



engro polymer & chemicals

Financial Information for the Quarter
and Nine Months ended September 30, 2014

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COMPANY INFORMATION

| | |
|--------------------------------------|--|
| Chairman | Muhammad Aliuddin Ansari |
| President and Chief Executive | Khalid Siraj Subhani |
| Directors | Khalid Rahman Waqar Ahmed Malik Shahzada Dawood Kimihide Ando Asif Saad Takashi Yoshida Naz Khan Abdul Samad Khan |
| Board Audit Committee | Khalid Rahman Kimihide Ando Asif Saad Naz Khan |
| Chief Financial Officer | Mohsin Ali Mangi |
| Company Secretary | Muneeza Iftikar |
| Corporate Audit Manager | Muneeza Kassim |
| Bankers / Lenders | Allied Bank Ltd. Askari Bank Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. Barclays Bank PLC., Pakistan Burj Bank Ltd. Citibank N.A. Deutsche Bank AG Faysal Bank Ltd. Habib Bank Ltd. HSBC Bank Middle East Ltd. fi Pakistan Industrial and Commercial Bank of China Ltd. International Finance Corporation MCB Bank Ltd. Meezan Bank Ltd. National Bank of Pakistan Pak Oman Investment Co. Ltd. Soneri Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. Summit Bank Ltd. The Bank of Punjab United Bank Ltd. |
| Auditors | A. F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi |
| Registered Office | 16th Floor, The Harbour Front Building, HC-3, Marine Drive, Block-4, Clifton, Karachi-75600. |
| Plant | EZ/1/P-II-1, Eastern Zone, Bin Qasim, Karachi |
| Share Registrar | FAMCO Associates (Private) Limited 1st Floor, State Life Building 1-A, I.I. Chundrigar Road, Karachi - 74000 Tel: +92(21) 32427012, 32426597, 32425467 |
| Website | www.engropolymer.com |





engro polymer & chemicals

**DIRECTORS' REVIEW &
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**



ENGR POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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 nine months ended September 30, 2014.

Business Review

PVC domestic sales dampened during 3Q 2014 due to downward PVC price trend, Eid Holidays and decline in export of pipes and fittings to Afghanistan market due to duty imposition there. PVC price and exchange rate uncertainty during earlier part of the year also affected YTD September sales. PVC – Ethylene price delta was lower in 3Q 2014 as compared to previous quarter. During 3Q 2014, 5% regulatory duty was imposed on imports of Ethylene and EDC through an amendment in SRO 565(I) of 2006 by the Federal Board of Revenue which increased Company's raw material cost and impacted Company's profitability and cash position. This matter is being pursued with relevant Government authorities for recourse. The Company sold 27.1 kilo tons PVC in domestic market in 3Q as compared to 35.5 kilo ton in same period last year. YTD September 2014, the Company sold 90.6 kilo tons PVC in the domestic market as compared to 103.9 kilo tons in the same period last year. YTD September 2014, the Company exported 9.8 kilo tons of PVC to partially offset lower domestic sales.

In the domestic Caustic Soda market higher cost due to rising energy prices and price pressures on account of long product supplies affected Company's margins. During 3Q 2014, 22.4 kilo tons Caustic Soda was sold as compared to 24.9 kilo tons during same period last year. YTD September 2014, the Company sold 68.7 kilo tons Caustic Soda as compared to 71.4 kilo tons last year. During the period, 2.9 kilo tons Caustic Soda was also exported to manage competitive pressures in the domestic market. The Company also sold 14.6 kilo tons of Sodium Hypochlorite and 12.0 kilo tons of HCl till September this year.

PVC resin production during YTD September 2014 was 108.7 kilo tons as compared to 105.6 kilo tons in the same period last year. The Company successfully completed PVC debottlenecking project which has increased PVC production capacity by 15 kilo tons per annum. This capacity enhancement will allow the Company to convert its surplus Vinyl Chloride Monomer (VCM) into PVC which will result in better margins for the Company. VCM plant produced 115.4 kilo tons VCM till YTD September 2014 as compared to 124.1 kilo tons in same period last year. VCM production was lower compared to same period last year due to operational issues at the plant. Caustic Soda production during the period was 87.3 kilo tons as against 84.5 kilo tons during same period last year.

The Company recorded a revenue of Rs.17,147 million YTD September compared to Rs.18,137 million in same period last year. Lower margins and sales volumes for both PVC and Caustic Soda impacted the bottom line earnings. Pak Rupees appreciation against US Dollar this year also constrained Company's profitability, however the consequent gain on foreign exchange liabilities provided support to the overall profitability. The Company posted a Loss After Tax (LAT) of Rs.33 million during YTD September 2014 as compared to a Profit After Tax (PAT) of Rs.552 million in same period last year. The Loss per Share for YTD September 2014 stood at Rs.0.05 as compared to a Profit per Share of Rs.0.83 in same period last year.

The Company continued to maintain its focus on safe operations. Safety Integrity Level (SIL) / Layer of Protection Analysis (LOPA) was conducted at the VCM plant to enhance plant safety. A second party environmental audit based on British Safety Council 5 star system was also conducted at the plant site and a 3 star score was achieved by the Company.

Future Outlook

Domestic PVC demand is expected to remain stable during 4Q 2014, however, core PVC and Ethylene margins are expected to remain under pressure due to decline in PVC prices which will be partly offset by Ethylene price decline. Domestic demand of Caustic Soda in 4Q 2014 is expected to remain stable, however, margins will remain under pressure due to high energy prices and long product supplies in the market. Moreover, any further increase in domestic natural gas prices in addition to increase in natural gas cess could be a possible challenge during next quarter.



Khalid Siraj Subhani

President & Chief Executive

Karachi

October 21, 2014



Kimihide Ando

Director



ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2014


(Amounts in thousand)

| | Note | Unaudited September 30, 2014 | Audited December 31, 2013 |
|---|------|------------------------------------|---------------------------------|
| | | Rupees | |
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 5 | 16,851,125 | 17,132,553 |
| Intangible assets | | 54,967 | 50,098 |
| Long term loans and advances | | 59,544 | 52,605 |
| Deferred taxation | 6 | 589,139 | 455,181 |
| | | <u>17,554,775</u> | <u>17,690,437</u> |
| Current Assets | | | |
| Stores, spares and loose tools | | 1,544,886 | 1,390,168 |
| Stock-in-trade | | 5,156,271 | 3,250,590 |
| Trade debts - considered good | 7 | 296,287 | 525,017 |
| Loans, advances, deposits, prepayments and other receivables | 8 | 187,312 | 441,784 |
| Taxes recoverable | 9 | 912,092 | 740,205 |
| Short term Investments | | 67,912 | 465,122 |
| Cash and bank balances | | 224,483 | 865,040 |
| Derivative financial instruments - at fair value through profit or loss | 11 | 76,895 | - |
| | | 8,466,138 | 7,677,926 |
| | | <u>26,020,913</u> | <u>25,368,363</u> |
| TOTAL ASSETS | | | |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 6,634,688 | 6,634,688 |
| Share premium | | 964,029 | 964,029 |
| Hedging reserve | | (43,502) | (52,804) |
| Accumulated loss | | (527,965) | (492,960) |
| | | <u>7,027,250</u> | <u>7,052,953</u> |
| Non-Current Liabilities | | | |
| Long term borrowings | 10 | 6,078,028 | 7,494,818 |
| Derivative financial instruments | 11 | 64,929 | 80,006 |
| Employment service benefits obligation | | 28,717 | 63,662 |
| | | 6,171,674 | 7,638,486 |
| Current Liabilities | | | |
| Current portion of long term borrowings | 10 | 2,520,418 | 2,242,800 |
| Derivative financial instruments - at fair value through profit or loss | | - | 102,172 |
| Short term borrowings | 12 | 1,405,084 | 766,062 |
| Trade and other payables | 13 | 7,828,926 | 7,218,197 |
| Accrued interest / mark-up | | 307,652 | 82,753 |
| Provisions | 14 | 759,909 | 264,940 |
| | | 12,821,989 | 10,676,924 |
| | | <u>26,020,913</u> | <u>25,368,363</u> |
| TOTAL EQUITY AND LIABILITIES | | | |
| Commitments | | | |
| | 15 | | |

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



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director



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

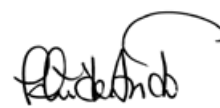
ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

| | Quarter ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| | Rupees | | | |
| Net revenue | 5,244,063 | 6,105,485 | 17,146,591 | 18,136,909 |
| Cost of sales | (4,454,453) | (4,749,459) | (14,791,832) | (14,510,859) |
| Gross profit | 789,610 | 1,356,026 | 2,354,759 | 3,626,050 |
| Distribution and marketing expenses | (321,589) | (324,676) | (987,332) | (949,075) |
| Administrative expenses | (183,905) | (146,435) | (493,499) | (417,861) |
| Other operating expenses | (142,711) | (181,823) | (270,316) | (388,609) |
| Other income | 10,064 | 15,412 | 71,834 | 55,063 |
| Operating profit | 151,469 | 718,504 | 675,446 | 1,925,568 |
| Finance costs | (362,542) | (494,288) | (677,778) | (1,138,122) |
| Profit / (Loss) before taxation | (211,073) | 224,216 | (2,332) | 787,446 |
| Taxation | 54,379 | (97,154) | (31,024) | (235,058) |
| Profit / (Loss) for the period | (156,694) | 127,062 | (33,356) | 552,388 |
| Earnings / (Loss) per share - basic and diluted | (0.24) | 0.19 | (0.05) | 0.83 |

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



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director




(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

| | Quarter ended | | Nine months ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| | Rupees | | | |
| Profit / (Loss) for the period | (156,694) | 313,122 | (33,356) | 552,388 |
| Other comprehensive income / (loss): | | | | |
| Deferred tax charge relating to revaluation of equity related items | - | - | (1,649) | (1,648) |
| Items that may be reclassified subsequently to profit or loss. | | | | |
| Hedging reserve | | | | |
| Gain / (loss) arising during the period | (13,447) | (91,890) | 24,108 | (84,251) |
| Reclassification adjustments for (gains) / losses included in profit or loss | 11,356 | 51,398 | (9,030) | 74,909 |
| Income tax relating to hedging reserve | 690 | 13,767 | (5,776) | 1,760 |
| | (1,401) | (26,725) | 9,302 | (7,582) |
| Other comprehensive gain / (loss) for the period - net of tax | (1,401) | (26,725) | 7,653 | (9,230) |
| Total comprehensive income / (loss) for the period | (158,095) | 286,397 | (25,703) | 543,158 |

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



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director




(Amounts in thousand)

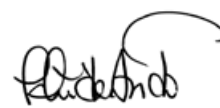
ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

| | RESERVES | | | | | Total |
|--|------------------|----------------|-----------------|------------------|--|------------------|
| | CAPITAL | | REVENUE | | | |
| | Share capital | Share premium | Hedging reserve | Accumulated loss | Remeasurement of post employment benefits - Actuarial loss | |
| | Rupees | | | | | |
| Balance as at January 1, 2013 (Audited) | 6,634,688 | 964,029 | (92,077) | (1,178,636) | (5,113) | 6,322,891 |
| Total comprehensive income for the period ended September 30, 2013 | - | - | (7,582) | 550,740 | - | 543,158 |
| Balance as at September 30, 2013 (Unaudited) | 6,634,688 | 964,029 | (99,659) | (627,896) | (5,113) | 6,866,049 |
| Total comprehensive income for the period ended December 31, 2013 | - | - | 46,855 | 134,936 | 5,113 | 186,904 |
| Balance as at December 31, 2013 (Audited) | 6,634,688 | 964,029 | (52,804) | (492,960) | - | 7,052,953 |
| Total comprehensive income for the period ended September 30, 2014 | - | - | 9,302 | (35,005) | - | (25,703) |
| Balance as at September 30, 2014 (Unaudited) | <u>6,634,688</u> | <u>964,029</u> | <u>(43,502)</u> | <u>(527,965)</u> | <u>-</u> | <u>7,027,250</u> |

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



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

| | Note | Nine months ended | |
|---|------|-----------------------|-----------------------|
| | | September 30, 2014 | September 30, 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 16 | 815,857 | 4,601,737 |
| Finance costs paid | | (452,879) | (920,847) |
| Long term loans and advances | | (6,939) | (9,126) |
| Income tax (paid) / refunded | | (344,293) | 103,147 |
| Net cash generated from operating activities | | 11,746 | 3,774,911 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (644,349) | (413,035) |
| Purchases of intangible assets | | (14,819) | (3,934) |
| Proceeds from disposal of property, plant and equipment | | 9,541 | 5,071 |
| Income on bank deposits | | 45,757 | 20,844 |
| Proceeds from short term investments | | 170,910 | 200,000 |
| Purchase of Short term Investments | | - | (784,000) |
| Net cash utilised in investing activities | | (432,960) | (975,054) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of long term borrowings | | (1,090,453) | (956,773) |
| Proceeds from short term borrowings | | 300,000 | 420,000 |
| Net cash utilised in financing activities | | (790,453) | (536,773) |
| Net (decrease) / increase in cash and cash equivalents | | (1,211,667) | 2,263,084 |
| Cash and cash equivalents at beginning of the period | | 998,978 | (1,109,352) |
| Cash and cash equivalents at end of the period | 17 | (212,689) | 1,153,732 |

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



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director



ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

1. LEGAL STATUS AND OPERATIONS

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

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

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

2. BASIS OF PREPARATION

This Consolidated condensed interim financial information of the Company for the nine months period ended September 30, 2014 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This Consolidated condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2013.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2013.

4. ACCOUNTING ESTIMATES

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

During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited financial statements for the year ended December 31, 2013.



(Amounts in thousand)

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|--|---|--|
| | Rupees | |
| 5. PROPERTY, PLANT AND EQUIPMENT | | |
| Operating assets, at net book value | | |
| - notes 5.1 and 5.2 | 16,418,428 | 16,833,072 |
| Capital work-in-progress | 345,049 | 211,833 |
| Capital spares | 87,648 | 87,648 |
| | <u>16,851,125</u> | <u>17,132,553</u> |
| 5.1 Additions to operating assets during the period / year were as follows: | | |
| Building on leasehold land | 2,303 | 13,493 |
| Plant and machinery | 488,187 | 512,939 |
| Furniture, fixtures and equipment | 20,639 | 20,904 |
| Vehicles | - | 6,483 |
| | <u>511,129</u> | <u>553,819</u> |

- 5.2** During the period, assets costing Rs. 27,188 (December 31, 2013: Rs. 17,321), having net book value of Rs. 8,339 (December 31, 2013: Rs. 5,051) were disposed off for Rs. 9,541 (December 31, 2013: Rs. 8,164) and assets costing Rs. 38,220 (December 31, 2013: Rs. 74,061) having net book value of Rs. 4,423 (December 31, 2013: Rs. 9,521) were written-off.

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|--|---|--|
| | Rupees | |
| 6. DEFERRED TAXATION | | |
| Credit balances arising due to: | | |
| - accelerated tax depreciation | (3,802,664) | (3,979,859) |
| Debit balances arising due to: | | |
| - recoupable carried forward tax losses - note 6.1 | 3,413,999 | 3,745,640 |
| - recoupable minimum turnover tax - note 6.2 | 531,943 | 419,806 |
| - unpaid liabilities | 88,703 | 73,093 |
| - provision against GIDC, custom duty and SED refundable etc | 256,724 | 96,214 |
| - provision for net realizable value and slow moving stores and spares | 24,596 | 17,024 |
| - fair value of hedging instruments and others | 21,427 | 27,202 |
| - share issuance cost, net to equity | 54,411 | 56,061 |
| | 4,391,803 | 4,435,040 |
| | <u>589,139</u> | <u>455,181</u> |

- 6.1** The aggregate tax losses available for carry-forward as at September 30, 2014 amount to Rs. 10,345,452 (December 31, 2013: Rs. 11,016,588), on which deferred income tax asset has been recognized. The aforementioned tax losses are entirely attributable to unabsorbed tax depreciation.



(Amounts in thousand)

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

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|---|---|--|
| | Rupees | |
| 7. TRADE DEBTS - considered good | | |
| Secured | 210,875 | 195,452 |
| Unsecured - note 7.1 | 85,412 | 329,565 |
| | <u>296,287</u> | <u>525,017</u> |
| 7.1 Includes amounts due from the following related parties: | | |
| - Engro Foods Limited | 1,083 | 1,671 |
| - Mitsubishi Corporation | - | 249,939 |
| - Engro Fertilizers Limited | 4,446 | - |
| | <u>5,529</u> | <u>251,610</u> |

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

These include receivables from the following related parties:

| | | |
|----------------------------------|---------------|--------------|
| Engro Vopak Terminal Limited | 2,871 | 2,208 |
| Engro Fertilizers Limited | 9,998 | 5,918 |
| Engro Powergen Qadirpur Limited | 9 | 21 |
| Engro Eximp (Private) Limited | - | 25 |
| Elengy Terminal Pakistan Limited | 428 | - |
| | <u>13,306</u> | <u>8,172</u> |

9. TAXES RECOVERABLE

9.1 Tax Year 2008

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

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



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

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

9.2 Tax Year 2009

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

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

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

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. 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 consequently has not recognized the effects for the same in the consolidated condensed interim financial information.



(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

| Title | Mark-up rate per annum | Installments | | Unaudited September 30, 2014 | Audited December 31, 2013 |
|---|----------------------------|----------------|--------------------|------------------------------------|---------------------------------|
| | | Number | Commencing from | Rupees | |
| Syndicated term finance I | 6 months KIBOR + 2.25% | 13 half yearly | November 2010 | 3,026,954 | 3,475,184 |
| Syndicated term finance II | 6 months KIBOR + 3% | 13 half yearly | June 2010 | 715,624 | 846,591 |
| Syndicated term finance IV | 6 months KIBOR + 2.55% | 6 half yearly | May 2013 | 250,000 | 330,181 |
| Syndicated term finance V | 6 months KIBOR + 1.5% | 8 half yearly | June 2015 | 1,320,395 | 1,315,170 |
| Bank Al-Falah Bilateral Loan | 6 months KIBOR + 2% | 6 half yearly | June 2016 | 541,918 | 540,554 |
| Master Istisna III | 6 months KIBOR + 2% | 6 half yearly | June 2015 | 200,000 | 200,000 |
| Master Istisna IV | 6 months KIBOR + 2.6% | 6 half yearly | April 2016 | 100,000 | 100,000 |
| International Finance Corporation (IFC) | 6 months LIBOR + 2.6 to 3% | 15 half yearly | June 2010 | 2,443,555 | 2,929,938 |
| | | | | 8,598,446 | 9,737,618 |
| Less: Current portion shown under current liabilities | | | | (2,520,418) | (2,242,800) |
| | | | | <u>6,078,028</u> | <u>7,494,818</u> |

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at September 30, 2014, all debt covenants have been complied with except for current ratio and debt service coverage ratio. Waiver for these ratio deviations have been duly applied.

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at September 30, 2014, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 16,000 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.

11.2 As at September 30, 2014, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US\$ 51,115 to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

12. SHORT TERM BORROWINGS

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|--|------------------------------------|---------------------------------|
| | Rupees | |
| Sub-ordinate loan from | | |
| Engro Corporation Limited - note 12.1 | 600,000 | 600,000 |
| Master Istisna V - note 12.2 | 300,000 | - |
| Running finance utilized under mark-up arrangements - note 12.3 | 505,084 | 166,062 |
| | <u>1,405,084</u> | <u>766,062</u> |



(Amounts in thousand)

- 12.1** This represents short term loan from Engro Corporation Limited (the Holding Company) for meeting the working capital requirements. The loan is subordinated to the finances provided to the Company by its banking creditors and carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.
- 12.2** During the period, the Company has drawn Istisna loan from Burj Bank Limited to meet its working capital requirements. The loan carries mark-up at the rate of matching KIBOR plus 1.5%, with roll over of maximum ninety (90) days and matures on April 30, 2015. The facility is secured by a floating charge over stocks and book debts of the Company.
- 12.3** The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 2,350,000 (December 31, 2013: Rs.1,550,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 1% to 1.25% (December 31, 2013: relevant period KIBOR plus 1% to 2.5%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 10.99% to 11.69% (December 31, 2013: 10.19% to 12.02%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|--|---|--|
| | Rupees | |
| 13. TRADE AND OTHER PAYABLES | | |
| Trade and other creditors - note 13.1 | 6,318,165 | 5,527,076 |
| Accrued liabilities - note 13.1 | 1,175,190 | 1,295,198 |
| Advances from customers - note 13.1 | 109,580 | 224,649 |
| Retention money against project payments | 8,335 | 8,335 |
| Security deposits | 29,772 | 16,772 |
| Workers' profits participation fund | 1,831 | 81,654 |
| Workers' welfare fund | 63,466 | 46,636 |
| Sales tax and SED payable | 59,001 | - |
| Withholding tax payable | 8,748 | 6,971 |
| Others - note 13.1 | 54,838 | 10,906 |
| | <u>7,828,926</u> | <u>7,218,197</u> |
| 13.1 Includes amounts due to the following related parties: | | |
| - Engro Corporation Limited | 6,682 | 433 |
| - Mitsubishi Corporation | 4,628,741 | 3,977,089 |
| - Engro Foods Limited | 255 | 250 |
| - Engro Fertilizers Limited | - | 542 |
| - Engro Vopak Terminal Limited | 79,371 | 98,213 |
| | <u>4,715,049</u> | <u>4,076,527</u> |
| 14. PROVISIONS | | |
| Provision for Gas Infrastructure Development cess - note 14.1 | 669,491 | 174,522 |
| Provision for duty on import of raw materials | 90,418 | 90,418 |
| Balance at end of the period | <u>759,909</u> | <u>264,940</u> |



14.1 Provision for Gas Infrastructure Development Cess

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. The Federal Government then revised GIDC rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance, 2002. The Company therefore filed a Suit before the Honorable High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favor of the Company. The Stay Order restrained the Sui Southern Gas Company Limited (SSGCL) from charging any amount of GIDC over and above Rs. 13 per MMBTU till the final decision of this matter.

Effective from January 1, 2014, GIDC rate was enhanced to Rs. 100 per MMBTU which remained unchanged till June 30, 2014. Thereafter, through the Finance Act, 2014, the GIDC rate was further increased to Rs 150 per MMBTU and Rs. 200 per MMBTU for industrial and captive power consumers, respectively.

On August 22, 2014 the Honorable Supreme Court, declared the entire levy of GIDC as unconstitutional against which Government's review petition is pending. Moreover, on September 24, 2014, the GIDC Ordinance, 2014 was promulgated against which Company has obtained ad-interim stay order from Honorable High Court of Sindh. This Stay Order has restrained SSGCL from charging and/or recovering GIDC under the new Ordinance till the final decision of this matter.

The Company is confident that the aforementioned matter will be decided in its favour, however, based on prudence, the Company has recorded a provision of Rs. 669,491 being the financial exposure of differential GIDC as at September 30, 2014.

15. COMMITMENTS

15.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at September 30, 2014 amounts to Rs. 1,165,000 (December 31, 2013: Rs. 1,598,000). The amount utilized there against is Rs. 1,030,860 (December 31, 2013: Rs. 946,859).

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

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|---|---|--|
| | Rupees | |
| Not later than 1 year | 20,031 | 15,675 |
| Later than 1 year and no later than 5 years | 55,200 | 57,600 |
| Later than 5 years | - | 8,400 |
| | <u>75,231</u> | <u>81,675</u> |



(Amounts in thousand)

| | Unaudited September 30, 2014 | Unaudited September 30, 2013 |
|--|------------------------------------|------------------------------------|
| | Rupees | |
| 16. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | (2,332) | 787,446 |
| Adjustments for non cash charges and other items | | |
| Provision for staff retirement and other service benefits | (34,945) | 25,371 |
| Provision for Gas Infra-structure Development (GID) cess | 494,969 | 120,576 |
| Provision for net realizable value of stock-in-trade | 19,765 | 20,050 |
| Provision for slow moving stores and spares | 4,697 | 3,721 |
| Write-off of operating assets - note 5.2 | 4,423 | 8,059 |
| Depreciation and amortization | 922,965 | 892,782 |
| Income on short term investments and bank deposits | (51,545) | (28,566) |
| Unrealised exchange loss / (gain) on foreign currency borrowings | (64,560) | 290,040 |
| Amortization of prepaid financial charges | 15,841 | 15,579 |
| Finance costs | 677,778 | 1,138,122 |
| Profit on disposal of operating assets | (1,202) | (1,396) |
| Exchange gain on derivatives held for trading | (179,067) | (114,494) |
| Working capital changes - note 16.1 | (990,930) | 1,444,447 |
| | <u>815,857</u> | <u>4,601,737</u> |
| 16.1 Working Capital Changes | | |
| Decrease / (increase) in current assets | | |
| Stores, spares and loose tools | (159,415) | (2,412) |
| Stock-in-trade | (1,925,446) | (429,929) |
| Trade debts - considered good | 228,730 | 23,034 |
| Loans, advances, deposits, prepayments and other receivables | 254,472 | 237,396 |
| | <u>(1,601,659)</u> | <u>(171,911)</u> |
| Increase in current liabilities | | |
| Trade and other payables | 610,729 | 1,616,358 |
| | <u>(990,930)</u> | <u>1,444,447</u> |
| 17. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 224,483 | 1,153,732 |
| Short term investments | 67,912 | - |
| Running finance utilized under mark-up arrangements - note 12 | (505,084) | - |
| | <u>(212,689)</u> | <u>1,153,732</u> |



(Amounts in thousand)

18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this consolidated condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2013.

| | Unaudited September 30, 2014 | | | | Unaudited September 30, 2013 | | | |
|---|--|-----------------------------------|--------------|------------------|--|-----------------------------------|---------------|------------------|
| | 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 | 13,252,041 | 3,858,512 | 36,038 | 17,146,591 | 14,325,346 | 3,764,705 | 46,858 | 18,136,909 |
| Profit before unallocated expenses | (53,799) | 1,411,674 | 9,552 | 1,367,427 | 1,198,014 | 1,459,809 | 19,152 | 2,676,975 |
| Unallocated expenses | | | | | | | | |
| Administrative expenses | | | | (493,499) | | | | (417,861) |
| Other expenses | | | | (270,316) | | | | (388,609) |
| Other income | | | | 71,834 | | | | 55,063 |
| Finance costs | | | | (677,778) | | | | (1,138,122) |
| Taxation | | | | (31,024) | | | | (235,058) |
| Profit after taxation | | | | (33,356) | | | | 552,388 |

| | Unaudited September 30, 2014 | | | | Audited December 31, 2013 | | | |
|----------------------|--|-----------------------------------|--------------|-------------------|--|-----------------------------------|--------------|-------------------|
| | 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 | 15,419,112 | 6,415,771 | 12,988 | 21,847,871 | 14,062,022 | 6,572,720 | 31,620 | 20,666,362 |
| Unallocated assets | | | | 4,173,042 | | | | 4,702,001 |
| Total assets | | | | 26,020,913 | | | | 25,368,363 |

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



(Amounts in thousand)

19. TRANSACTIONS WITH RELATED PARTIES

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

| Nature of relationship | Nature of transactions | Unaudited Period ended | |
|---|--------------------------------|---------------------------|-----------------------|
| | | September 30, 2014 | September 30, 2013 |
| Holding Company | | | |
| - Engro Corporation Limited | Purchase of services | 17,170 | 26,591 |
| | Use of operating assets | 546 | 1,084 |
| | Markup on Subordinated Loan | 61,251 | 100,215 |
| | Reimbursement made | 51,398 | 4,093 |
| | Reimbursement received | 1,228 | 3,420 |
| | Pension fund contribution | 1,616 | 4,703 |
| | Provident fund contribution | 6,206 | 7,317 |
| | Medical contribution | 750 | 130 |
| | Gratuity fund contribution | 4,753 | 1,521 |
| Associated Companies | | | |
| - Mitsubishi Corporation | Purchase of goods | 7,031,429 | 5,929,710 |
| | Sale of goods | 147,431 | 1,177,602 |
| | Purchase of services | 350 | 276 |
| - Arabian Sea Country Club | Purchase of services | 135 | 709 |
| | Annual Subscription | 61 | - |
| Related parties by virtue of common directorship | | | |
| - Engro Fertilizers Limited | Purchase of services | 2,473 | 5,939 |
| | Sale of goods | 15,000 | 16,564 |
| | Sale of services | 378 | 378 |
| | Sale of steam and electricity | 50,543 | 58,424 |
| | Reimbursement made | 10,855 | 9,536 |
| | Reimbursement received | 1,795 | 1,413 |
| | Use of operating assets | 4,394 | 5,921 |
| | - Engro Vopak Terminal Limited | Purchase of services | 676,465 |
| | Reimbursement made | 11,238 | 13,796 |
| | Reimbursement received | 11,205 | 7,217 |
| - Engro Foundation | Reimbursement made | 420 | - |
| | Purchase of services | 19 | 2,249 |
| - Engro PowerGen Qadirpur Limited | Reimbursement made | 4 | 1,180 |
| | Reimbursement received | - | 1,509 |
| - Engro Foods Limited | Sale of goods | 39,842 | 33,923 |
| | Reimbursement received | - | 909 |
| | Reimbursement made | 4,460 | 714 |
| | Use of operating assets | 305 | 331 |



(Amounts in thousand)

| Nature of relationship | Nature of transactions | Unaudited | |
|--|--------------------------|--------------------|--------------------|
| | | Period ended | |
| | | September 30, 2014 | September 30, 2013 |
| - Dawood Hercules Corporation Limited | Purchase of services | 10,880 | 10,800 |
| - Lahore University of Management Sciences | Purchase of services | - | 678 |
| - Pakistan Institute of Corporate Governance | Purchase of services | 1,010 | - |
| | Annual subscription | 214 | - |
| - Pakistan Japan Business Forum | Annual subscription | - | 50 |
| - Institute of Business Administration | Purchase of services | 422 | 2,186 |
| - Engro Eximp (Pvt) Ltd | Reimbursement Received | 61 | 1,934 |
| | Use of Operating Assets | 57 | 44 |
| Directors | Fee | 1,550 | 2,050 |
| Contribution to staff retirement benefits | Pension fund | - | 15,423 |
| | Provident fund | 31,873 | 29,547 |
| | Gratuity fund | 26,502 | 6,567 |
| Key management personnel | Managerial remuneration | 52,415 | 49,524 |
| | Retirement benefit funds | 7,959 | 8,591 |
| | Bonus | 21,305 | 19,140 |
| | Other benefits | 11,251 | 11,419 |

20. CORRESPONDING FIGURES

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

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

21. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on October 21, 2014 by the Board of Directors of the Company.



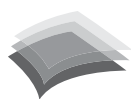
Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)



engro polymer & chemicals

**UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**



ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2014

(Amounts in thousand)

| | Note | Unaudited September 30, 2014 | Audited December 31, 2013 |
|---|------|------------------------------------|---------------------------------|
| | | Rupees | |
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 5 | 16,851,125 | 17,132,553 |
| Intangible assets | | 54,967 | 50,098 |
| Long term investment - at cost | | 50,000 | 50,000 |
| Long term loans and advances | | 59,544 | 52,605 |
| Deferred taxation | 6 | 589,139 | 455,181 |
| | | <u>17,604,775</u> | <u>17,740,437</u> |
| Current Assets | | | |
| Stores, spares and loose tools | | 1,544,886 | 1,390,168 |
| Stock-in-trade | | 5,156,271 | 3,250,590 |
| Trade debts - considered good | 7 | 296,287 | 525,017 |
| Loans, advances, deposits, prepayments and other receivables | 8 | 187,312 | 431,177 |
| Taxes recoverable | 9 | 912,284 | 742,454 |
| Short term Investments | | - | 300,000 |
| Cash and bank balances | | 217,822 | 860,335 |
| Derivative financial instruments - at fair value through profit or loss | 11 | 76,895 | - |
| | | <u>8,391,757</u> | <u>7,499,741</u> |
| TOTAL ASSETS | | <u>25,996,532</u> | <u>25,240,178</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 6,634,688 | 6,634,688 |
| Share premium | | 964,029 | 964,029 |
| Hedging reserve | | (43,502) | (52,804) |
| Accumulated loss | | (552,558) | (612,103) |
| | | <u>7,002,657</u> | <u>6,933,810</u> |
| Non-Current Liabilities | | | |
| Long term borrowings | 10 | 6,078,028 | 7,494,818 |
| Derivative financial instruments | 11 | 64,929 | 80,006 |
| Employment service benefits obligation | | 28,717 | 63,662 |
| | | <u>6,171,674</u> | <u>7,638,486</u> |
| Current Liabilities | | | |
| Current portion of long term borrowings | 10 | 2,520,418 | 2,242,800 |
| Derivative financial instruments - at fair value through profit or loss | | - | 102,172 |
| Short term borrowings | 12 | 1,405,084 | 766,062 |
| Trade and other payables | 13 | 7,829,138 | 7,209,155 |
| Accrued interest / mark-up | | 307,652 | 82,753 |
| Provisions | 14 | 759,909 | 264,940 |
| | | <u>12,822,201</u> | <u>10,667,882</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>25,996,532</u> | <u>25,240,178</u> |
| Commitments | 15 | | |

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



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director

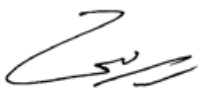


[Amounts in thousand except for earnings / (loss) per share]

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

| | Quarter ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| | Rupees | | | |
| Net revenue | 5,244,063 | 6,105,485 | 17,146,591 | 17,948,233 |
| Cost of sales | (4,454,453) | (4,749,459) | (14,791,832) | (14,510,825) |
| Gross profit | 789,610 | 1,356,026 | 2,354,759 | 3,437,408 |
| Distribution and marketing expenses | (321,589) | (324,676) | (987,332) | (947,946) |
| Administrative expenses | (183,905) | (146,435) | (493,499) | (417,789) |
| Other operating expenses | (142,732) | (181,269) | (269,998) | (383,238) |
| Other income | 8,778 | 212,091 | 165,899 | 244,648 |
| Operating profit | 150,162 | 915,737 | 769,829 | 1,933,083 |
| Finance costs | (362,541) | (496,219) | (677,772) | (1,141,985) |
| Profit / (Loss) before taxation | (212,379) | 419,518 | 92,057 | 791,098 |
| Taxation | 54,497 | (96,651) | (30,863) | (228,965) |
| Profit / (Loss) for the period | (157,882) | 322,867 | 61,194 | 562,133 |
| Earnings / (Loss) per share - basic and diluted | (0.24) | 0.49 | 0.09 | 0.85 |

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



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director




ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014


(Amounts in thousand)

| | Quarter ended | | Nine months ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Profit / (Loss) for the period | (157,882) | 322,867 | 61,194 | 562,133 |
| Other comprehensive income / (loss): | | | | |
| Deferred tax charge relating to revaluation of equity related items | - | - | (1,649) | (1,648) |
| Items that may be reclassified subsequently to profit or loss. | | | | |
| Hedging reserve | | | | |
| Gain / (loss) arising during the period | (13,447) | (91,890) | 24,108 | (84,251) |
| Reclassification adjustments for (gains) / losses included in profit or loss | 11,356 | 51,398 | (9,030) | 74,909 |
| Income tax relating to hedging reserve | 690 | 13,767 | (5,776) | 1,760 |
| | (1,401) | (26,725) | 9,302 | (7,582) |
| Other comprehensive gain / (loss) for the period - net of tax | (1,401) | (26,725) | 7,653 | (9,230) |
| Total comprehensive income / (loss) for the period | <u>(159,283)</u> | <u>296,142</u> | <u>68,847</u> | <u>552,903</u> |

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



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

| | RESERVES | | | | | Total |
|---|------------------|------------------|--------------------|---------------------|---|------------------|
| | CAPITAL | REVENUE | | | Remeasurement of post employment benefits - Actuarial loss | |
| | Share capital | Share premium | Hedging reserve | Accumulated loss | | |
| Balance as at January 1, 2013 (Audited) | 6,634,688 | 964,029 | (92,077) | (1,308,239) | (5,113) | 6,193,288 |
| Total comprehensive income for the period ended September 30, 2013 | - | - | (7,582) | 560,485 | - | 552,903 |
| Balance as at September 30, 2013 (Unaudited) | 6,634,688 | 964,029 | (99,659) | (747,754) | (5,113) | 6,746,191 |
| Total comprehensive income for the period ended December 31, 2013 | - | - | 46,855 | 135,651 | 5,113 | 187,619 |
| Balance as at December 31, 2013 (Audited) | 6,634,688 | 964,029 | (52,804) | (612,103) | - | 6,933,810 |
| Total comprehensive income for the period ended September 30, 2014 | - | - | 9,302 | 59,545 | - | 68,847 |
| Balance as at September 30, 2014 (Unaudited) | <u>6,634,688</u> | <u>964,029</u> | <u>(43,502)</u> | <u>(552,558)</u> | <u>-</u> | <u>7,002,657</u> |

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



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)


ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

| | Note | Nine months ended | |
|---|------|-----------------------|-----------------------|
| | | September 30, 2014 | September 30, 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 16 | 814,822 | 4,417,587 |
| Finance costs paid | | (452,873) | (924,710) |
| Long term loans and advances | | (6,939) | (9,126) |
| Income tax (paid) / refunded | | (342,075) | 109,258 |
| Net cash generated from operating activities | | 12,935 | 3,593,009 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (644,349) | (413,035) |
| Purchases of intangible assets | | (14,819) | (3,934) |
| Proceeds from disposal of property, plant and equipment | | 9,541 | 5,071 |
| Income on bank deposits | | 45,610 | 17,966 |
| Purchase of Short term Investments | | - | (599,000) |
| Net cash utilised in investing activities | | (604,017) | (992,932) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of long term borrowings | | (1,090,453) | (956,773) |
| Proceeds from short term borrowings | | 300,000 | 420,000 |
| Dividend from Subsidiary Company | | 100,000 | 200,000 |
| Net cash utilised in financing activities | | (690,453) | (336,773) |
| Net (decrease) / increase in cash and cash equivalents | | (1,281,535) | 2,263,304 |
| Cash and cash equivalents at beginning of the period | | 994,273 | (1,114,784) |
| Cash and cash equivalents at end of the period | 17 | (287,262) | 1,148,520 |

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



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director



ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

1. LEGAL STATUS AND OPERATIONS

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

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

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months period ended September 30, 2014 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2013.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2013.

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, 2013.



(Amounts in thousand)

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|---|---|--|
| | Rupees | |
| 5. PROPERTY, PLANT AND EQUIPMENT | | |
| Operating assets, at net book value | | |
| - notes 5.1 and 5.2 | 16,418,428 | 16,833,072 |
| Capital work-in-progress | 345,049 | 211,833 |
| Capital spares | 87,648 | 87,648 |
| | <u>16,851,125</u> | <u>17,132,553</u> |
| 5.1 Additions to operating assets during the period / year were as follows: | | |
| Building on leasehold land | 2,303 | 13,493 |
| Plant and machinery | 488,187 | 512,939 |
| Furniture, fixtures and equipment | 20,639 | 20,904 |
| Vehicles | - | 6,483 |
| | <u>511,129</u> | <u>553,819</u> |
| 5.2 During the period, assets costing Rs. 27,188 (December 31, 2013: Rs. 17,321), having net book value of Rs. 8,339 (December 31, 2013: Rs. 5,051) were disposed off for Rs. 9,541 (December 31, 2013: Rs. 8,164) and assets costing Rs. 38,220 (December 31, 2013: Rs. 74,061) having net book value of Rs. 4,423 (December 31, 2013: Rs. 9,521) were written-off. | | |
| | Unaudited September 30, 2014 | Audited December 31, 2013 |
| | Rupees | |
| 6. DEFERRED TAXATION | | |
| Credit balances arising due to: | | |
| - accelerated tax depreciation | (3,802,664) | (3,979,859) |
| Debit balances arising due to: | | |
| - recoupable carried forward tax losses - note 6.1 | 3,413,999 | 3,745,640 |
| - recoupable minimum turnover tax - note 6.2 | 531,943 | 419,806 |
| - unpaid liabilities | 88,703 | 73,093 |
| - provision against GIDC, custom duty and SED refundable etc | 256,724 | 96,214 |
| - provision for net realizable value and slow moving stores and spares | 24,596 | 17,024 |
| - fair value of hedging instruments and others | 21,427 | 27,202 |
| - share issuance cost, net to equity | 54,411 | 56,061 |
| | 4,391,803 | 4,435,040 |
| | <u>589,139</u> | <u>455,181</u> |
| 6.1 The aggregate tax losses available for carry-forward as at September 30, 2014 amount to Rs.10,345,452 (December 31, 2013: Rs.11,016,588), on which deferred income tax asset has been recognized. The aforementioned tax losses are entirely attributable to unabsorbed tax depreciation. | | |



(Amounts in thousand)

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

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|--|---|--|
| | Rupees | |
| 7. TRADE DEBTS - considered good | | |
| Secured | 210,875 | 195,452 |
| Unsecured - note 7.1 | 85,412 | 329,565 |
| | <u>296,287</u> | <u>525,017</u> |
| 7.1 Includes amounts due from the following related parties: | | |
| - Engro Foods Limited | 1,083 | 1,671 |
| - Mitsubishi Corporation | - | 249,939 |
| - Engro Fertilizers Limited | 4,446 | - |
| | <u>5,529</u> | <u>251,610</u> |
| 8. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | |
| These include receivables from the following related parties: | | |
| Engro Vopak Terminal Limited | 2,871 | 2,208 |
| Engro Fertilizers Limited | 9,998 | 5,918 |
| Engro Powergen Qadirpur Limited | 9 | 21 |
| Engro Eximp (Private) Limited | - | 25 |
| Elengy Terminal Pakistan Limited | 428 | - |
| | <u>13,306</u> | <u>8,172</u> |

9. TAXES RECOVERABLE

9.1 Tax Year 2008

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

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



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

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

9.2 Tax Year 2009

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

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

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

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. 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 consequently has not recognized the effects for the same in the condensed interim financial information.



(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

| Title | Mark-up rate per annum | Installments | | Unaudited September 30, 2014 | Audited December 31, 2013 |
|---|----------------------------|----------------|--------------------|------------------------------------|---------------------------------|
| | | Number | Commencing from | Rupees | |
| Syndicated term finance I | 6 months KIBOR + 2.25% | 13 half yearly | November 2010 | 3,026,954 | 3,475,184 |
| Syndicated term finance II | 6 months KIBOR + 3% | 13 half yearly | June 2010 | 715,624 | 846,591 |
| Syndicated term finance IV | 6 months KIBOR + 2.55% | 6 half yearly | May 2013 | 250,000 | 330,181 |
| Syndicated term finance V | 6 months KIBOR + 1.5% | 8 half yearly | June 2015 | 1,320,395 | 1,315,170 |
| Bank Al-Falah Bilateral Loan | 6 months KIBOR + 2% | 6 half yearly | June 2016 | 541,918 | 540,554 |
| Master Istisna III | 6 months KIBOR + 2% | 6 half yearly | June 2015 | 200,000 | 200,000 |
| Master Istisna IV | 6 months KIBOR + 2.6% | 6 half yearly | April 2016 | 100,000 | 100,000 |
| International Finance Corporation (IFC) | 6 months LIBOR + 2.6 to 3% | 15 half yearly | June 2010 | 2,443,555 | 2,929,938 |
| | | | | 8,598,446 | 9,737,618 |
| Less: Current portion shown under current liabilities | | | | (2,520,418) | (2,242,800) |
| | | | | <u>6,078,028</u> | <u>7,494,818</u> |

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at September 30, 2014, all debt covenants have been complied with except for current ratio and debt service coverage ratio. Waiver for these ratio deviations have been duly applied.

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at September 30, 2014, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 16,000 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.

11.2 As at September 30, 2014, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US\$ 51,115 to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

12. SHORT TERM BORROWINGS

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|--|------------------------------------|---------------------------------|
| | Rupees | |
| Sub-ordinate loan from | | |
| Engro Corporation Limited - note 12.1 | 600,000 | 600,000 |
| Master Istisna V - note 12.2 | 300,000 | - |
| Running finance utilized under mark-up arrangements - note 12.3 | 505,084 | 166,062 |
| | <u>1,405,084</u> | <u>766,062</u> |



(Amounts in thousand)

- 12.1** This represents short term loan from Engro Corporation Limited (the Holding Company) for meeting the working capital requirements. The loan is subordinated to the finances provided to the Company by its banking creditors and carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.
- 12.2** During the period, the Company has drawn Istisna loan from Burj Bank Limited to meet its working capital requirements. The loan carries mark-up at the rate of matching KIBOR plus 1.5%, with roll over of maximum ninety (90) days and matures on April 30, 2015. The facility is secured by a floating charge over stocks and book debts of the Company.
- 12.3** The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 2,350,000 (December 31, 2013: Rs.1,550,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 1% to 1.25% (December 31, 2013: relevant period KIBOR plus 1% to 2.5%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 10.99% to 11.69% (December 31, 2013: 10.19% to 12.02%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|--|---|--|
| | Rupees | |
| 13. TRADE AND OTHER PAYABLES | | |
| Trade and other creditors - note 13.1 | 6,318,108 | 5,527,076 |
| Accrued liabilities - note 13.1 | 1,174,656 | 1,294,625 |
| Advances from customers - note 13.1 | 109,580 | 224,649 |
| Retention money against project payments | 8,335 | 8,335 |
| Security deposits | 29,772 | 16,772 |
| Workers' profits participation fund | 1,831 | 81,654 |
| Workers' welfare fund | 54,885 | 38,168 |
| Sales tax and SED payable | 68,386 | - |
| Withholding tax payable | 8,748 | 6,971 |
| Others - note 13.1 | 54,837 | 10,905 |
| | <u>7,829,138</u> | <u>7,209,155</u> |
| 13.1 Includes amounts due to the following related parties: | | |
| - Engro Corporation Limited | 6,682 | 433 |
| - Mitsubishi Corporation | 4,628,741 | 3,977,089 |
| - Engro Foods Limited | 255 | 250 |
| - Engro Fertilizers Limited | - | 542 |
| - Engro Vopak Terminal Limited | 79,371 | 98,213 |
| | <u>4,715,049</u> | <u>4,076,527</u> |
| 14. PROVISIONS | | |
| Provision for Gas Infrastructure Development cess - note 14.1 | 669,491 | 174,522 |
| Provision for duty on import of raw materials | 90,418 | 90,418 |
| Balance at end of the period | <u>759,909</u> | <u>264,940</u> |



14.1 Provision for Gas Infrastructure Development Cess

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. The Federal Government then revised GIDC rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance, 2002. The Company therefore filed a Suit before the Honorable High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favor of the Company. The Stay Order restrained the Sui Southern Gas Company Limited (SSGCL) from charging any amount of GIDC over and above Rs. 13 per MMBTU till the final decision of this matter.

Effective from January 1, 2014, GIDC rate was enhanced to Rs. 100 per MMBTU which remained unchanged till June 30, 2014. Thereafter, through the Finance Act, 2014, the GIDC rate was further increased to Rs 150 per MMBTU and Rs. 200 per MMBTU for industrial and captive power consumers, respectively.

On August 22, 2014 the Honorable Supreme Court, declared the entire levy of GIDC as unconstitutional against which Government's review petition is pending. Moreover, on September 24, 2014, the GIDC Ordinance, 2014 was promulgated against which Company has obtained ad-interim stay order from Honorable High Court of Sindh. This Stay Order has restrained SSGCL from charging and/ or recovering GIDC under the new Ordinance till the final decision of this matter.

The Company is confident that the aforementioned matter will be decided in its favour, however, based on prudence, the Company has recorded a provision of Rs. 669,491 being the financial exposure of differential GIDC as at September 30, 2014.

15. COMMITMENTS

15.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at September 30, 2014 amounts to Rs. 1,165,000 (December 31, 2013: Rs. 1,165,000). The amount utilized there against is Rs. 1,030,860 (December 31, 2013: Rs. 946,859).

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

| | Unaudited September 30, 2014 | Audited December 31, 2013 |
|---|---|--|
| | Rupees | |
| Not later than 1 year | 20,031 | 15,675 |
| Later than 1 year and no later than 5 years | 55,200 | 57,600 |
| Later than 5 years | - | 8,400 |
| | <u>75,231</u> | <u>81,675</u> |



(Amounts in thousand)

| | Unaudited September 30, 2014 | Unaudited September 30, 2013 |
|--|---|---|
| | Rupees | |
| 16. CASH GENERATED FROM OPERATIONS | | |
| Profit before taxation | 92,057 | 791,098 |
| Adjustments for non cash charges and other items: | | |
| Provision for staff retirement and other service benefits | (34,945) | 25,371 |
| Provision for Gas Infra-structure Development (GID) cess | 494,969 | 120,576 |
| Provision for net realizable value of stock-in-trade | 19,765 | 20,050 |
| Provision for slow moving stores and spares | 4,697 | 3,721 |
| Write-off of operating assets - note 5.2 | 4,423 | 8,059 |
| Depreciation and amortization | 922,965 | 892,782 |
| Income on short term investments and bank deposits | (45,610) | (18,151) |
| Unrealised exchange loss / (gain) on foreign currency borrowings | (64,560) | 290,040 |
| Amortization of prepaid financial charges | 15,841 | 15,579 |
| Finance costs | 677,772 | 1,141,985 |
| Profit on disposal of operating assets | (1,202) | (1,396) |
| Exchange gain on derivatives held for trading | (179,067) | (114,494) |
| Dividend from subsidiary | (100,000) | (200,000) |
| Working capital changes - note 16.1 | (992,283) | 1,442,367 |
| | <u>814,822</u> | <u>4,417,587</u> |
| 16.1 Working Capital Changes | | |
| Decrease / (increase) in current assets | | |
| Stores, spares and loose tools | (159,415) | (2,412) |
| Stock-in-trade | (1,925,446) | (429,963) |
| Trade debts - considered good | 228,730 | 24,437 |
| Loans, advances, deposits, prepayments and other receivables | 243,865 | 237,769 |
| | <u>(1,612,266)</u> | <u>(170,169)</u> |
| Increase in current liabilities | | |
| Trade and other payables | 619,983 | 1,612,536 |
| | <u>(992,283)</u> | <u>1,442,367</u> |
| 17. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 217,822 | 1,148,520 |
| Running finance utilized under mark-up arrangements - note 12 | (505,084) | - |
| | <u>(287,262)</u> | <u>1,148,520</u> |



18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2013.

| | Unaudited September 30, 2014 | | | | Unaudited September 30, 2013 | | | |
|---|--|-----------------------------------|--------------|------------------|--|-----------------------------------|---------------|------------------|
| | 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 | 13,252,041 | 3,858,512 | 36,038 | 17,146,591 | 14,136,670 | 3,764,705 | 46,858 | 17,948,233 |
| Profit before unallocated expenses | (53,799) | 1,411,674 | 9,552 | 1,367,427 | 1,010,501 | 1,459,809 | 19,152 | 2,489,462 |
| Unallocated expenses | | | | | | | | |
| Administrative expenses | | | | (493,499) | | | | (417,789) |
| Other expenses | | | | (269,998) | | | | (383,238) |
| Other income | | | | 165,899 | | | | 244,648 |
| Finance costs | | | | (677,772) | | | | (1,141,985) |
| Taxation | | | | (30,863) | | | | (228,965) |
| Profit after taxation | | | | 61,194 | | | | 562,133 |

| | Unaudited September 30, 2014 | | | | Audited December 31, 2013 | | | |
|----------------------|--|-----------------------------------|--------------|-------------------|--|-----------------------------------|--------------|-------------------|
| | 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 | 15,419,112 | 6,415,771 | 12,988 | 21,847,871 | 14,062,022 | 6,572,720 | 31,620 | 20,666,362 |
| Unallocated assets | | | | 4,148,661 | | | | 4,573,816 |
| Total assets | | | | 25,996,532 | | | | 25,240,178 |

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



19. TRANSACTIONS WITH RELATED PARTIES

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

| Nature of relationship | Nature of transactions | Unaudited | |
|---|--------------------------------|--------------------|--------------------|
| | | September 30, 2014 | September 30, 2013 |
| | | Period ended | |
| | | Rupees | |
| Holding Company | | | |
| - Engro Corporation Limited | Purchase of services | 17,170 | 26,591 |
| | Use of operating assets | 546 | 1,084 |
| | Markup on Subordinated Loan | 61,251 | 100,215 |
| | Reimbursement made | 51,398 | 4,093 |
| | Reimbursement received | 1,228 | 3,420 |
| | Pension fund contribution | 1,616 | 4,703 |
| | Provident fund contribution | 6,206 | 7,317 |
| | Medical contribution | 750 | 130 |
| | Gratuity fund contribution | 4,753 | 1,521 |
| Subsidiary Company | | | |
| - Engro Polymer Trading (Private) Limited | Sale of goods | - | 316,169 |
| | Sale of services | - | 72 |
| | Reimbursement made | - | 9 |
| | Reimbursement received | - | - |
| | Markup on working capital loan | - | 6,635 |
| Associated Companies | | | |
| - Mitsubishi Corporation | Purchase of goods | 7,031,429 | 5,929,710 |
| | Sale of goods | 147,431 | 672,787 |
| | Purchase of services | 350 | 276 |
| - Arabian Sea Country Club | Purchase of services | 135 | 709 |
| | Annual Subscription | 61 | - |
| Related parties by virtue of common directorship | | | |
| - Engro Fertilizers Limited | Purchase of services | 2,473 | 5,939 |
| | Sale of goods | 15,000 | 16,564 |
| | Sale of services | 378 | 378 |
| | Sale of steam and electricity | 50,543 | 58,424 |
| | Reimbursement made | 10,855 | 9,536 |
| | Reimbursement received | 1,795 | 1,413 |
| | Use of operating assets | 4,394 | 5,921 |
| - Engro Vopak Terminal Limited | Purchase of services | 676,465 | 711,005 |
| | Reimbursement made | 11,238 | 13,796 |
| | Reimbursement received | 11,205 | 7,217 |
| - Engro Foundation | Reimbursement made | 420 | - |
| | Purchase of services | 19 | 2,249 |



(Amounts in thousand)

| Nature of relationship | Nature of transactions | Unaudited | |
|--|-------------------------------|--------------------|--------------------|
| | | Period ended | |
| | | September 30, 2014 | September 30, 2013 |
| | | | Rupees |
| - Engro PowerGen Qadirpur Limited | Reimbursement made | 4 | 1,180 |
| | Reimbursement received | - | 1,509 |
| - Engro PowerGen Limited | Reimbursement made | 429 | 896 |
| | Use of operating Assets | 481 | - |
| - Engro Foods Limited | Sale of goods | 39,842 | 33,923 |
| | Reimbursement received | - | 909 |
| | Reimbursement made | 4,460 | 714 |
| | Use of operating assets | 305 | 331 |
| Nature of relationship | Nature of transactions | | |
| - Dawood Hercules Corporation Limited | Purchase of services | 10,880 | 10,800 |
| - Lahore University of Management Sciences | Purchase of services | - | 678 |
| - Pakistan Institute of Corporate Governance | Purchase of services | 1,010 | - |
| | Annual subscription | 214 | - |
| - Pakistan Japan Business Forum | Annual subscription | - | 50 |
| - Institute of Business Administration | Purchase of services | 422 | 2,186 |
| - Engro Eximp (Pvt) Ltd | Reimbursement Received | 61 | 1,934 |
| | Use of Operating Assets | 57 | 44 |
| Directors | Fee | 1,550 | 2,050 |
| Contribution to staff retirement benefits | Pension fund | - | 15,423 |
| | Provident fund | 31,873 | 29,547 |
| | Gratuity fund | 26,502 | 6,567 |
| Key management personnel | Managerial remuneration | 52,415 | 49,524 |
| | Retirement benefit funds | 7,959 | 8,591 |
| | Bonus | 21,305 | 19,140 |
| | Other benefits | 11,251 | 11,419 |



20. CORRESPONDING FIGURES

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

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

21. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on October 21, 2014 by the Board of Directors of the Company.



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director





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