



Engro Polymer & Chemicals Ltd.

Financial Information for the Three Months
ended March 31, 2011

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COMPANY INFORMATION

Chairman	Asad Umar
President & Chief Executive	Asif Qadir
Directors	Isar Ahmad Kimihide Ando Shahzada Dawood Shabbir Hashmi Waqar A. Malik Khalid Mansoor Khalid S. Subhani Takashi Yoshida
Company Secretary	Arshaduddin Ahmed
Board Audit Committee	Isar Ahmad Kimihide Ando Shabbir Hashmi Khalid S. Subhani
Bankers / Lenders	Allied Bank Ltd. Summit Bank Ltd. (formerly Arif Habib Bank Ltd.) Askari Commercial Bank Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. Barclays Bank PLC., Pakistan Citibank N.A. Deutsche Bank AG Dubai Islamic Bank Ltd. Samba Bank Ltd. Faysal Bank Ltd. Habib Bank Ltd. Hongkong Shanghai Banking Corporation International Finance Corporation MCB Bank Ltd. Meezan Bank Ltd. National Bank of Pakistan NIB Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. United Bank Ltd. Silk Bank Ltd.
Auditors	A. F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi.
Registered Office	First Floor, Bahria Complex I, 24 M.T. Khan Road, Karachi - 74000 UAN: 111-411-411
Plant	EZ/1/P-II-1, Eastern Zone, Bin Qasim, Karachi.
Share Registrar	FAMCO Associates (Private) Limited [Formerly Ferguson Associates (Private) Limited] 1st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi - 74000 Tel: (92-21) 32427012, 32426597, 32425467
Website	www.engropolymer.com





Engro Polymer & Chemicals Ltd.

**DIRECTORS' REVIEW &
UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2011**



**ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we are pleased to present the unaudited Financial Information of the Company for the three months ended March 31, 2011.

Business Review

Vinyl Chloride Monomer (VCM) production during the quarter was 14K tons as compared to 2K tons in 1Q 2010 and the plant production capacity of 38K tons per quarter. Production was lower than capacity as the VCM plant was shutdown for maintenance. The plant was shutdown in January for cleaning for 15 days. On restart, it was observed that performance was not up to the desired level. The plant was again shutdown in March for complete cleanup and turnaround for 30 days. The Company imported 7K tons of VCM during the quarter to meet the shortfall in VCM production.

Poly Vinyl Chloride (PVC) production during 1Q 2011 was 24K tons as compared to 20K tons in 1Q 2010. Production was lower than the capacity of 38K tons due to planned PVC plant shutdown and unavailability of VCM. Company sold 29K tons of PVC in 1Q 2011 as against 22K tons in same period last year.

Caustic Soda production for the quarter was 22K tons as against the capacity of 27K tons. Caustic soda production during 1Q 2010 was 19K tons. Company sold 20K tons in 1Q 2011 as against 17K tons in 1Q 2010. Remaining production was used in manufacturing of Sodium Hypochlorite and for in-house consumption. A total of 4K tons of Sodium Hypochlorite was produced and sold in the domestic market during the quarter.

International prices in the Vinyl chain went up due to rising feedstock prices and supply demand situation. Average regional PVC price at the start of the quarter was around \$ 1,020 per ton which reached to \$ 1,150 per ton in March. Ethylene prices also increased from \$ 1,125 per ton in January to \$ 1,275 per ton in March 2011.

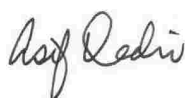
Revenue for the quarter was Rs. 3,992 million showing an increase of 24% over the same period last year. Growth in revenue is attributable to increased volumes and higher product prices as compared to the same period last year. During the quarter, the Company incurred a loss after tax of Rs. 68 million as production of VCM was low due to plant shutdown.

Near Future Outlook

After the turnaround, VCM plant was started on March 30, 2011 but had to be shutdown for some operational issues. The plant was restarted on April 16, 2011 and has been operating since then at a rate of 400+ tons a day. The organization is maintaining its focus on achieving an extended run at this operating level. The profitability of the Company will continue to be highly dependent upon operations of the integrated facility.

Driven by high oil prices and supply demand, PVC prices have moved higher and are expected to continue at these levels.

Domestic demand for PVC is expected to be strong on account of demand from agricultural and construction sectors and pipe exports to Afghanistan. Caustic Soda sales of the Company are expected to remain in line with Company's production.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director

Karachi
April 22, 2011



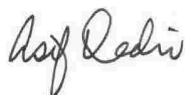
Engro Polymer & Chemicals Ltd.

(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2011**

		(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Note	Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	19,001,889	19,198,729
Intangible assets	6	31,933	20,856
Long term investment		50,000	50,000
Long term loans and advances		44,119	40,323
Deferred taxation	16	400,749	323,378
		<u>19,528,690</u>	<u>19,633,286</u>
Current Assets			
Stores, spares and loose tools		729,500	633,799
Stock-in-trade	7	2,227,244	2,056,383
Trade debts - considered good	8	313,453	591,770
Loans, advances, deposits, prepayments and other receivables	9	273,179	243,424
Taxes recoverable	10	711,071	653,924
Cash and bank balances	11	551,724	321,496
		<u>4,806,171</u>	<u>4,500,796</u>
TOTAL ASSETS		<u>24,334,861</u>	<u>24,134,082</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	6,634,688	6,634,688
Share premium		964,029	964,029
Employees' share compensation reserve	13	8,384	8,384
Hedging reserve		(62,155)	(72,062)
Accumulated loss		(696,406)	(628,697)
		<u>6,848,540</u>	<u>6,906,342</u>
Non-Current Liabilities			
Long term borrowings	14	10,896,043	10,903,360
Derivative financial instruments	15	95,622	110,864
Retirement and other service benefit obligations		50,539	50,091
		<u>11,042,204</u>	<u>11,064,315</u>
Current Liabilities			
Current portion of long term borrowings		1,359,053	1,361,293
Short term borrowings	17	97,236	1,580,388
Trade and other payables	18	4,324,692	2,898,031
Accrued interest / mark-up		529,507	192,691
Provisions	19	133,629	131,022
		<u>6,444,117</u>	<u>6,163,425</u>
Commitments	20		
TOTAL EQUITY AND LIABILITIES		<u>24,334,861</u>	<u>24,134,082</u>

The annexed notes 1 to 31 form an integral part of this condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand except for loss per share)

**ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

	Note	Three months ended	
		March 31, 2011	March 31, 2010
		Rupees	
Net sales		3,992,054	3,221,735
Cost of sales	21	(3,471,464)	(3,074,833)
Gross profit		520,590	146,902
Distribution and marketing expenses	22	(181,851)	(118,904)
Administrative expenses	23	(77,688)	(60,779)
Other operating expenses	24	(4,126)	(7,189)
Other operating income		20,486	11,832
Operating profit / (loss)		277,411	(28,138)
Finance costs	25	(381,897)	(277,359)
Loss before taxation		(104,486)	(305,497)
Taxation		36,777	98,165
Loss for the period		(67,709)	(207,332)
Loss per share			Restated
- basic and diluted		(0.11)	(0.37)

The annexed notes 1 to 31 form an integral part of this condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)

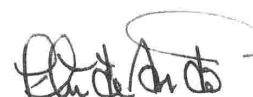
ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	Three months ended	
	March 31, 2011	March 31, 2010
	Rupees	
Loss for the period	(67,709)	(207,332)
Other comprehensive income / (loss):		
Hedging reserve		
Gain / (loss) arising during the period	15,013	(73,081)
Less:		
- Reclassification adjustments for losses included in profit and loss	229	14,939
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	4,066
Income tax relating to hedging reserve	(5,335)	18,927
Other comprehensive gain / (loss) for the period - net of tax	9,907	(35,149)
Total comprehensive loss for the period	<u>(57,802)</u>	<u>(242,481)</u>

The annexed notes 1 to 31 form an integral part of this condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director

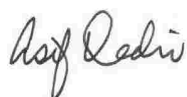


(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	Share capital	Share premium	Employees' share compensation reserve	Hedging reserve	(Accumulated loss)/ Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2010 (Audited)	5,203,677	975,438	9,313	(12,958)	184,203	6,359,673
Total comprehensive loss for the three months ended March 31, 2010	-	-	-	(35,149)	(207,332)	(242,481)
Share issuance cost, net	-	(5,458)	-	-	-	(5,458)
Balance as at March 31, 2010 (Unaudited)	5,203,677	969,980	9,313	(48,107)	(23,129)	6,111,734
Vested share options lapsed during the period	-	-	(929)	-	929	-
Share capital issued	1,431,011	-	-	-	-	1,431,011
Share issuance cost, net	-	(5,951)	-	-	-	(5,951)
Total comprehensive loss for the nine months ended December 31, 2010	-	-	-	(23,955)	(606,497)	(630,452)
Balance as at December 31, 2010 (Audited)	6,634,688	964,029	8,384	(72,062)	(628,697)	6,906,342
Total comprehensive loss for the three months ended March 31, 2011	-	-	-	9,907	(67,709)	(57,802)
Balance as at March 31, 2011 (Unaudited)	6,634,688	964,029	8,384	(62,155)	(696,406)	6,848,540

The annexed notes 1 to 31 form an integral part of this condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

		March 31, 2011	March 31, 2010
	Note	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	1,978,421	121,387
Finance costs paid		(45,081)	144
Long term loans and advances		(3,796)	(10,710)
Income taxes paid		(103,075)	(67,207)
Net cash generated from operating activities		1,826,469	43,614
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(97,795)	(506,700)
Purchases of intangible assets		(12,908)	(1,646)
Proceeds from disposal of operating assets		5,423	1,530
Income on short term investments and bank deposits		1,749	1,857
Net cash utilized in investing activities		(103,531)	(504,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings - net		(259,558)	-
Share issuance cost		-	(8,397)
Net cash utilized in financing activities		(259,558)	(8,397)
Net (decrease) / increase in cash and cash equivalents		1,463,380	(469,742)
Cash and cash equivalents at beginning of the period		(1,008,892)	(204,177)
Cash and cash equivalents at end of the period	27	454,488	(673,919)

The annexed notes 1 to 31 form an integral part of this condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2011

1. LEGAL STATUS AND OPERATIONS

Engro Polymer & Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984. The Company was listed on the Karachi Stock Exchange in 2008 and the Islamabad and Lahore Stock Exchanges in 2009.

The Company is a subsidiary of Engro Corporation Limited (formerly Engro Chemical Pakistan Limited). The address of its registered office is 1st Floor, Bahria Complex I, M. T. Khan Road, 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 and Karachi Electric Supply Company Limited.

In 2006, the Company commenced work on its expansion and backward integration project comprising setting up of a new PVC plant, Ethylene Di Chloride (EDC), Chlor-alkali, Vinyl Chloride Monomer (VCM) and Power plants (the Project). In 2009, the Company commenced commercial operations of new PVC, EDC, Chlor-alkali and Power plants (Gas turbines). On September 30, 2010, the Company declared commercial operations of the VCM plant, after which the integrated chemical complex is now complete.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the three months ended March 31, 2011 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 take precedence.

This condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2010.

3. ACCOUNTING POLICIES

- 3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2010.
- 3.2 The following new standards and amendments and interpretations to existing standards are mandatory for the financial year beginning on or after January 1, 2011, but are either not currently relevant to the Company or do not have any significant impact on the Company's financial information:

- IFRS 2 (Amendment), 'Group cash-settled and share-based payment transactions';
- IFRS 3 (Revised), 'Business Combination';
- IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale';
- IFRS 8 (Amendment), 'Disclosure of information about segment assets';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 17 (Amendment), 'Classification of leases of land and buildings';
- IAS 27 (Amendment), 'Consolidated and separate financial statements';
- IAS 28 (Amendment), 'Investments in associates';
- IAS 38 (Amendment), 'Intangible assets';
- IFRIC 17 'Distributions of non-cash assets to owners';
- IFRIC 18 'Transfers of assets from customers';
- Number of other amendments in other IFRS and IAS which were part of the International Accounting Standard Board's (IASB's) annual improvement project, published in April 2009.



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2011

3.3 The following new standards and amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning January 1, 2011 and have not been early adopted by the Company:

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2013). This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The Company is yet to assess the full impact of IFRS 9, however, initial indications are that it may not affect the Company's financial assets significantly, as currently the Company does not have any assets classified as 'available for sale'.

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, 2010.

5. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
Operating assets, at net book value		
- notes 5.1 and 5.2	18,869,400	19,138,589
Capital work-in-progress	132,489	60,140
	<u>19,001,889</u>	<u>19,198,729</u>

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

Building on leasehold land	3,363	37,255
Plant and machinery	9,754	5,926,831
Pipelines	-	4,852
Furniture, fixtures and equipment	3,808	20,644
Vehicles	8,521	65,122
	<u>25,446</u>	<u>6,054,704</u>



(Amounts in thousand)

- 5.2 During the period, assets costing Rs. 13,146 (December 31, 2010: Rs. 37,885), having net book value of Rs. 6,369 (December 31, 2010: Rs. 12,078) were disposed off for Rs. 5,423 (December 31, 2010: Rs. 15,193).

6. INTANGIBLE ASSETS

Additions made during the period amount to Rs. 12,908 (December 31, 2010: Rs. 13,804).

	(Unaudited) March 31, 2011	Rupees	(Audited) December 31, 2010
7. STOCK-IN-TRADE			
Raw and packing materials - note 7.1	1,158,507		895,627
Work-in-progress	12,171		4,749
Finished goods			
- own manufactured product - note 7.1 and 7.2	1,056,566		1,156,007
	<u>2,227,244</u>		<u>2,056,383</u>

- 7.1 This includes stock-in-transit amounting to Rs. 211,496 (December 31, 2010: Nil) and stocks held at the storage facilities of the following related parties:

	(Unaudited) March 31, 2011	Rupees	(Audited) December 31, 2010
- Engro Vopak Terminal Limited	617,922		601,050
- Dawood Hercules Chemicals Limited	1,485		4,425
	<u>619,407</u>		<u>605,475</u>

- 7.2 This represents carrying value of PVC resin, net of realizable value reduction of Rs. 18,377 (December 31, 2010: Rs. 17,162).

	(Unaudited) March 31, 2011	Rupees	(Audited) December 31, 2010
8. TRADE DEBTS - considered good			
Includes amounts due from the following related parties:			
- Engro Fertilizers Limited	2,016		1,158
- Engro Energy Limited	133		240
- Engro Polymer Trading (Private) Limited	160,518		412,974
	<u>162,667</u>		<u>414,372</u>

(Amounts in thousand)

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

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
Includes amounts due from the following related parties:		
- Engro Fertilizers Limited	2,978	3,998
- Avanceon	2,760	2,185
	5,738	6,183

10. TAXES RECOVERABLE

- 10.1 During the previous year, the Company received a notice of demand of Rs. 213,172 in respect of Tax Year 2008. The Deputy Commissioner Inland Revenue has made various additions to the returned income amounting to Rs. 207,370 and has not considered the brought forward losses amounting to Rs. 974,770 resulting in the aforementioned tax demand. The additions to income are mainly on account of trading liabilities and finance costs incurred in relation to the expansion Project. The aforementioned brought forward losses have been amended due to revision of returns as per the ITAT Order mentioned in note 10.3.

The Company has filed an appeal against the aforementioned demand with the Commissioner Inland Revenue (Appeals), which is currently pending. While the appeal proceedings were pending, the Officer Inland Revenue (OIR) adjusted a sum of Rs. 180,768 in the aforementioned demand against the Company's assessed refunds. Consequently, the Company has paid the balance amount of Rs. 32,404 'under protest'. Further, the OIR has issued two show cause notices dated December 9, 2010 for the levy of additional tax relating to Tax Year 2008 aggregating to Rs. 8,106. During the period, replies to the show cause notices have been filed for withdrawal thereof. The Company's management is of the view that since the matter is pending with the Commissioner Inland Revenue (Appeals), no cohesive recovery measures can be initiated unless a decision is obtained from an independent forum outside the departmental hierarchy. Further, no formal order creating a demand has been received to date in response to the show cause replies submitted by the Company.

The management of the Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matter would be favorable and consequently has not recognized the effects for the same in the financial information.

- 10.2 During the previous year, the Company also received a notice of demand of Rs. 163,206 in respect of Tax Year 2009. The Deputy Commissioner Inland Revenue has made various additions to the returned income amounting to Rs. 546,050 and has not considered the brought forward losses amounting to Rs. 499,376 resulting in the aforementioned tax demand. The additions to income are mainly on account of trading liabilities and finance costs incurred in relation to the expansion Project. The aforementioned brought forward losses have been amended due to revision of returns as per the ITAT Order mentioned in note 10.3.

The entire demand of Rs. 163,206 has been adjusted vide OIR order dated December 20, 2010 against assessed refundable taxes. During the period, the Company has filed an appeal against the aforementioned demand with the Commissioner Inland Revenue (Appeals), which is currently pending.

The management of the Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matter would be favorable and consequently has not recognized the effects for the same in the financial information.



(Amounts in thousand)

- 10.3 While finalizing the assessment for the assessment year 2000-2001, the Taxation Officer had disallowed the claim of First Year Allowance (FYA) by the Company on the grounds that the Company had not met the criteria for claiming this allowance as required under the repealed Income Tax Ordinance, 1979. The Company had filed an appeal against this disallowance which was decided by the Commissioner of Income Tax (Appeals) in favor of the Company. The department, therefore, filed second appeal before the Income Tax Appellate Tribunal (ITAT). A similar disallowance had also been made for the assessment year 2001-2002 by the Taxation Officer in 2003. However, upon appeal, this matter was ultimately decided in Company's favor in 2005 by the Income Tax Appellate Tribunal (ITAT).

During the previous year, the ITAT in departmental appeal pertaining to assessment year 2000-2001, decided the aforementioned matter against the Company by departing from the previous order for the assessment year 2001-2002. The disallowance of FYA amounts to Rs. 1,884,359.

This disallowance resulted in tax deductible timing differences, the effects of which have been recognized in the financial statements after taking into account the consequential effects of the ITAT Order in the tax years subsequent to 2000-2001. Consequently, the Company has revised its income tax returns for the tax years 2003 to 2007 and 2009 resulting in a tax liability of Rs. 86,769 for Tax year 2008, which has been settled by adjustment out of recoverable minimum tax brought forward of prior years and refunds available in other tax years as mentioned in note 10.1 above.

	(Unaudited) March 31, 2011	Rupees	(Audited) December 31, 2010
11. CASH AND BANK BALANCES			
Cash in hand	1,084		630
With banks on:			
- current accounts	97,667		297,489
- savings accounts	452,973		23,377
	<u>551,724</u>		<u>321,496</u>

	(Unaudited) March 31, 2011	Rupees	(Audited) December 31, 2010
12. SHARE CAPITAL			
Authorized capital 700,000,000 (2010: 700,000,000) ordinary shares of Rs. 10 each	7,000,000		7,000,000
Issued, subscribed and paid-up capital 663,468,788 (2010: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash	6,634,688		6,634,688

- 12.1 As at March 31, 2011, Engro Corporation Limited (formerly Engro Chemical Pakistan Limited) holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2010: 372,809,989 ordinary shares of Rs. 10 each).

	(Unaudited) March 31, 2011	Rupees	(Audited) December 31, 2010
13. EMPLOYEES' SHARE COMPENSATION RESERVE			
Balance at beginning of the period/year	8,384		9,313
Less: Options lapsed due to employee resignation	-		(929)
Balance at end of the period/year	<u>8,384</u>		<u>8,384</u>

(Amounts in thousand)

14. LONG TERM BORROWINGS, secured

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 March 31, 2011, all debt covenants have been complied with except for current ratio, for which waivers have been applied for.

15. DERIVATIVE FINANCIAL INSTRUMENTS

15.1 During the period, the Company has entered into a cross-currency interest rate swap agreement for a notional amount of US\$ 4,016, with a bank to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR plus 2.25% on the relevant PKR notional amount and will pay six month USD-LIBOR plus 3.70% on the relevant USD notional amount, which will be settled semi annually. The Company also has an outstanding cross-currency interest rate swap agreement for a notional amount of US\$ 3,594, with a bank to hedge its interest rate exposure on borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR on the relevant PKR notional amount and will pay six month USD-LIBOR plus 0.95% on the relevant USD notional amount, which will be settled semi annually.

15.2 The Company has outstanding interest rate swap agreements for notional amounts aggregating US\$ 34,666, with banks to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi annually.

15.3 Details of the swap agreements are as follows:

Notional Amounts US \$	Effective Date	Termination Date	Rate %	(Unaudited) Fair value as at March 31, 2011 (Rupees)	(Audited) Fair value as at December 31, 2010 (Rupees)
Interest Rate Swap Agreements			Fixed Rate %		
13,000	December 15, 2008	June 15, 2017	3.385	54,716	54,957
4,333	June 15, 2009	June 15, 2017	3.005	13,418	13,487
13,000	June 15, 2009	June 15, 2017	2.795	32,262	32,452
4,333	June 15, 2009	June 15, 2017	2.800	10,899	10,784
34,666				111,295	111,680
Cross Currency Interest Rate Swap Agreement			Floating Rate %		
3,594	September 9, 2010	June 15, 2015	LIBOR + 0.95	(11,752)	(816)
4,016	January 18, 2011	January 19, 2016	LIBOR + 3.70	(3,921)	-
7,610				(15,673)	(816)
42,276				95,622	110,864

(Amounts in thousand)

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
16. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(4,134,759)	(4,141,621)
Debit balances arising due to:		
- recoupable carried forward tax losses	4,123,858	4,097,320
- recoupable minimum turnover tax	250,156	204,227
- unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	38,720	36,594
- provision against duties	28,552	27,639
- provision for stocks and slow moving stores and spares	3,045	2,707
- fair value of hedging instruments	33,468	38,803
- share issuance cost, net to equity	57,709	57,709
	4,535,508	4,464,999
	<u>400,749</u>	<u>323,378</u>

17. SHORT TERM BORROWINGS

The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amount to Rs. 1,925,000 (December 31, 2010: Rs. 1,925,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to plus 1.5% (December 31, 2010: relevant period KIBOR plus 0.9% to plus 1.5%). During the period, the mark-up rates, net of prompt payment rebate, ranged from 14.19% to 14.94% per annum (December 31, 2010: 12.83% to 14.84% per annum). The facilities are secured by a floating charge over stocks and book debts of the Company.

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
18. TRADE AND OTHER PAYABLES		
Includes amounts due to the following related parties:		
- Engro Corporation Limited	693	377
- Mitsubishi Corporation	2,448,646	1,690,399
- Engro Vopak Terminal Limited	86,867	86,679
	<u>2,536,206</u>	<u>1,777,455</u>

(Amounts in thousand)

19. PROVISIONS

19.1 Provision for SED on import of plant and machinery

The Company has paid Rs. 94,611 (December 31, 2010: Rs. 94,611) on account of Special Excise Duty (SED) on import of plant and machinery for the Project. Of this amount, the Company had adjusted Rs. 57,924 (2010: Rs. 57,924) in the monthly sales tax returns against SED on goods produced and sold by the Company.

The Company had approached the Federal Board of Revenue (FBR) to obtain a clarification in respect of the adjustment in the monthly sales tax returns. Pending clarification the Company based on prudence had made a provision for the amount adjusted of Rs. 57,924 and also for the remaining balance of Rs. 36,687 included in loans, advances, deposits, prepayments and other receivables. However, in 2009, the Company received show cause notices from the Additional Collector (Adjudication), stating that the Company, by adjusting the SED, has violated the provisions of the Federal Excise Act, 2005 and the Federal Excise Rules, 2005 read with SRO 655(1)/2007 and that the amount adjusted was recoverable from the Company under the Federal Excise Act, 2005 alongwith default surcharge and penalty. During the previous year, the Company was granted a stay order from the Honourable High Court of Sindh against the recovery notice issued by the Additional Commissioner in respect of the demand.

The Company filed an appeal with Commissioner Inland Revenue (Appeals) against the Order issued by the Additional Commissioner and the appeal was decided against the Company. The Company has now filed an appeal with the Income Tax Appellate Tribunal against the decision of Commissioner Inland Revenue (Appeals).

The Company is confident that the ultimate outcome of the matter will be in its favour, however, based on prudence is carrying a provision in this respect. Further, a provision for surcharge and penalty thereon amounting to Rs. 28,478 (2010: Rs. 25,871) has also been made.

19.2 Provision for duty on import of raw material

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

Although, no formal order creating a demand has yet been received by the Company, however, based on prudence, a provision amounting to Rs. 47,227 (2010: Rs. 47,227) in respect of custom duty on such raw materials has been made.

20. COMMITMENTS

Performance guarantees issued by banks on behalf of the Company as at March 31, 2011 amount to Rs. 430,450 (December 31, 2010: Rs. 431,975).



(Amounts in thousand)

	Unaudited Three months ended	
	2011	2010
	Rupees	
21. COST OF SALES		
Opening stock of work-in-progress	4,749	17,579
Raw and packing materials consumed	2,105,342	2,157,179
Salaries, wages and staff welfare	147,114	92,560
Fuel, power and gas	467,448	375,943
Repairs and maintenance	65,128	40,853
Depreciation	285,033	209,134
Consumable stores	66,634	53,781
Purchased services	15,511	18,819
Storage and handling	205,131	154,802
Training and travelling	3,281	2,638
Communication, stationery and other office expenses	1,320	1,596
Insurance	8,362	16,477
Other expenses	9,141	7,081
	3,379,445	3,130,863
Closing stock of work-in-progress	(12,171)	-
Cost of goods manufactured	3,372,023	3,148,442
Opening stock of finished goods	1,156,007	419,468
Closing stock of finished goods	(1,056,566)	(493,077)
	99,441	(73,609)
Cost of sales - own manufactured product	3,471,464	3,074,833

	Unaudited Three months ended	
	2011	2010
	Rupees	
22. DISTRIBUTION AND MARKETING EXPENSES		
Salaries, wages and staff welfare	15,601	15,409
Advertising, sales promotion and entertainment	20,905	12,665
Product transportation and handling	136,727	86,313
Rent, rates and taxes	2,123	687
Purchased services	713	288
Insurance	326	223
Depreciation	984	896
Training and travelling	1,265	1,172
Communication, stationery and other office expenses	593	651
Others	2,614	600
	181,851	118,904

(Amounts in thousand)

	Unaudited Three months ended	
	2011	2010
	Rupees	
23. ADMINISTRATIVE EXPENSES		
Salaries, wages and staff welfare	40,612	29,561
Rent, rates and taxes	9,689	3,735
Purchased services	7,352	6,242
Insurance	9	116
Depreciation and amortization	4,080	1,493
Training and travelling expenses	10,351	11,464
Communication, stationery and other office expenses	3,096	6,568
Others	2,498	1,600
	<u>77,688</u>	<u>60,779</u>
24. OTHER OPERATING EXPENSES		
Legal and professional charges	3,371	4,355
Auditors' remuneration	281	289
Donations	474	2,545
	<u>4,126</u>	<u>7,189</u>
25. FINANCE COSTS		
Interest/Mark-up on:		
- long term borrowings	348,337	260,045
- short term finances	29,870	12,930
Guarantee commission, bank charges and others	3,690	4,384
	<u>381,897</u>	<u>277,359</u>

	Unaudited Three months ended	
	2011	2010
	Rupees	
26. CASH GENERATED FROM OPERATIONS		
Loss before taxation	(104,486)	(305,497)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	448	(171)
Provisions	4,789	45,598
Depreciation and amortization	290,097	211,523
Income on deposits	(1,749)	(1,857)
Finance costs	381,897	277,359
(Loss) / profit on disposal of operating assets	946	(202)
Working capital changes - note 26.1	1,406,479	(105,366)
	<u>1,978,421</u>	<u>121,387</u>

	Unaudited Three months ended	
	2011	2010
	Rupees	
26.1 WORKING CAPITAL CHANGES		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	(96,668)	(84,535)
Stock-in-trade	(172,076)	(337,107)
Trade debts	278,317	(337,367)
Loans, advances, deposits, prepayments and other receivables - net	(29,755)	38,970
	<u>(20,182)</u>	<u>(720,039)</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	1,426,661	614,673
	<u>1,406,479</u>	<u>(105,366)</u>

(Amounts in thousand)

27. CASH AND CASH EQUIVALENTS	Unaudited As at March 31,	
	2011	2010
	Rupees	
Cash and bank balances	603,929	201,237
Short term borrowings	(97,236)	(1,051,608)
	<u>506,693</u>	<u>(850,371)</u>

28. SEGMENT INFORMATION

28.1 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, 2010.

	Unaudited March 31, 2011				Unaudited March 31, 2010			
	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				Rupees			
Revenue	<u>3,205,405</u>	<u>779,450</u>	<u>7,199</u>	<u>3,992,054</u>	<u>2,565,913</u>	<u>581,154</u>	<u>74,668</u>	<u>3,221,735</u>
Profit / (loss) before unallocated expenses	<u>104,991</u>	<u>233,949</u>	<u>(201)</u>	<u>338,739</u>	<u>(79,792)</u>	<u>97,970</u>	<u>9,820</u>	<u>27,998</u>
Unallocated expenses								
Administrative expenses				(77,688)				(60,779)
Other operating expenses				(4,126)				(7,189)
Other operating income				20,486				11,832
Finance costs				(381,897)				(277,359)
Taxation				36,777				98,165
Loss after taxation				<u>(67,709)</u>				<u>(207,332)</u>

	Unaudited March 31, 2011				Unaudited March 31, 2010			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
	Rupees				Rupees			
Total segment assets	13,519,950	5,650,787	106,785	19,277,522	13,649,824	5,748,046	106,785	19,504,655
Unallocated assets				5,057,339				4,629,427
Total assets				<u>24,334,861</u>				<u>24,134,082</u>

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

(Amounts in thousand)

29. TRANSACTIONS WITH RELATED PARTIES

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

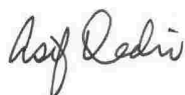
Nature of relationship	Nature of transactions	Unaudited Three months ended	
		2011	2010
		Rupees	
Holding company	Purchase of services	1,185	749
	Use of operating assets	-	787
	Pension fund contribution	341	998
	Provident fund contribution	1,959	749
	Medical contribution	57	-
	Gratuity fund contribution	315	-
Subsidiary company	Sale of goods	157,569	407,325
	Sale of services	120	68
Associated companies	Purchase of goods	1,896,950	1,750,933
Related parties by virtue of common directorship	Purchase of goods	9,954	4,467
	Purchase of services	241,043	245,972
	Sale of goods	14,460	-
	Sale of services	105	2,625
	Sale of steam and electricity	10,423	15,890
	Use of operating assets	80	1,358
	Insurance	-	1,574
	Reimbursements	3	-
Directors' fee		-	550
Key management personnel	Managerial remuneration	13,256	12,707
	Retirement benefit	2,273	1,770
	Bonus	3,385	2,964
	Other benefits	3,196	2,772
Contribution to staff retirement benefits	Pension fund	1,545	1,450
	Provident fund	10,299	11,110
	Gratuity fund	694	651

30. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 22, 2011 by the Board of Directors of the Company.

31. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting' corresponding figures in the condensed interim balance sheet comprise of balances as per the annual audited financial statements of the Company for the year ended December 31, 2010. Corresponding figures in 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 comprise of balances of comparable period as per the condensed interim financial information of the Company for the three months ended March 31, 2010.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director





Engro Polymer & Chemicals Ltd.

AND IT'S SUBSIDIARY COMPANY

**DIRECTORS' REVIEW &
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2011**



**ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we are pleased to present the Unaudited Consolidated Condensed Interim Financial Information of the Company for the three months ended March 31, 2011.

Business Review

Vinyl Chloride Monomer (VCM) production during the quarter was 14K tons as compared to 2K tons in 1Q 2010 and the plant production capacity of 38K tons per quarter. Production was lower than capacity as the VCM plant was shutdown for maintenance. The plant was shutdown in January for cleaning for 15 days. On restart, it was observed that performance was not up to the desired level. The plant was again shutdown in March for complete cleanup and turnaround for 30 days. The Company imported 7K tons of VCM during the quarter to meet the shortfall in VCM production.

Poly Vinyl Chloride (PVC) production during 1Q 2011 was 24K tons as compared to 20K tons in 1Q 2010. Production was lower than the capacity of 38K tons due to planned PVC plant shutdown and unavailability of VCM. Company sold 29K tons of PVC in 1Q 2011 as against 22K tons in same period last year.

Caustic Soda production for the quarter was 22K tons as against the capacity of 27K tons. Caustic soda production during 1Q 2010 was 19K tons. Company sold 20K tons in 1Q 2011 as against 17K tons in 1Q 2010. Remaining production was used in manufacturing of Sodium Hypochlorite and for in-house consumption. A total of 4K tons of Sodium Hypochlorite was produced and sold in the domestic market during the quarter.

International prices in the Vinyl chain went up due to rising feedstock prices and supply demand situation. Average regional PVC price at the start of the quarter was around \$ 1,020 per ton which reached to \$ 1,150 per ton in March. Ethylene prices also increased from \$ 1,125 per ton in January to \$ 1,275 per ton in March 2011.

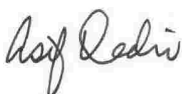
Revenue for the quarter was Rs. 4,124 million showing an increase of 26% over the same period last year. Growth in revenue is attributable to increased volumes and higher product prices as compared to the same period last year. During the quarter, the Company incurred a loss after tax of Rs. 59 million as production of VCM was low due to plant shutdown.

Near Future Outlook

After the turnaround, VCM plant was started on March 30, 2011 but had to be shutdown for some operational issues. The plant was restarted on April 16, 2011 and has been operating since then at a rate of 400+ tons a day. The organization is maintaining its focus on achieving an extended run at this operating level. The profitability of the Company will continue to be highly dependent upon operations of the integrated facility.

Driven by high oil prices and supply demand, PVC prices have moved higher and are expected to continue at these levels.

Domestic demand for PVC is expected to be strong on account of demand from agricultural and construction sectors and pipe exports to Afghanistan. Caustic Soda sales of the Company are expected to remain in line with Company's production.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director

Karachi
April 22, 2011



(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2011**

		(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Note	Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	19,001,889	19,198,729
Intangible assets	6	31,933	20,856
Long term loans and advances		44,119	40,323
Deferred taxation	16	400,749	323,378
		<u>19,478,690</u>	<u>19,583,286</u>
Current Assets			
Stores, spares and loose tools		729,500	633,799
Stock-in-trade	7	2,239,235	2,176,960
Trade debts - considered good	8	245,510	369,400
Loans, advances, deposits, prepayments and other receivables	9	410,343	380,846
Taxes recoverable	10	712,673	654,155
Short term investments		102,781	-
Cash and bank balances	11	603,929	682,894
		<u>5,043,970</u>	<u>4,898,054</u>
TOTAL ASSETS		<u>24,522,661</u>	<u>24,481,340</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	6,634,688	6,634,688
Share premium		964,029	964,029
Employees' share compensation reserve	13	8,384	8,384
Hedging reserve		(62,155)	(72,062)
Accumulated loss		(608,073)	(549,179)
		<u>6,936,874</u>	<u>6,985,860</u>
Non-Current Liabilities			
Long term borrowings	14	10,896,043	10,903,360
Derivative financial instruments	15	95,622	110,864
Retirement and other service benefit obligations		50,539	50,091
		<u>11,042,204</u>	<u>11,064,315</u>
Current Liabilities			
Current portion of long term borrowings		1,359,053	1,361,293
Short term borrowings	17	97,236	1,780,388
Trade and other payables	18	4,424,158	2,960,982
Accrued interest / mark-up		529,507	197,480
Provisions	19	133,629	131,022
Commitments	20	6,543,583	6,431,165
		<u>24,522,661</u>	<u>24,481,340</u>

The annexed notes 1 to 31 form an integral part of this consolidated condensed interim financial information.

Asif Qadir
President & Chief Executive

Kimihide Ando
Director

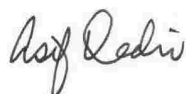


(Amounts in thousand except for loss per share)

**ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

	Note	Three months ended	
		March 31, 2011	March 31, 2010
		Rupees	
Net sales		4,123,660	3,283,754
Cost of sales	21	(3,580,054)	(3,074,833)
Gross profit		543,606	208,921
Distribution and marketing expenses	22	(192,612)	(120,713)
Administrative expenses	23	(77,688)	(60,779)
Other operating expenses	24	(7,117)	(7,313)
Other operating income		29,210	13,971
Operating profit		295,399	34,087
Finance costs	25	(387,317)	(282,375)
Loss before taxation		(91,918)	(248,288)
Taxation		33,024	93,911
Loss for the period		(58,894)	(154,377)
Loss per share			Restated
- basic and diluted		(0.09)	(0.28)

The annexed notes 1 to 31 form an integral part of this consolidated condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director




(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

	Three months ended	
	March 31, 2011	March 31, 2010
	Rupees	
Loss for the period	(58,894)	(154,377)
Other comprehensive income / (loss):		
Hedging reserve		
Gain / (loss) arising during the period	15,013	(73,081)
Less:		
- Reclassification adjustments for losses included in profit and loss	229	14,939
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	4,066
Income tax relating to hedging reserve	(5,335)	18,927
Other comprehensive gain / (loss) for the period - net of tax	9,907	(35,149)
Total comprehensive loss for the period	(48,986)	(189,526)

The annexed notes 1 to 31 form an integral part of this consolidated condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director

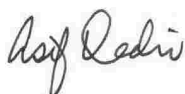


(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

	Share capital	Share premium	Employees' share compensation reserve	Hedging reserve	(Accumulated loss)/ Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2010 (Audited)	5,203,677	975,438	9,313	(12,958)	220,173	6,395,643
Total comprehensive loss for the three months ended March 31, 2010	-	-	-	(35,149)	(154,377)	(189,526)
Share issuance cost, net	-	(5,458)	-	-	-	(5,458)
Balance as at March 31, 2010 (Unaudited)	5,203,677	969,980	9,313	(48,107)	65,796	6,200,659
Vested share options lapsed during the period	-	-	(929)	-	929	-
Share capital issued	1,431,011	-	-	-	-	1,431,011
Share issuance cost, net	-	(5,951)	-	-	-	(5,951)
Total comprehensive loss for the nine months ended December 31, 2010	-	-	-	(23,955)	(615,904)	(639,859)
Balance as at December 31, 2010 (Audited)	6,634,688	964,029	8,384	(72,062)	(549,179)	6,985,860
Total comprehensive loss for the three months ended March 31, 2011	-	-	-	9,907	(58,894)	(48,986)
Balance as at March 31, 2011 (Unaudited)	6,634,688	964,029	8,384	(62,155)	(608,073)	6,936,874

The annexed notes 1 to 31 form an integral part of this consolidated condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director

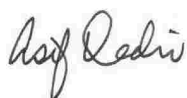


(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

	Note	March 31, 2011	March 31, 2010
			Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	1,978,161	230,790
Finance costs paid		(55,290)	(8,437)
Long term loans and advances		(3,796)	(10,710)
Income taxes paid		(108,199)	(68,958)
Net cash generated from operating activities		1,810,877	142,685
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(97,795)	(506,700)
Purchases of intangible assets		(12,908)	(1,646)
Proceeds from disposal of operating assets		5,423	1,530
Purchases of short term investments		(102,781)	(102,990)
Income on short term investments and bank deposits		10,928	1,857
Net cash utilized in investing activities		(197,133)	(607,949)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings - net		(459,557)	-
Share issuance cost		-	(8,397)
Net cash utilized in financing activities		(459,557)	(8,397)
Net (decrease) / increase in cash and cash equivalents		1,154,187	(473,661)
Cash and cash equivalents at beginning of the period		(647,494)	(376,710)
Cash and cash equivalents at end of the period	27	506,693	(850,371)

The annexed notes 1 to 31 form an integral part of this consolidated condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)

**ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

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. The Company was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984. The Company was listed on the Karachi Stock Exchange in 2008 and the Islamabad and Lahore Stock Exchanges in 2009.

The Company is a subsidiary of Engro Corporation Limited (formerly Engro Chemical Pakistan Limited). The address of its registered office is 1st Floor, Bahria Complex I, M. T. Khan Road, 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 and Karachi Electric Supply Company Limited.

In 2006, the Company commenced work on its expansion and backward integration project comprising setting up of a new PVC plant, Ethylene Di Chloride (EDC), Chlor-alkali, Vinyl Chloride Monomer (VCM) and Power plants (the Project). In 2009, the Company commenced commercial operations of new PVC, EDC, Chlor-alkali and Power plants (Gas turbines). On September 30, 2010, the Company declared commercial operations of the VCM plant, after which the integrated chemical complex is now complete.

2. BASIS OF PREPARATION

This consolidated condensed interim financial information of the Company for the three months ended March 31, 2011 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 take precedence.

This consolidated condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2010.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual consolidated financial statements of the Company for the year ended December 31, 2010.

3.2 The following new standards and amendments and interpretations to existing standards are mandatory for the financial year beginning on or after January 1, 2011, but are either not currently relevant to the Company or do not have any significant impact on the Company's financial information:

- IFRS 2 (Amendment), 'Group cash-settled and share-based payment transactions';
- IFRS 3 (Revised), 'Business Combination';
- IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale';
- IFRS 8 (Amendment), 'Disclosure of information about segment assets';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 17 (Amendment), 'Classification of leases of land and buildings';
- IAS 27 (Amendment), 'Consolidated and separate financial statements';
- IAS 28 (Amendment), 'Investments in associates';
- IAS 38 (Amendment), 'Intangible assets';
- IFRIC 17 'Distributions of non-cash assets to owners';
- IFRIC 18 'Transfers of assets from customers';
- Number of other amendments in other IFRS and IAS which were part of the International Accounting Standard Board's (IASB's) annual improvement project, published in April 2009.



(Amounts in thousand)

3.3 The following new standards and amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning January 1, 2011 and have not been early adopted by the Company:

- IFRS 9 'Financial instruments' (effective for periods beginning on or after January 1, 2013). This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The Company is yet to assess the full impact of IFRS 9, however, initial indications are that it may not affect the Company's financial assets significantly, as currently the Company does not have any assets classified as 'available for sale'.

4. ACCOUNTING ESTIMATES

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

During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited consolidated financial statements for the year ended December 31, 2010.

5. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
Operating assets, at net book value		Rupees
- notes 5.1 and 5.2	18,869,400	19,138,589
Capital work-in-progress	132,489	60,140
	<u>19,001,889</u>	<u>19,198,729</u>

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

Building on leasehold land	3,363	37,255
Plant and machinery	9,754	5,926,831
Pipelines	-	4,852
Furniture, fixtures and equipment	3,808	20,644
Vehicles	8,521	65,122
	<u>25,446</u>	<u>6,054,704</u>



(Amounts in thousand)

- 5.2 During the period, assets costing Rs. 13,146 (December 31, 2010: Rs. 37,885), having net book value of Rs. 6,369 (December 31, 2010: Rs. 12,078) were disposed off for Rs. 5,423 (December 31, 2010: Rs. 15,193).

6. INTANGIBLE ASSETS

Additions made during the period amount to Rs. 12,908 (December 31, 2010: Rs. 13,804).

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
7. STOCK-IN-TRADE		
Raw and packing materials - note 7.1	1,158,507	895,627
Work-in-progress	12,171	4,749
Finished goods		
- own manufactured product - note 7.1 and 7.2	1,068,557	1,276,584
	<u>2,239,235</u>	<u>2,176,960</u>

- 7.1 This includes stock-in-transit amounting to Rs. 211,496 (December 31, 2010: Nil) and stocks held at the storage facilities of the following related parties:

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
- Engro Vopak Terminal Limited	617,922	601,050
- Dawood Hercules Chemicals Limited	1,485	4,425
	<u>619,407</u>	<u>605,475</u>

- 7.2 This represents carrying value of PVC resin, net of realizable value reduction of Rs. 18,377 (December 31, 2010: Rs. 17,162).

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
8. TRADE DEBTS - considered good		
Includes amounts due from the following related parties:		
- Engro Fertilizers Limited	2,016	1,158
- Engro Energy Limited	133	240
	<u>2,149</u>	<u>1,398</u>

(Amounts in thousand)

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Includes amounts due from the following related parties:		
- Engro Fertilizers Limited	2,978	3,998
- Avanceon	2,760	2,185
	5,738	6,183

10. TAXES RECOVERABLE

- 10.1 During the previous year, the Company received a notice of demand of Rs. 213,172 in respect of Tax Year 2008. The Deputy Commissioner Inland Revenue has made various additions to the returned income amounting to Rs. 207,370 and has not considered the brought forward losses amounting to Rs. 974,770 resulting in the aforementioned tax demand. The additions to income are mainly on account of trading liabilities and finance costs incurred in relation to the expansion Project. The aforementioned brought forward losses have been amended due to revision of returns as per the ITAT Order mentioned in note 10.3.

The Company has filed an appeal against the aforementioned demand with the Commissioner Inland Revenue (Appeals), which is currently pending. While the appeal proceedings were pending, the Officer Inland Revenue (OIR) adjusted a sum of Rs. 180,768 in the aforementioned demand against the Company's assessed refunds. Consequently, the Company has paid the balance amount of Rs. 32,404 'under protest'. Further, the OIR has issued two show cause notices dated December 9, 2010 for the levy of additional tax relating to Tax Year 2008 aggregating to Rs. 8,106. During the period, replies to the show cause notices have been filed for withdrawal thereof. The Company's management is of the view that since the matter is pending with the Commissioner Inland Revenue (Appeals), no cohesive recovery measures can be initiated unless a decision is obtained from an independent forum outside the departmental hierarchy. Further, no formal order creating a demand has been received to date in response to the show cause replies submitted by the Company.

The management of the Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matter would be favorable and consequently has not recognized the effects for the same in the financial information.

- 10.2 During the previous year, the Company also received a notice of demand of Rs. 163,206 in respect of Tax Year 2009. The Deputy Commissioner Inland Revenue has made various additions to the returned income amounting to Rs. 546,050 and has not considered the brought forward losses amounting to Rs. 499,376 resulting in the aforementioned tax demand. The additions to income are mainly on account of trading liabilities and finance costs incurred in relation to the expansion Project. The aforementioned brought forward losses have been amended due to revision of returns as per the ITAT Order mentioned in note 10.3.

The entire demand of Rs. 163,206 has been adjusted vide OIR order dated December 20, 2010 against assessed refundable taxes. During the period, the Company has filed an appeal against the aforementioned demand with the Commissioner Inland Revenue (Appeals), which is currently pending.

The management of the Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matter would be favorable and consequently has not recognized the effects for the same in the financial information.



(Amounts in thousand)

- 10.3 While finalizing the assessment for the assessment year 2000-2001, the Taxation Officer had disallowed the claim of First Year Allowance (FYA) by the Company on the grounds that the Company had not met the criteria for claiming this allowance as required under the repealed Income Tax Ordinance, 1979. The Company had filed an appeal against this disallowance which was decided by the Commissioner of Income Tax (Appeals) in favor of the Company. The department, therefore, filed second appeal before the Income Tax Appellate Tribunal (ITAT). A similar disallowance had also been made for the assessment year 2001-2002 by the Taxation Officer in 2003. However, upon appeal, this matter was ultimately decided in Company's favor in 2005 by the Income Tax Appellate Tribunal (ITAT).

During the previous year, the ITAT in departmental appeal pertaining to assessment year 2000-2001, decided the aforementioned matter against the Company by departing from the previous order for the assessment year 2001-2002. The disallowance of FYA amounts to Rs. 1,884,359.

This disallowance resulted in tax deductible timing differences, the effects of which have been recognized in the financial statements after taking into account the consequential effects of the ITAT Order in the tax years subsequent to 2000-2001. Consequently, the Company has revised its income tax returns for the tax years 2003 to 2007 and 2009 resulting in a tax liability of Rs. 86,769 for Tax Year 2008, which has been settled by adjustment out of recoupable minimum tax brought forward of prior years and refunds available in other tax years as mentioned in note 10.1 above.

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
11. CASH AND BANK BALANCES		
Cash in hand	1,084	630
With banks on:		
- current accounts	98,743	297,942
- savings accounts	504,102	384,322
	<u>603,929</u>	<u>682,894</u>
	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
12. SHARE CAPITAL		
Authorized capital		
700,000,000 (2010: 700,000,000) ordinary shares of Rs. 10 each	<u>7,000,000</u>	<u>7,000,000</u>
Issued, subscribed and paid-up capital		
663,468,788 (2010: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash	<u>6,634,688</u>	<u>6,634,688</u>
12.1 As at March 31, 2011, Engro Corporation Limited (formerly Engro Chemical Pakistan Limited) holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2010: 372,809,989 ordinary shares of Rs. 10 each).		
	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
13. EMPLOYEES' SHARE COMPENSATION RESERVE		
Balance at beginning of the period/year	8,384	9,313
Less: Options lapsed due to employee resignation	-	(929)
Balance at end of the period/year	<u>8,384</u>	<u>8,384</u>



(Amounts in thousand)

14. LONG TERM BORROWINGS, secured

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 March 31, 2011, all debt covenants have been complied with except for current ratio, for which waivers have been applied for.

15. DERIVATIVE FINANCIAL INSTRUMENTS

15.1 During the period, the Company has entered into a cross-currency interest rate swap agreement for a notional amount of US\$ 4,016, with a bank to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR plus 2.25% on the relevant PKR notional amount and will pay six month USD-LIBOR plus 3.70% on the relevant USD notional amount, which will be settled semi annually. The Company also has an outstanding cross-currency interest rate swap agreement for a notional amount of US\$ 3,594, with a bank to hedge its interest rate exposure on borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR on the relevant PKR notional amount and will pay six month USD-LIBOR plus 0.95% on the relevant USD notional amount, which will be settled semi annually.

15.2 The Company has outstanding interest rate swap agreements for notional amounts aggregating US\$ 34,666, with banks to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi annually.

15.3 Details of the swap agreements are as follows:

Notional Amounts US \$	Effective Date	Termination Date	Rate %	(Unaudited) Fair value as at March 31, 2011 (Rupees)	(Audited) Fair value as at December 31, 2010 (Rupees)
Interest Rate Swap Agreements			Fixed Rate %		
13,000	December 15, 2008	June 15, 2017	3.385	54,716	54,957
4,333	June 15, 2009	June 15, 2017	3.005	13,418	13,487
13,000	June 15, 2009	June 15, 2017	2.795	32,262	32,452
4,333	June 15, 2009	June 15, 2017	2.800	10,899	10,784
34,666				111,295	111,680
Cross Currency Interest Rate Swap Agreement			Floating Rate %		
3,594	September 9, 2010	June 15, 2015	LIBOR + 0.95	(11,752)	(816)
4,016	January 18, 2011	January 19, 2016	LIBOR + 3.70	(3,921)	-
7,610				(15,673)	(816)
42,276				95,622	110,864



(Amounts in thousand)

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
16. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(4,134,759)	(4,141,621)
Debit balances arising due to:		
- recoupable carried forward tax losses	4,123,858	4,097,320
- recoupable minimum turnover tax	250,156	204,227
- unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	38,720	36,594
- provision against duties	28,552	27,639
- provision for stocks and slow moving stores and spares	3,045	2,707
- fair value of hedging instruments	33,468	38,803
- share issuance cost, net to equity	57,709	57,709
	4,535,508	4,464,999
	<u>400,749</u>	<u>323,378</u>

17. SHORT TERM BORROWINGS

The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amount to Rs. 1,925,000 (December 31, 2010: Rs. 1,925,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to plus 1.5% (December 31, 2010: relevant period KIBOR plus 0.9% to plus 1.5%). During the period, the mark-up rates, net of prompt payment rebate, ranged from 14.19% to 14.94% per annum (December 31, 2010: 12.83% to 14.84% per annum). The facilities are secured by a floating charge over stocks and book debts of the Company.

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	Rupees	
18. TRADE AND OTHER PAYABLES		
Includes amounts due to the following related parties:		
- Engro Corporation Limited	693	377
- Mitsubishi Corporation	2,448,646	1,690,399
- Engro Vopak Terminal Limited	86,867	86,679
	<u>2,536,206</u>	<u>1,777,455</u>



(Amounts in thousand)

19. PROVISIONS

19.1 Provision for SED on import of plant and machinery

The Company has paid Rs. 94,611 (December 31, 2010: Rs. 94,611) on account of Special Excise Duty (SED) on import of plant and machinery for the Project. Of this amount, the Company had adjusted Rs. 57,924 (2010: Rs. 57,924) in the monthly sales tax returns against SED on goods produced and sold by the Company.

The Company had approached the Federal Board of Revenue (FBR) to obtain a clarification in respect of the adjustment in the monthly sales tax returns. Pending clarification the Company based on prudence had made a provision for the amount adjusted of Rs. 57,924 and also for the remaining balance of Rs. 36,687 included in loans, advances, deposits, prepayments and other receivables. However, in 2009, the Company received show cause notices from the Additional Collector (Adjudication), stating that the Company, by adjusting the SED, has violated the provisions of the Federal Excise Act, 2005 and the Federal Excise Rules, 2005 read with SRO 655(1)/2007 and that the amount adjusted was recoverable from the Company under the Federal Excise Act, 2005 alongwith default surcharge and penalty. During the previous year, the Company was granted a stay order from the Honourable High Court of Sindh against the recovery notice issued by the Additional Commissioner in respect of the demand.

The Company filed an appeal with Commissioner Inland Revenue (Appeals) against the Order issued by the Additional Commissioner and the appeal was decided against the Company. The Company has now filed an appeal with the Income Tax Appellate Tribunal against the decision of Commissioner Inland Revenue (Appeals).

The Company is confident that the ultimate outcome of the matter will be in its favour, however, based on prudence is carrying a provision in this respect. Further, a provision for surcharge and penalty thereon amounting to Rs. 28,478 (2010: Rs. 25,871) has also been made.

19.2 Provision for duty on import of raw material

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

Although, no formal order creating a demand has yet been received by the Company, however, based on prudence, a provision amounting to Rs. 47,227 (2010: Rs. 47,227) in respect of custom duty on such raw materials has been made.

20. COMMITMENTS

Performance guarantees issued by banks on behalf of the Company as at March 31, 2011 amount to Rs. 762,145 (December 31, 2010: Rs. 942,744).



(Amounts in thousand)

21. COST OF SALES	Unaudited Three months ended	
	2011	2010
	Rupees	
Opening stock of work-in-progress	4,749	17,579
Raw and packing materials consumed	2,105,342	2,157,179
Salaries, wages and staff welfare	147,114	92,560
Fuel, power and gas	467,448	375,943
Repairs and maintenance	65,128	40,853
Depreciation	285,033	209,134
Consumable stores	66,634	53,781
Purchased services	15,511	18,819
Storage and handling	205,131	154,802
Training and travelling	3,281	2,638
Communication, stationery and other office expenses	1,324	1,596
Insurance	8,362	16,477
Other expenses	9,141	7,081
	3,379,449	3,130,863
Closing stock of work-in-progress	(12,171)	-
Cost of goods manufactured	3,372,027	3,148,442
Opening stock of finished goods	1,276,584	419,468
Closing stock of finished goods	(1,068,557)	(493,077)
	208,027	(73,609)
Cost of sales - own manufactured product	3,580,054	3,074,833

22. DISTRIBUTION AND MARKETING EXPENSES	Unaudited Three months ended	
	2011	2010
	Rupees	
Salaries, wages and staff welfare	15,601	15,409
Advertising, sales promotion and entertainment	20,905	12,665
Product transportation and handling	147,368	88,122
Rent, rates and taxes	2,123	687
Purchased services	833	288
Insurance	326	223
Depreciation	984	896
Training and travelling	1,265	1,172
Communication, stationery and other office expenses	593	651
Others	2,614	600
	192,612	120,713

(Amounts in thousand)

	Unaudited	
	Three months ended 2011	Three months ended 2010
	Rupees	
23. ADMINISTRATIVE EXPENSES		
Salaries, wages and staff welfare	40,612	29,561
Rent, rates and taxes	9,689	3,735
Purchased services	7,352	6,242
Insurance	9	116
Depreciation and amortization	4,080	1,493
Training and travelling expenses	10,351	11,464
Communication, stationery and other office expenses	3,096	6,568
Others	2,498	1,600
	<u>77,688</u>	<u>60,779</u>
24. OTHER OPERATING EXPENSES		
Legal and professional charges	6,346	4,355
Auditors' remuneration	297	289
Donations	474	2,545
Other charges	-	124
	<u>7,117</u>	<u>7,313</u>
25. FINANCE COSTS		
Interest/Mark-up on:		
- long term borrowings	348,337	260,045
- short term finances	33,054	17,096
Guarantee commission, bank charges and others	5,926	4,323
Interest on WPPF	-	911
	<u>387,317</u>	<u>282,375</u>

	Unaudited	
	Three months ended 2011	Three months ended 2010
	Rupees	
26. CASH GENERATED FROM OPERATIONS		
Loss before taxation	(91,918)	(248,288)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	448	(171)
Provisions	4,789	45,595
Depreciation and amortization	290,097	211,523
Income on deposits	(10,928)	(1,857)
Finance costs	387,317	282,375
(Loss) / profit on disposal of operating assets	946	(202)
Working capital changes - note 26.1	1,397,411	(58,185)
	<u>1,978,161</u>	<u>230,790</u>

	Unaudited	
	Three months ended 2011	Three months ended 2010
	Rupees	
26.1 WORKING CAPITAL CHANGES		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	(96,668)	(84,535)
Stock-in-trade	(63,490)	(337,107)
Trade debts	123,890	(289,883)
Loans, advances, deposits, prepayments and other receivables - net	(29,497)	38,777
	<u>(65,766)</u>	<u>(672,748)</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	1,463,176	614,563
	<u>1,397,411</u>	<u>(58,185)</u>

(Amounts in thousand)

27. CASH AND CASH EQUIVALENTS	Unaudited As at March 31,	
	2011	2010
	Rupees	
Cash and bank balances	603,929	201,237
Short term borrowings	(97,236)	(1,051,608)
	<u>506,693</u>	<u>(850,371)</u>

28. SEGMENT INFORMATION

28.1 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, 2010.

	Unaudited March 31, 2011				Unaudited March 31, 2010			
	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				Rupees			
Revenue	<u>3,337,011</u>	<u>779,450</u>	<u>7,199</u>	<u>4,123,660</u>	<u>2,627,932</u>	<u>581,154</u>	<u>74,668</u>	<u>3,283,754</u>
Profit / (loss) before unallocated expenses	<u>117,246</u>	<u>233,949</u>	<u>(201)</u>	<u>350,994</u>	<u>(19,582)</u>	<u>97,970</u>	<u>9,820</u>	<u>88,208</u>
Unallocated expenses								
Administrative expenses				(77,688)				(60,779)
Other operating expenses				(7,117)				(7,313)
Other operating income				29,210				13,971
Finance costs				(387,317)				(282,375)
Taxation				33,024				93,911
Loss after taxation				<u>(58,894)</u>				<u>(154,377)</u>

	Unaudited March 31, 2011				Unaudited March 31, 2010			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
	Rupees				Rupees			
Total segment assets	13,519,950	5,650,787	106,785	19,277,522	13,427,455	5,748,046	106,785	19,282,286
Unallocated assets				5,245,139				5,199,054
Total assets				<u>24,522,661</u>				<u>24,481,340</u>

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



(Amounts in thousand)

29. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Three months ended	
		2011	2010
		Rupees	
Holding company	Purchase of services	1,185	749
	Use of operating assets	-	787
	Pension fund contribution	341	998
	Provident fund contribution	1,959	749
	Medical contribution	57	-
	Gratuity fund contribution	315	-
Associated companies	Purchase of goods	1,896,950	1,750,933
	Sale of goods	245,294	424,133
Related parties by virtue of common directorship	Purchase of goods	9,954	4,467
	Purchase of services	241,043	247,304
	Sale of goods	14,460	-
	Sale of services	105	2,625
	Sale of steam and electricity	10,423	15,890
	Use of operating assets	80	1,358
	Reimbursements	3	-
Investments	100,000	34,000	
Directors' fee		-	550
Key management personnel	Managerial remuneration	13,256	12,707
	Retirement benefit	2,273	1,770
	Bonus	3,385	2,964
	Other benefits	3,196	2,772
Contribution to staff retirement benefits	Pension fund	1,545	1,450
	Provident fund	10,299	11,110
	Gratuity fund	694	651

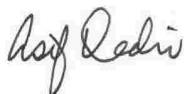
(Amounts in thousand)

30. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on April 22, 2011 by the Board of Directors of the Company.

31. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting' corresponding figures in the consolidated condensed interim balance sheet comprise of balances as per the annual audited financial statements of the Group for the year ended December 31, 2010. Corresponding figures in the consolidated 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 comprise of balances of comparable period as per the consolidated condensed interim financial information of the Company for the three months ended March 31, 2010.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director



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