 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.

16.5 Through Finance Act, 2017 an amendment has been made in section 5A of Income Tax Ordinance, 2001 by virtue of which a tax at the rate of 7.5% of accounting profit before tax shall be imposed if the Company does no distribute at least 40% of its profits after tax. This amendment is also applicable for the tax year 2017. Subsequent to the period end, the Company has filed a petition against the application of section 5A on several grounds including its retrospective application and an interim relief has been granted in favor of the Company. No provision in this respect has been recognised in this condensed interim financial information.

17. OTHER INCOME

During the period, the Company has not earned any profit from bank accounts under an arrangement permissible under Shariah (June 30, 2016: Nil).

(Amounts in thousand)

	(Unaudited) June 30, 2017	(Unaudited) June 30, 2016
	Rupees	
18. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,591,242	70,081
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	25,196	22,770
Provision for GIDC	460,261	485,310
Reversal of provision for net realizable value of stock-in-trade, net	(1,607)	(19,008)
Depreciation and amortization	485,284	663,002
Income on short term investments and bank deposits	(36,954)	(587)
Exchange loss on revaluation of foreign currency borrowings	-	(2,400)
Amortization of prepaid financial charges	2,525	12,959
Finance costs	395,516	461,355
(Profit) on disposal of operating assets	(125)	(255)
Working capital changes - note 18.1	(2,112,713)	(269,701)
	808,625	1,423,526

18.1 Working capital changes

Decrease / (Increase) in current assets		
Stores, spares and loose tools	3,456	12,627
Stock-in-trade	(124,368)	230,610
Trade debts - considered good	72,079	166,490
Loans, advances, deposits, prepayments and other receivables - net	(142,571)	39,440
	(191,404)	449,167
Decrease in current liabilities		
Trade and other payables	(1,921,309)	(718,868)
	(2,112,713)	(269,701)

19. CASH AND CASH EQUIVALENTS

Cash and bank balances	376,870	142,104
Short term investments	89,019	-
Money market loans	-	(875,000)
Running finance utilized under mark-up arrangements - note 13	-	(1,419,121)
	465,889	(2,152,017)

(Amounts in thousand)

20. SEGMENT INFORMATION

20.1 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, 2016.

	Unaudited June 30, 2017				Unaudited June 30, 2016			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Net revenue	10,761,535	2,256,605	27,517	13,045,657	8,724,128	2,413,052	24,033	11,161,213
Cost of sales	(8,482,637)	(1,598,670)	(16,796)	(10,098,103)	(7,956,308)	(1,758,177)	(30,597)	(9,745,082)
Distribution and marketing expenses	(528,661)	(111,620)	-	(640,281)	(502,486)	(94,584)	-	(597,070)
Administrative expenses	(212,369)	(44,532)	(543)	(257,444)	(189,926)	(52,532)	(523)	(242,981)
Other operating expenses	(85,830)	(25,998)	(491)	(112,319)	(15,058)	(37,937)	(428)	(53,423)
Other income	41,548	7,607	93	49,248	6,913	1,848	18	8,779
Finance costs	(329,642)	(64,517)	(1,357)	(395,516)	(392,124)	(67,729)	(1,502)	(461,355)
Taxation	(398,704)	(143,483)	(2,885)	(545,072)	139,845	(173,430)	3,496	(30,089)
Profit after taxation	**765,240**	**275,392**	**5,538**	**1,046,170**	**(185,016)**	**230,511**	**(5,503)**	**39,992**

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

	Unaudited June 30, 2017				Audited December 31, 2016			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	14,895,867	4,967,720	73,972	19,937,559	14,883,358	4,854,186	32,573	19,770,117
Unallocated assets				3,384,407				4,650,644
Total assets				**23,321,966**				**24,420,761**

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

21.1 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.

21.2 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)

22. TRANSACTIONS WITH RELATED PARTIES

22.1 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, 2017**	**June 30, 2016**
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on sub-ordinated loan	143,039	137,404
	Reimbursement made	3,924	63,179
	Reimbursement received	23,524	978
	Purchase of services	34,645	-
	Provident fund contribution	4,679	4,976
	Gratuity fund contribution	2,981	3,301
	Pension fund contribution	1,513	1,394
	Medical contribution	85	97
	Short-term loan received	-	600,000
	Life insurance	289	306
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	932,743	995,703
	Sale of goods	115,120	91,262
- Arabian Sea Country Club	Purchase of services	134	150
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	9,334	10,161
	Sale of steam and electricity	44,343	33,618
	Reimbursement made	3,999	14,957
	Reimbursement received	-	6,818
	Use of operating assets	8,000	9
- Engro Vopak Terminal Limited	Purchase of services	569,618	463,195
	Reimbursement received	-	355
- Engro Foundation	Reimbursement made	-	12
- Engro Powergen Qadirpur Limited	Reimbursement made	4,641	7,577
	Reimbursement received	-	4,338

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2017	Unaudited Half year ended June 30, 2016
		Rupees	
- Engro Foods Limited	Sale of goods	3,482	22,922
	Reimbursement made	1,541	4,769
	Reimbursement received	-	7
	Use of operating assets	-	165
- Engro Powergen Limited	Reimbursement received	-	5,598
- Sindh Engro Coal Mining Company Limited	Reimbursement made	2	-
	Reimbursement received	-	579
- Engro Thar Power Limited	Reimbursement received	-	94
- The Hub Power Company Limited	Sale of goods	1,040	1,552
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	91	-
- Pakistan Institute of Corporate Governance	Purchase of services	-	388
- Pakistan Japan Business Forum	Annual subscription	-	50
- Lahore University of Management Sciences	Purchase of services	-	138
Directors	Fee	400	750
	Repayment of advance	-	4,125
Contribution to staff retirement benefits	Provident fund	23,552	21,647
	Gratuity fund	19,618	18,085
Key management personnel	Managerial remuneration	42,586	34,631
	Retirement benefit funds	6,605	5,669
	Bonus	26,962	10,301
	Other benefits	10,516	8,123

23. 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 preceeding financial year, whereas the consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cashflows have been compared with the balances of comparable period of immediately preceeding financial year.

24. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on August 7, 2017 by the Board of Directors of the Company.

Imran Anwer President & Chief Executive	**Feroz Rizvi** Director	**Muhammad Imran Khalil** Chief Financial Officer

engro polymer & chemicals

UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2017

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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, 2017 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, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2017.

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, 2017 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 17, 2017

Engagement Partner: Farrukh Rehman

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■ KARACHI ■ LAHORE ■ ISLAMABAD

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2017

	Note	(Unaudited) June 30, 2017	(Audited) December 31, 2016
ASSETS		Rupees	
Non-Current Assets			
Property, plant and equipment	5	15,848,354	16,008,366
Intangibles		94,508	90,855
Long term investment - at cost		50,000	50,000
Long term loans and advances	6	77,546	69,971
Deferred taxation	7	296,275	549,328
		16,366,683	16,768,520
Current Assets			
Stores, spares and loose tools		1,541,925	1,545,381
Stock-in-trade		3,150,243	3,024,268
Trade debts - considered good	8	384,317	456,396
Loans, advances, deposits, prepayments and other receivables	9	573,788	431,435
Taxes recoverable	10	883,357	1,122,953
Short term investments		-	740,000
Cash and bank balances	11	374,480	371,616
		6,908,110	7,692,049
TOTAL ASSETS		23,274,793	24,460,569
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		-	(1,475)
Accumulated loss		(584,726)	(1,628,905)
		7,013,991	5,968,337
Non-Current Liabilities			
Long term borrowings	12	8,750,000	8,750,000
Current Liabilities			
Current portion of long term borrowings	12	-	416,903
Derivative financial instruments - at fair value through profit or loss		-	2,107
Service benefit obligations		25,196	45,622
Short term borrowings	13	-	414,638
Trade and other payables	14	4,800,803	6,722,102
Accrued interest / mark-up		94,778	11,096
Provisions	15	2,590,025	2,129,764
		7,510,802	9,742,232
TOTAL EQUITY AND LIABILITIES		23,274,793	24,460,569
Contingencies and Commitments	16		

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Imran Anwer	**Feroz Rizvi**	**Muhammad Imran Khalil**
President & Chief Executive	Director	Chief Financial Officer

[Amounts in thousand except for earnings per share]

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Note	Quarter ended June 30, 2017	Quarter ended June 30, 2016	Half year ended June 30, 2017	Half year ended June 30, 2016
		Rupees			
Net revenue		6,233,294	5,421,862	13,045,657	11,161,213
Cost of sales		(5,221,397)	(4,741,741)	(10,098,103)	(9,745,082)
Gross profit		1,011,897	680,121	2,947,554	1,416,131
Distribution and marketing expenses		(323,499)	(284,000)	(640,281)	(597,070)
Administrative expenses		(130,130)	(128,271)	(257,444)	(242,981)
Other operating expenses		(34,640)	(5,257)	(112,294)	(52,760)
Other income	17	23,272	4,850	47,610	8,549
Operating profit		546,900	267,443	1,985,145	531,869
Finance costs		(162,544)	(222,696)	(396,747)	(465,005)
Profit before taxation		384,356	44,747	1,588,398	66,864
Taxation		(184,887)	(23,609)	(544,219)	(29,107)
Profit for the period		199,469	21,138	1,044,179	37,757
Earnings per share - basic and diluted		0.30	0.03	1.57	0.06

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Imran Anwer	**Feroz Rizvi**	**Muhammad Imran Khalil**
President & Chief Executive	Director	Chief Financial Officer

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Quarter ended		Half year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	Rupees			
Profit for the period	199,469	21,138	1,044,179	37,757
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (Loss) arising during the period	5,978	4,133	(21)	(1,865)
Reclassification adjustments for losses included in profit or loss	(2,735)	5,397	2,128	10,260
Income tax relating to hedging reserve	(984)	(2,955)	(632)	(2,603)
Other comprehensive income for the period - net of tax	2,259	6,575	1,475	5,792
Total comprehensive income for the period	201,728	27,713	1,045,654	43,549

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Imran Anwer	**Feroz Rizvi**	**Muhammad Imran Khalil**
President & Chief Executive	Director	Chief Financial Officer

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
	Rupees				
Balance as at January 1, 2016 (Audited)	6,634,688	964,029	(11,993)	(2,283,693)	5,303,031
Total comprehensive income for the 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
Total comprehensive income for the half year ended December 31, 2016	-	-	4,726	617,031	621,757
Balance as at December 31, 2016 (Audited)	6,634,688	964,029	(1,475)	(1,628,905)	5,968,337
Total comprehensive income for the half year ended June 30, 2017	-	-	1,475	1,044,179	1,045,654
Balance as at June 30, 2017 (Unaudited)	6,634,688	964,029	-	(584,726)	7,013,991

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Feroz Rizvi
Director

Muhammad Imran Khalil
Chief Financial Officer

(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Note	Half year ended June 30, 2017	Half year ended June 30, 2016
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	807,240	1,423,692
Finance costs paid		(313,065)	(484,754)
Long term loans and advances		(7,575)	(4,135)
Payment against employee service benefits		(45,622)	(38,751)
Settlement of derivatives held for trading - net		-	(23,109)
Income tax paid		(52,202)	(39,526)
Net cash generated from operating activities		388,776	833,417
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(319,289)	(335,869)
Purchases of intangible assets		(9,690)	(14,974)
Proceeds from disposal of property, plant and equipment		179	4,015
Income on bank deposits		36,954	357
Net cash utilized in investing activities		(291,846)	(346,471)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(419,428)	(1,652,725)
Proceeds from short term borrowings		-	909,500
Repayments of short term borrowings		(385,000)	(750,000)
Net cash utilized in financing activities		(804,428)	(1,493,225)
Net decrease in cash and cash equivalents		(707,498)	(1,006,279)
Cash and cash equivalents at beginning of the period		1,081,978	(1,152,307)
Cash and cash equivalents at end of the period	19	374,480	(2,158,586)

The annexed notes 1 to 24 form an integral part of this condensed interim financial information.

Imran Anwer
President & Chief Executive

Feroz Rizvi
Director

Muhammad Imran Khalil
Chief Financial Officer

1. LEGAL STATUS AND OPERATIONS

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

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

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the half year ended June 30, 2017 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance), as required by circular CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and further clarification issued through SECP's press release dated July 20, 2017 that the companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017 shall prepare their financial statements in accordance with provisions of Companies Ordinance, 1984. 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, 2016.

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, 2016.

3.2 There are certain new amendments to published International Financial Reporting Standards and interpretations that are mandatory to the financial year beginning on January 1, 2017. 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, 2016.

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,190,323	15,245,662
Capital work-in-progress	583,854	679,306
Capital spares	74,177	83,398
	15,848,354	16,008,366
5.1 Additions to operating assets during the period / year were as follows:		
Plant and machinery	415,567	558,399
Furniture, fixtures and equipment	8,395	37,050
	423,962	595,449

5.2 During the period, asset costing Nil (December 31, 2016: Rs. 21,984), having net book value of Nil (December 31, 2016: Rs. 6,254) was disposed off for Nil (December 31, 2016: Rs. 6,312) and assets costing Rs. 347 (December 31, 2016: Rs. 1,194) having net book value of Rs. 54 (December 31, 2016: Rs. 381) were written off in respect of which insurance claim of Rs. 179 (December 31, 2016: Rs. 343) 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, 2017	(Audited) December 31, 2016
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(3,151,918)	(3,178,960)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	2,133,769	2,778,309
- recoupable minimum turnover tax - note 7.2	330,401	168,659
- recoupable alternative corporate tax - note 7.3	64,286	-
- unpaid liabilities	94,741	87,783
- provision for Gas Infrastructure Development Cess and Special Excise Duty	751,123	618,568
- provision for net realizable value against stock-in-trade	6,745	7,208
- provision for slow moving stores and spares	17,662	17,662
- fair value of hedging instruments	-	632
- share issuance cost, net to equity	49,467	49,467
	3,448,194	3,728,288
	296,275	549,328

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, 2017 amount to Rs. 7,112,562 (December 31, 2016: Rs. 9,261,030) 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. 161,742 (December 31, 2016: Rs. 168,659) 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.

7.3 During the period, the Company has recognized deferred tax asset on alternative corporate tax in respect of current period amounting to Rs. 64,286 (December 31, 2016: Nil) as the Company, based on its financial projections, expects to recoup it in the ensuing years.

(Amounts in thousand)

		(Unaudited) June 30, 2017	(Audited) December 31, 2016
		Rupees	
8.	**TRADE DEBTS - considered good**		
	Secured	185,572	291,581
	Unsecured - note 8.1	198,745	164,815
		384,317	456,396

8.1 Includes amounts due from the following related parties:

- Engro Foods Limited	1	425
- Engro Fertilizers Limited	65,691	23,721
	65,692	24,146

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

9.1 These include receivables from the following related parties:

- Engro Vopak Terminal Limited	2,118	8
- Engro Fertilizers Limited	1,392	-
- Engro Foundation	-	7
- Sindh Engro Coal Mining Company Limited	126	220
- Engro Foods Limited	5	39
- Engro Corporation Limited	2,437	290
- Engro Powergen Limited	1,526	4,124
- Engro Powergen Qadirpur Limited	9	9
	7,613	4,697

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, 2017.

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, 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 (SED) 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, 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, 2017, no funds are placed in any account under an arrangement permissible under Shariah (December 31, 2016: Nil).

(Amounts in thousand)

12. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	(Unaudited) June 30, 2017	(Audited) December 31, 2016
				Rupees	
Permissible under Shariah					
Bilateral VII	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	1,250,000	1,250,000
Conventional					
International Finance Corporation	6 months LIBOR + 2.6% to 3%	15 half yearly	June 2010	-	416,903
Bilateral loan IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral VI	6 months KIBOR + 0.8%	10 half yearly	June 1, 2019	750,000	750,000
Bilateral VIII	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	750,000	750,000
Subordinated loan from Engro Corporation Limited	3 months KIBOR + 3.5%	Repayable full in 5 years		3,000,000	3,000,000
				8,750,000	9,166,903
Less: Current portion shown under current liabilities				-	(416,903)
				8,750,000	8,750,000

13. SHORT TERM BORROWINGS

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
	Rupees	
Conventional		
Export refinance facility - note 13.1	-	300,000
Running finance utilized under mark-up arrangements - note 13.2	-	29,638
Sub-ordinated loan from Engro Polymer Trading (Private) Limited - note 13.3	-	85,000
	-	414,638

13.1 This represented export refinancing facility carrying mark-up at the rate of 3% (December 31, 2016: 3%) on rollover basis for six months. This facility is secured by a floating charge over stocks and book debts of the Company.

13.2 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 3,450,000 (December 31, 2016: Rs. 3,300,000). The corresponding purchase price has been paid on various dates during the period. Mark-up chargeable at rates net of prompt payment rebate, ranged from relevant period KIBOR plus 0.5% to 1% (December 31, 2016: relevant period KIBOR plus 0.9% to 1.25%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 6.76% to 7.26% (December 31, 2016: 7.02% to 7.52%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

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

(Amounts in thousand)

		(Unaudited) June 30, 2017		(Audited) December 31, 2016
			Rupees	
14.	**TRADE AND OTHER PAYABLES**			
	Trade and other creditors - note 14.1	2,971,240		4,964,249
	Accrued liabilities - note 14.1	1,241,692		1,282,790
	Advances from customers - note 14.1	384,739		291,490
	Retention money against project payments	10,895		10,895
	Security deposits	23,955		28,955
	Workers' profits participation fund	83,600		62,424
	Workers' welfare fund	44,172		49,764
	Withholding tax payable	13,228		-
	Others - note 14.1	27,282		31,535
		4,800,803		6,722,102
14.1	Includes amounts due to the following related parties:			
	- Mitsubishi Corporation	647,164		2,682,171
	- Engro Fertilizers Limited	-		108
	- Engro Vopak Terminal Limited	88,958		-
		736,122		2,682,279
15.	**PROVISIONS**			
	Provision for Gas Infrastructure Development Cess - note 15.1	2,590,025		2,129,764

15.1 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 had 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. In 2016, the High Court of Sindh, through order dated October 26, 2016, has decided the GIDC Act, 2015 is ultra vires to the Constitution of Pakistan, against which the Government of Pakistan has filed review petition to larger bench of High Court of Sindh. However, based on prudence, the Company has recognized a provision of Rs. 1,997,900 (December 31, 2016: Rs. 1,577,639) pertaining to the period subsequent to promulgation of GIDC Act, 2015.

(Amounts in thousand)

16. CONTINGENCIES AND COMMITMENTS

16.1 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.

16.2 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at June 30, 2017 amounts to Rs. 1,297,000 (December 31, 2016: Rs. 1,156,750). The amount utilized there against is Rs. 1,279,790 (December 31, 2016: Rs. 1,140,950).

16.3 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, 2017	(Audited) December 31, 2016
	Rupees	
Not later than 1 year	14,400	14,400
Later than 1 year and no later than 5 years	15,600	22,800
	30,000	37,200

16.4 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.

16.5 Through Finance Act, 2017 an amendment has been made in section 5A of Income Tax Ordinance, 2001 by virtue of which a tax at the rate of 7.5% of accounting profit before tax shall be imposed if the Company does no distribute at least 40% of its profits after tax. This amendment is also applicable for the tax year 2017. Subsequent to the period end, the Company has filed a petition against the application of section 5A on several grounds including its retrospective application and an interim relief has been granted in favor of the Company. No provision in this respect has been recognised in this condensed interim financial information.

17. OTHER INCOME

During the period, the Company has not earned any profit from bank accounts under an arrangement permissible under Shariah (June 30, 2016: Nil).

(Amounts in thousand)

	(Unaudited) June 30, 2017	(Unaudited) June 30, 2016
	Rupees	
18. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,588,398	66,864
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	25,196	22,770
Provision for GIDC	460,261	485,310
Reversal of provision for net realizable value of stock-in-trade, net	(1,607)	(19,008)
Depreciation and amortization	485,284	663,002
Income on short term investments and bank deposits	(36,954)	(357)
Exchange loss on revaluation of foreign currency borrowings	-	(2,400)
Amortization of prepaid financial charges	2,525	12,959
Finance costs	396,747	465,005
Profit on disposal of operating assets	(125)	(255)
Working capital changes - note 18.1	(2,112,485)	(270,198)
	807,240	1,423,692

18.1 Working capital changes

Decrease / (Increase) in current assets		
Stores, spares and loose tools	3,456	12,627
Stock-in-trade	(124,368)	230,610
Trade debts - considered good	72,079	166,490
Loans, advances, deposits, prepayments and other receivables - net	(142,353)	39,440
	(191,186)	449,167
Decrease in current liabilities		
Trade and other payables	(1,921,299)	(719,365)
	(2,112,485)	(270,198)

19. CASH AND CASH EQUIVALENTS

Cash and bank balances	374,480	135,535
Money market loans	-	(875,000)
Running finance utilized under mark-up arrangements - note 13	-	(1,419,121)
	374,480	(2,158,586)

(Amounts in thousand)

20. SEGMENT INFORMATION

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

	Unaudited June 30, 2017				Unaudited June 30, 2016			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Net revenue	10,761,535	2,256,605	27,517	13,045,657	8,724,128	2,413,052	24,033	11,161,213
Cost of sales	(8,482,637)	(1,598,670)	(16,796)	(10,098,103)	(7,956,308)	(1,758,177)	(30,597)	(9,745,082)
Distribution and marketing expenses	(528,661)	(111,620)	-	(640,281)	(502,486)	(94,584)	-	(597,070)
Administrative expenses	(212,369)	(44,532)	(543)	(257,444)	(189,926)	(52,532)	(523)	(242,981)
Other operating expenses	(85,805)	(25,998)	(491)	(112,294)	(15,251)	(37,937)	428	(52,760)
Other income	39,910	7,607	93	47,610	6,683	1,848	18	8,549
Finance costs	(330,873)	(64,517)	(1,357)	(396,747)	(395,774)	(67,729)	(1,502)	(465,005)
Taxation	(397,818)	(143,516)	(2,885)	(544,219)	143,190	(175,842)	3,545	(29,107)
Profit after taxation	**763,282**	**275,359**	**5,538**	**1,044,179**	**(185,744)**	**228,099**	**(4,598)**	**37,757**

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

	Unaudited June 30, 2017				Audited December 31, 2016			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	14,895,866	4,967,720	73,973	19,937,559	14,883,358	4,854,186	32,573	19,770,117
Unallocated assets				3,337,234				4,690,452
Total assets				**23,274,793**				**24,460,569**

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

21.1 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.

21.2 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)

22. TRANSACTIONS WITH RELATED PARTIES

22.1 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, 2017**	**June 30, 2016**
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on sub-ordinated loan	143,039	137,404
	Reimbursement made	3,924	63,179
	Reimbursement received	23,524	978
	Purchase of services	34,645	-
	Provident fund contribution	4,679	4,976
	Gratuity fund contribution	2,981	3,301
	Pension fund contribution	1,513	1,394
	Medical contribution	85	97
	Short-term loan received	-	600,000
	Life insurance	289	306
Subsidiary Company			
- Engro Polymer Trading (Private) Limited	Mark-up on short-term loan	1,232	3,650
	Short-term loan received	-	9,500
	Short term loan repaid	85,000	-
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	932,743	995,703
	Sale of goods	115,120	91,262
- Arabian Sea Country Club	Purchase of services	134	150
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	9,334	10,161
	Sale of steam and electricity	44,343	33,618
	Reimbursement made	3,999	14,957
	Reimbursement received	-	6,818
	Use of operating assets	8,000	9
- Engro Vopak Terminal Limited	Purchase of services	569,618	463,195
	Reimbursement received	-	355
- Engro Foundation	Reimbursement made	-	12
- Engro Powergen Qadirpur Limited	Reimbursement made	4,641	7,577
	Reimbursement received	-	4,338

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2017	Unaudited Half year ended June 30, 2016
		Rupees	
- Engro Foods Limited	Sale of goods	3,482	22,922
	Reimbursement made	1,541	4,769
	Reimbursement received	-	7
	Use of operating assets	-	165
- Engro Powergen Limited	Reimbursement received	-	5,598
- Sindh Engro Coal Mining Company Limited	Reimbursement made	2	-
	Reimbursement received	-	579
- Engro Thar Power Limited	Reimbursement received	-	94
- The Hub Power Company Limited	Sale of goods	1,040	1,552
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	91	-
- Pakistan Institute of Corporate Governance	Purchase of services	-	388
- Pakistan Japan Business Forum	Annual subscription	-	50
- Lahore University of Management Sciences	Purchase of services	-	138
Directors	Fee	400	750
	Repayment of advance	-	4,125
Contribution to staff retirement benefits	Provident fund	23,552	21,647
	Gratuity fund	19,618	18,085
Key management personnel	Managerial remuneration	42,586	34,631
	Retirement benefit funds	6,605	5,669
	Bonus	26,962	10,301
	Other benefits	10,516	8,123

23. 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 preceeding financial year, whereas the condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cashflows have been compared with the balances of comparable period of immediately preceeding financial year.

24. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on August 7, 2017 by the Board of Directors of the Company.

Imran Anwer	**Feroz Rizvi**	**Muhammad Imran Khalil**
President & Chief Executive	Director	Chief Financial Officer

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ

ڈائریکٹر ریویو برائے حصص یافتگان

30 جون 2017 کو ختم ہونے والے چھ مہینوں کا غیر آڈٹ شدہ عبوری مالیاتی بیانیہ

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ۳۰ جون ۲۰۱۷ تک چھ ماہ کی غیر آڈٹ شدہ فنانشل انفارمیشن پیش خدمت ہے۔

کاروباری جائزہ:

2017 کے دوسرے کوارٹر کے دوران بین الاقوامی مارکیٹ میں PVC کی قیمت میں کمی رہی جس کی وجہ اس کی مانگ میں کمی تھی۔ Ethylene کی گرتی قیمتیں اس کی بہتر رسد، اور مارکیٹ میں سست سرگرمیوں کی وجہ سے تھی۔ PVC اور Ethylene کا کور ڈیلٹا اس سہ ماہی کے دوران بہتر رہا۔

ڈومیسٹک مارکیٹ میں PVC کی طلب مستحکم رہی، جس کی وجہ بہترین اور مثبت اقتصادی سرگرمیاں رہیں۔ کمپنی نے ملکی صنعت کو ذخیرہ اندوزی جیسے ناجائز عمل سے بچانے کے پیشِ نظر چار ملکوں کے خلاف مقدمہ دائر کیا اور پریلمزی ڈیوٹی عائد کردی گئی۔ اس سہ ماہی کے دوران کلورالکلی کی مارکیٹ میں توازن رہا۔

پیداوار میں کمپنی نے اپنی آپریشنل ایکسلنس کو برقرار رکھا اور سال کے پہلے حصے کے لیے اس بار سب سے بڑی مقدار میں PVC اور VCM کی پیداوار کی۔ پراسس میں مسلسل بہتری اور تندہی کے ساتھ منصوبہ بندی نے پلانٹ آپریشنز کو فائدہ دیا۔ پلانٹ کی debottlenecking اس سال نمایاں رہی، جو 2017 کے اختتام اور 2018 کے پہلے کوارٹر تک PVC اور VCM کی 195 KT تک پیداوار کی سہولت کے ہدف کو حاصل کرنے کی طرف گامزن ہے۔ اس سہ ماہی میں کلورالکلی کے آپریشنز مستحکم رہے۔

2017 کے پہلے حصے میں کمپنی نے 13,045 ملین روپے کی آمدنی ریکارڈ کی جبکہ پچھلے سال کے اسی حصے کی آمدنی 11,161 ملین روپے تھی ٹیکس کے بعد منافع 1,046 ملین روپے رہا جس کے نتیجے میں EPS Rs 1.58 رہا، جبکہ پچھلے سال کے اسی حصے میں ٹیکس کے بعد 40 ملین روپے کے منافع سے موازنے پر EPS Rs 0.06 تھا۔ PVC سیگمنٹ میں بہتر کارکردگی اور پیداوار میں مہارت نے کمپنی کے منافع میں اضافے کے لئے اہم کردار ادا کیا۔

کمپنی نے اپنے کام میں صحت، حفاظت، اور ماحولیات پر خصوصی توجہ مرکوز رکھی۔ حفاظتی اقدامات کی مسلسل نگرانی سے عمل کو بہتر بنانے میں مدد ملی اور ان اقدامات پر عمل درآمد کے ذریعے حادثات سے بچنے میں مدد ملی۔

نظریہ مستقبل

بین الاقوامی مارکیٹ میں PVC اور Ethylene کی قیمتوں کا دارومدار عالمی معاشی صورت حال، اور طلب و رسد پر منحصر ہے۔ PVC کی مقامی مارکیٹ سے بہترین توقعات ہیں جب کے کاسٹک مارکیٹ میں بھی توازن متوقع ہے۔ کمپنی بہتری اور آپریشنل ایکسلنس پر اپنی توجہ جاری رکھے گی۔

عمران انور

پریزیڈنٹ اور چیف ایگزیکٹیو

فیروز رضوی

ڈائریکٹر

۷ اگست ۲۰۱۷ء

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