



engro polymer & chemicals

Financial Information for the Quarter
ended March 31, 2012

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COMPANY INFORMATION

Chairman	Asad Umar
President and Chief Executive	Khalid S. Subhani
Directors	Asif Qadir Isar Ahmad Kimihide Ando Shahzada Dawood Shabbir Hashmi Waqar A. Malik Khalid Mansoor Takashi Yoshida
Company Secretary	Kaleem Uddin Ahmad
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: (021) 3-111-411-411
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 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 QUARTER ENDED MARCH 31, 2012**



ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2012

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited Financial Statements of the Company for the quarter ended March 31, 2012.

Business Review

Vinyl Chloride Monomer (VCM) production during the quarter was 33K tons as compared to 14K tons in 1Q 2011 and the plant production capacity of 38K tons per quarter. The VCM plant operated consistently during the period from October 2011 till 26 March 2012 when a planned turnaround was taken. 3K tons of VCM was imported during the quarter to meet the production shortfall.

Poly Vinyl Chloride (PVC) production during 1Q 2012 was 36K tons as compared to 24K tons in 1Q 2011. Production was higher than last year mainly due to VCM availability and no shutdown during the quarter as compared to the same period last year when a planned shutdown was taken. The sales were recorded at an all time high for 1Q at 35K tons as compared to 29K tons in the corresponding period. 2K tons of PVC was also exported during the quarter.

Caustic Soda production for the quarter was 28K tons which was 6K tons more than the same quarter last year. The Company sold 23 K tons in 1Q 2012 as compared to 20K tons in the corresponding period last year. Due to higher production, the Company also exported 2K tons of Caustic Soda during the quarter. A total of 5K tons of Sodium Hypochlorite was produced and sold in the domestic market during the quarter.

International PVC prices increased during the quarter by almost \$100 per ton on account of demand and feedstock prices. Ethylene prices on the other hand increased by \$200 per ton during the quarter on account of high oil prices and turnarounds.

During the quarter, the insurance claim filed by the Company for loss of profit incurred as a result of fire incident in December 2009, was acknowledged by the Insurance Companies, as a result of which, Rs. 391 million (having after tax impact of Rs. 233 million), being the agreed claim amount has been booked as other income.

Revenue during 1Q 2012 was Rs. 5,019 million showing an increase of 22% over the same period last year. Growth in revenue is mainly attributable to increased volumes and higher caustic prices as compared to last year. The Company posted a profit after tax of Rs. 414 million in 1Q 2012 as compared to a loss after tax of Rs. 59 million in the same period last year. The higher profitability was mainly attributable to higher VCM production, increased sales and insurance claim booked as other income.

Near Future Outlook

PVC prices are expected to remain soft in 2Q 2012 on account of easing of feedstock supply constraints. PVC and Caustic Soda demand is expected to remain stable to strong. The plant site which has been under turnaround is coming online as per schedule. Chlor-Alkali and PVC plants have already been started. VCM plant is expected to come online during 4th week of April 2012 after which it is expected to operate at required capacity. The management of the Company will continue its focus and commitment on safe and sustained operations of the integrated facility at design operating level to obtain full economic benefits.



Khalid Siraj Subhani
President & Chief Executive

Karachi
April 20, 2012



Shabbir Hashmi
Director



ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2012

(Amounts in thousand)

	Note	(Unaudited) March 31, 2012	(Audited) December 31, 2011
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	18,341,703	18,537,582
Intangible assets	6	38,366	31,104
Long term loans and advances		50,130	37,803
Deferred taxation	7	738,594	902,138
		<u>19,168,793</u>	<u>19,508,627</u>
Current Assets			
Stores, spares and loose tools		1,245,344	1,098,891
Stock-in-trade	8	2,713,701	2,508,579
Trade debts - considered good	9	184,954	292,605
Loans, advances, deposits, prepayments and other receivables	10	712,846	324,406
Taxes recoverable	11	892,817	860,486
Short term investments		140,713	-
Cash and bank balances	12	446,581	114,435
		<u>6,336,956</u>	<u>5,199,402</u>
TOTAL ASSETS		<u><u>25,505,749</u></u>	<u><u>24,708,029</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(103,873)	(102,221)
Accumulated loss		(841,386)	(1,255,645)
		<u>6,653,458</u>	<u>6,240,851</u>
Non-Current Liabilities			
Long term borrowings	14	8,652,953	8,620,195
Derivative financial instruments	15	159,804	157,263
Retirement and other service benefit obligations		52,091	62,107
		<u>8,864,848</u>	<u>8,839,565</u>
Current Liabilities			
Current portion of long term borrowings		2,496,255	2,491,828
Short term borrowings	16	309,716	722,340
Trade and other payables	17	6,573,911	6,101,686
Accrued interest / mark-up		436,843	145,081
Provisions	18	170,718	166,678
		<u>9,987,443</u>	<u>9,627,613</u>
Commitments	19		
TOTAL EQUITY AND LIABILITIES		<u><u>25,505,749</u></u>	<u><u>24,708,029</u></u>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
President & Chief Executive



Shabbir Hashmi
Director



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

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

	Note	Quarter ended	
		(Unaudited) March 31, 2012	(Audited) December 31, 2011
		Rupees	
Net revenue	20	5,018,709	4,123,660
Cost of sales	21	(3,951,666)	(3,580,054)
Gross profit		1,067,043	543,606
Distribution and marketing expenses	22	(293,288)	(192,612)
Administrative expenses	23	(97,117)	(77,688)
Other operating expenses	24	(91,453)	(8,063)
Other operating income	25	403,328	4,665
Operating profit		988,513	269,908
Finance cost - net	26	(357,600)	(361,826)
Profit / (Loss) before taxation		630,913	(91,918)
Taxation		(216,654)	33,024
Profit / (Loss) for the period		414,259	(58,894)
Profit / (Loss) per share - basic and diluted		0.62	(0.09)

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
President & Chief Executive



Shabbir Hashmi
Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

	Quarter ended	
	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
Profit / (Loss) for the period	414,259	(58,894)
Other comprehensive profit / (loss):		
Hedging reserve		
Gain / (Loss) arising during the period	(3,126)	15,013
Less:		
- Reclassification adjustments for losses on interest rate swaps included in profit and loss	585	229
Income tax relating to hedging reserve	889	(5,335)
Other comprehensive (gain) / loss for the period - net of tax	(1,652)	9,907
Total comprehensive profit / (loss) for the period	<u>412,607</u>	<u>(48,987)</u>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
President & Chief Executive



Shabbir Hashmi
Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

	RESERVE					Total
	Share capital	CAPITAL		REVENUE		
		Share premium	Employees' share compensation reserve	Hedging reserve	Accumulated loss	
Rupees						
Balance as at January 1, 2011 (Audited)	6,634,688	964,029	8,384	(72,062)	(549,179)	6,985,860
Total comprehensive income / (loss) for the three months ended March 31, 2011	-	-	-	9,907	(58,894)	(48,987)
Balance as at March 31, 2011 (Unaudited)	<u>6,634,688</u>	<u>964,029</u>	<u>8,384</u>	<u>(62,155)</u>	<u>(608,073)</u>	<u>6,936,873</u>
Vested share options lapsed during the period	-	-	(8,384)	-	-	(8,384)
Total comprehensive (loss) for the nine months ended December 31, 2011	-	-	-	(40,066)	(647,572)	(687,638)
Balance as at December 31, 2011 (Audited)	<u>6,634,688</u>	<u>964,029</u>	<u>-</u>	<u>(102,221)</u>	<u>(1,255,645)</u>	<u>6,240,851</u>
Total comprehensive income / (loss) for the three months ended March 31, 2012	-	-	-	(1,652)	414,259	412,607
Balance as at March 31, 2012 (Unaudited)	<u>6,634,688</u>	<u>964,029</u>	<u>-</u>	<u>(103,873)</u>	<u>(841,386)</u>	<u>6,653,458</u>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
President & Chief Executive



Shabbir Hashmi
Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

	Note	Quarter ended	
		March 31, 2012	December 31, 2011
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	1,150,856	1,986,982
Finance costs paid		(68,894)	(55,290)
Long term loans and advances		(12,327)	(3,796)
Income tax paid		(84,551)	(108,199)
Net cash generated from operating activities		<u>985,084</u>	<u>1,819,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(105,380)	(97,795)
Purchases of intangible assets		(9,949)	(12,908)
Proceeds from disposal of operating assets		12,672	5,423
Purchases of short term investment		(140,713)	(102,781)
Income on short term investments and bank deposits		3,056	10,928
Net cash utilized in investing activities		<u>(240,314)</u>	<u>(197,133)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of short term term borrowings		-	(450,000)
Net cash utilized in financing activities		<u>-</u>	<u>(450,000)</u>
Net increase / (decrease) in cash and cash equivalents		<u>744,770</u>	<u>1,172,564</u>
Cash and cash equivalents at beginning of the period		(607,905)	(647,494)
Cash and cash equivalents at end of the period	28	<u><u>136,865</u></u>	<u><u>525,070</u></u>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Shabbir Hashmi
 Director



ENGRO POLYMER & CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

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. The address of its registered office is 1st Floor, Bahria Complex I, 24 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.

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, 2012 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.

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, 2011 except for the changes resulting from initial application of standards, amendments or an interpretation to existing standards as stated in note 3.2 which though adopted does not have any impact on this condensed interim financial information.

3.2 Following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on or after January 1, 2012, but are either not currently relevant to the Company or do not have any significant effect on the Company's financial information :

- IFRS 1 (Amendment), 'First time adoption, on financial instrument disclosures';
- IFRS 7 (Amendment), 'Financial instruments: Disclosures';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 32 (Amendment), 'Financial instruments: Presentation on classification of rights issues';
- IAS 34 (Amendment), 'Interim financial reporting';
- IFRIC 4, 'Determining whether an agreement contains a lease';
- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'; and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.



3.3 Following new standards, amendments and interpretations to published standards are not effective for the accounting period beginning January 1, 2012 and have not been early adopted by the Company:

- IFRS 10, 'Consolidated financial statements';
- IFRS 11, 'Joint arrangements';
- IFRS 12, 'Disclosure of interests in other entities';
- IFRS 13, 'Fair value measurements';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 12 (Amendment), 'Income taxes';
- IAS 19 (Revised), 'Employee benefits';
- IAS 27 (Revised), 'Separate financial statements'; and
- IAS 28 (Revised), 'Associates and joint ventures'.

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, 2011.

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
5 PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value		
- notes 5.1 and 5.2	18,097,505	18,375,445
Capital work-in-progress	244,198	162,137
	<u>18,341,703</u>	<u>18,537,582</u>
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	-	5,146
Plant and machinery	19,384	368,625
Furniture, fixtures and equipment	160	8,229
Vehicles	3,775	30,251
	<u>23,319</u>	<u>412,251</u>



(Amounts in thousand)

5.2 During the period, assets costing Rs. 18,679 (December 31, 2011: Rs. 34,962), having net book value of Rs. 11,987 (December 31, 2011: Rs. 15,899) were disposed off for Rs. 12,672 (December 31, 2011: Rs. 18,396) and assets costing Rs. 276 (December 31, 2011: Rs. 5,973) and having net book value of Rs. 3 (December 31, 2011: Rs. 5,368) were written-off.

6 INTANGIBLE ASSETS

Additions made during the period amount to Rs. 9,949 (December 31, 2011: Rs. 18,790).

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
7 DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(4,166,869)	(4,195,902)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	4,276,863	4,520,417
- recoupable minimum turnover tax	427,162	377,524
- tax amortization	-	73
- unpaid liabilities and provision for certain retirement and other service benefits	39,018	38,835
- provision against custom duty and SED refundable	44,380	44,380
- provision for stocks and slow moving stores and spares	4,399	4,060
- fair value of hedging instruments	55,932	55,042
- share issuance cost, net to equity	57,709	57,709
	4,905,463	5,098,040
	<u>738,594</u>	<u>902,138</u>

7.1 The aggregate tax losses available for carry-forward as at March 31, 2012 amount to Rs.12,219,609 (December 31, 2011: Rs.12,915,477), on which deferred income tax asset has been recognized. The component of losses attributable to unabsorbed tax depreciation amount to Rs. 12,898,785 (December 31, 2011: Rs. 12,660,060).

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
8 STOCK-IN-TRADE		
Raw and packing materials - note 8.1 and 8.3	1,936,716	1,694,992
Work-in-process	3,370	24,258
Finished goods - own manufactured product - note 8.1 and 8.2	773,615	789,329
	<u>2,713,701</u>	<u>2,508,579</u>



(Amounts in thousand)

- 8.1** This includes stock-in-transit amounting to Rs. 363,080 (December 31, 2011: Rs. 131,830) and stocks held at storage facilities of the following related parties:

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
Engro Vopak Terminal Limited	507,399	717,858
DH Fertilizer Limited (formerly Dawood Hercules Chemicals Limited)	1,775	6,387
	<u>509,174</u>	<u>724,245</u>

- 8.2** This includes carrying value of PVC resin, net of realizable value reduction of Rs. 21,616 (December 31, 2011: Rs. 14,931) and write-off of nil tons of PVC resin (December 31, 2011: 87 M tons of PVC resin amounting to Rs. 4,965).

- 8.3** During the period, expired chemicals amounting to nil (December 31, 2011: Rs. 200) have been written-off.

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
9 TRADE DEBTS - considered good		
Secured	148,612	271,304
Unsecured	36,342	21,301
	<u>184,954</u>	<u>292,605</u>

- 9.1** Includes amounts due from the following related parties:

- Engro Foods Limited	<u>2,123</u>	<u>2,473</u>
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**10 LOANS, ADVANCES, DEPOSITS,
PREPAYMENTS AND OTHER RECEIVABLES
- considered good**

Includes receivable from the following related parties; Engro Fertilizers Limited amounting to Rs. 12,391 (2011: Rs. nil), Engro Foundation amounting to Rs. 21 (2011: Rs. nil) and Engro Vopak Terminal Limited amounting to Rs. 1,601 (2011: Rs. nil).



11 TAXES RECOVERABLE

11.1 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 (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 though adjustment against assessed refunds of Rs. 180,768 and paying balance of Rs. 32,404 'under protest'.

During the 2011, through an 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 has been filed by the Company before the ATIR. The department has also filed an appeal against the said appellate order challenging the actions of the CIR(A).

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.

11.2 Tax Year 2009

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of 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 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 matters 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).

During 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 has been filed before the ATIR. The department has also filed an appeal against the said appellate order challenging the action of CIR(A) deleting the addition on account of provision for the retirement benefits.

The management of the Company is confident that the ultimate outcome of the aforesaid appeal would be decided in its favour and consequently has not recognized the effects for the same in the condensed interim financial information.

11.3 Assessment Year 2000-2001

While finalizing the assessment, the Taxation Officer had disallowed the First Year Allowance (FYA) claimed 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 the said disallowance before the CIR(A) which was decided in favor of the Company. The department, thereafter, filed second appeal before the ATIR. Although in case of assessment year 2001-2002, a similar issue was decided by the ATIR in the Company's favor, the ATIR, for assessment year 2000-2001 departing from the previous view, has decided the matter against the Company and maintained the disallowance of FYA amounting to Rs. 1,884,359.

This disallowance had resulted in tax deductible timing differences, the effects of which had been duly recognized by revising the income tax returns for the tax years 2003 to 2007 and 2009. Due to the aforesaid revision, a tax liability of Rs. 86,767 arose in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years.



(Amounts in thousand)

12 CASH AND BANK BALANCES	(Unaudited)	(Audited)
	March 31, 2012	December 31, 2011
	Rupees	
Cash in hand	1,120	719
Cash at bank on:		
- current accounts	396,819	92,456
- saving accounts	48,642	21,260
	445,461	113,716
	446,581	114,435
	(Unaudited)	(Audited)
	March 31, 2012	December 31, 2011
	Rupees	

13 SHARE CAPITAL

Authorized capital

800,000,000 (2011: 700,000,000) ordinary shares of Rs. 10 each

8,000,000	8,000,000
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Issued, subscribed and paid-up capital

663,468,788 (2011: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash

6,634,688	6,634,688
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13.1 As at March 31, 2012, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2011: 372,809,989 ordinary shares of Rs. 10 each).

14 LONG TERM BORROWINGS, secured

14.1

Title	Mark-up rate per annum	Installments		(Unaudited)	(Audited)
		Number	Commencing from	March 31, 2012	December 31, 2011
				Rupees	
Syndicated term finance I	6 months KIBOR+2.25%	13 half yearly	November 2010	4,900,529	4,898,377
Syndicated term finance II	6 months KIBOR+3%	13 half yearly	June 2010	1,241,089	1,241,089
Syndicated term finance III	6 months KIBOR+2%	Single	June 2012	748,667	747,333
Master Istisna I	6 months KIBOR+1.5%	6 half yearly	May 2013	100,000	100,000
Master Istisna II	6 months KIBOR+2%	3 half yearly	June 2012	199,500	199,000
International Finance Corporation (IFC)	6 months LIBOR+2.6 to 3%	15 half yearly	June 2010	3,959,423	3,926,224
				11,149,208	11,112,023
Less: Current portion shown under current liabilities				(2,496,255)	2,491,828
				8,652,953	8,620,195



(Amounts in thousand)

14.2 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, 2012, all debt covenants have been complied with except for current ratio, for which waivers have been applied for.

15 DERIVATIVE FINANCIAL INSTRUMENTS

15.1 As at March 31, 2012, the Company has outstanding cross-currency interest rate swap agreements with banks for notional amounts aggregating US\$ 10,268, 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 on the relevant PKR notional amount and will pay six month USD-LIBOR on the relevant USD notional amount, which will be settled semi-annually.

15.2 As at March 31, 2012, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 29,334 to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

15.3 Details of the swap agreements are as follows:

Notional Amounts US \$	Effective Date	Termination Date	Rate %	Fair Value	
				(Unaudited) March 31, 2012	(Audited) December 31, 2011
				Rupees	
Interest Rate Swap Agreements			Fixed Rate		
11,000	December 15, 2008	June 15, 2017	3.385	70,547	66,962
3,667	June 15, 2009	June 15, 2017	3.005	19,721	18,573
11,000	June 15, 2009	June 15, 2017	2.795	52,871	49,505
3,667	June 15, 2009	June 15, 2017	2.800	17,529	16,279
29,334				160,668	151,319
Cross Currency Interest Rate Swap Agreements			Floating Rate		
2,690	September 9, 2010	June 15, 2015	LIBOR+0.95	(2,492)	2,164
3,471	January 18, 2011	January 19, 2016	LIBOR+3.70	2,932	365
4,107	July 6, 2011	June 30, 2016	LIBOR+1.83	(1,304)	3,415
10,268				(864)	5,944
<u>39,602</u>				<u>159,804</u>	<u>157,263</u>

16 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. 2,200,000 (December 31, 2011: Rs. 2,200,000). 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 relevant period KIBOR plus 1.5% (December 31, 2011: relevant period KIBOR plus 1.0% to relevant period KIBOR plus 1.5%). During the period, the mark-up rates, net of prompt payment rebate, ranged from 12.92% to 13.64% per annum (December 31, 2011: 12.92% to 15.29% per annum). These facilities are secured by a floating charge over stocks and book debts of the Company.



(Amounts in thousand)

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
17 TRADE AND OTHER PAYABLES		
Trade and other creditors - note 17.1	4,606,130	4,461,867
Accrued liabilities - note 17.1	918,887	743,647
Advances from customers	758,798	803,243
Retention money against project payments	17,703	17,563
Security deposits	14,776	11,477
Workers' profits participation fund and workers' welfare fund	47,085	3,158
Sales tax and SED payable	190,127	45,295
Withholding tax payable	15,525	9,002
Others - note 17.1	4,880	6,434
	<u>6,573,911</u>	<u>6,101,686</u>

17.1 Includes amounts due to the following related parties:

- Engro Corporation Limited	5,581	6,344
- Mitsubishi Corporation	4,572,598	4,283,409
- Engro Fertilizers Limited	939	7,730
- DH Fertilizer Limited (formerly Dawood Hercules Chemicals Limited)	-	23,641
- Engro Vopak Terminal Limited	70,629	81,264
- ICI Pakistan Limited	2,045	-
- EPCL Provident Fund	3,668	5,640
- EPCL Pension Fund	3,300	2,504
- EPCL Gratuity Funds	2,116	7,476
	<u>4,660,876</u>	<u>4,418,008</u>

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
18 PROVISIONS		
Balance at beginning of the year	166,678	131,022
Add: Provision during the year - notes 18.1 & 18.2	4,040	35,656
Balance at end of the year	<u>170,718</u>	<u>166,678</u>

18.1 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 (December 31, 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 2010, the Company was granted a stay order by the Honourable High Court of Sindh against the recovery notice issued by the Additional Commissioner in respect of the demand.



(Amounts in thousand)

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 aggregating to Rs. 37,614 (December 31, 2011: Rs. 33,574) has also been made.

18.2 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(11)/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. However, 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. 75,180 (December 31, 2011: Rs. 75,180) in respect of custom duty on such raw materials has been made.

19 COMMITMENTS

19.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2012 amount to Rs. 1,648,000 (December 31, 2011: Rs. 1,648,000). The amount utilized at March 31, 2012 is Rs. 768,520 (December 31, 2011: Rs. 849,035).

19.2 The Company has entered into operating lease arrangements with Al-Rahim Trading Terminal 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 July 31, 2019. The future aggregate lease payments under these arrangements are as follows:

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
Not later than 1 year	36,715	59,030
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	32,400	36,000
	<u>126,715</u>	<u>152,630</u>
	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
Net local sales	4,785,964	3,827,286
Supply of electricity	8,880	7,199
Exports	223,865	289,175
	<u>5,018,709</u>	<u>4,123,660</u>

20 NET REVENUE



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2012	December 31, 2011
	Rupees	
21 COST OF SALES		
Opening stock of work-in-progress	24,258	4,749
Raw and packing materials consumed	2,355,112	2,105,342
Salaries, wages and staff welfare	161,943	147,114
Fuel, power and gas	691,164	467,448
Repairs and maintenance	98,518	65,128
Depreciation	287,145	285,033
Consumable stores	43,541	66,634
Purchased services	8,617	15,511
Storage and handling	238,663	205,131
Training and travelling	3,513	3,281
Communication, stationery and other office expenses	1,223	1,324
Insurance	19,578	8,362
Other expenses	6,049	9,141
	3,915,066	3,379,449
Closing stock of work-in-progress	(3,370)	(12,171)
Cost of goods manufactured	3,935,954	3,372,027
Opening stock of finished goods	789,329	1,276,584
Closing stock of finished goods	(773,617)	(1,068,557)
	15,712	208,027
Cost of sales - own manufactured product	3,951,666	3,580,054

	Unaudited	
	Quarter ended	
	March 31, 2012	December 31, 2011
	Rupees	
22 DISTRIBUTION AND MARKETING EXPENSES		
Salaries, wages and staff welfare	17,644	15,601
Sales promotion	96	248
Dealers' commission	29,418	20,657
Product transportation and handling	233,069	147,368
Rent, rates and taxes	2,570	2,123
Purchased services	2,918	833
Insurance	277	326
Depreciation	1,127	984
Training and travelling	1,465	1,265
Communication, stationery and other office expenses	817	593
Others	3,887	2,614
	293,288	192,612



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2012	December 31, 2011
	Rupees	
23 ADMINISTRATIVE EXPENSES		
Salaries, wages and staff welfare	49,520	40,612
Rent, rates and taxes	11,540	9,689
Purchased services	10,425	7,352
Insurance	980	10
Depreciation and amortization	3,684	4,080
Training and travelling expenses	15,407	10,351
Communication, stationery and other office expenses	2,138	3,096
Others	3,423	2,498
	<u>97,117</u>	<u>77,688</u>
24 OTHER OPERATING EXPENSES		
Legal and professional charges	8,462	6,346
Auditors' remuneration	516	297
Donations	-	474
Loss on disposal of operating assets	-	946
Workers' profit participation fund	29,807	-
Workers' welfare fund	14,121	-
Foreign exchange loss - net	38,547	-
	<u>91,453</u>	<u>8,063</u>
25 OTHER OPERATING INCOME		
Scrap sales	10,670	736
Foreign exchange gain - net	-	3,929
Profit on disposal of operating assets	682	-
Insurance claim - note 25.1	391,000	-
Others	976	-
	<u>403,328</u>	<u>4,665</u>

25.1 This represents insurance claim on account of loss of profit incurred as a result of fire incident at the Plant site in December 2009, which has been confirmed by the insurance companies.



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2012	December 31, 2011
	Rupees	
26 FINANCE COST - net		
Finance Cost		
Interest / Mark-up on:		
- long term borrowings	301,269	348,337
- short term finances	23,212	33,054
Foreign exchange loss on foreign currency borrowings	31,680	-
Guarantee commission	1,679	1,768
Bank charges and others	2,816	4,158
	360,656	387,317
Finance Income		
Income on short term investments and bank deposits	(3,056)	(10,928)
Foreign exchange gain on foreign currency borrowings	-	(14,563)
	(3,056)	(25,491)
	<u>357,600</u>	<u>361,826</u>
27 CASH GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	630,913	(91,918)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	(10,016)	448
Provision against concessionary import duty on import of raw materials and Special Excise Duty	4,040	4,789
Provision for net realizable value of stock-in-trade	21,616	18,377
Provision for slow moving stores and spares	967	967
Depreciation and amortization	291,956	290,097
Income on short term investments and bank deposits	(3,056)	(10,928)
Loss / (gain) on revaluation of IFC loan	31,680	(14,563)
Amortization of prepaid financial charges	5,504	5,006
Finance costs	360,656	387,317
Profit on disposal of operating assets	(682)	946
Working capital changes - note 28.1	(182,722)	1,396,444
	<u>1,150,856</u>	<u>1,986,982</u>
27.1 WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(147,420)	(96,668)
Stock-in-trade	(226,738)	(64,457)
Trade debts - considered good	107,651	123,890
Loans, advances, deposits, prepayments and other receivables	(388,440)	(29,497)
	(654,947)	(66,732)
Increase in current liabilities		
Trade and other payables	472,225	1,463,176
	<u>(182,722)</u>	<u>1,396,444</u>



(Amounts in thousand)

28	CASH AND CASH EQUIVALENTS	Unaudited	
		Quarter ended	
		March 31, 2012	December 31, 2011
		Rupees	
	Cash and bank balances	446,581	603,929
	Short term borrowings	(309,716)	(97,236)
		<u>136,865</u>	<u>506,693</u>

29 SEGMENT INFORMATION

29.1 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, 2011.

	Unaudited March 31, 2012				Unaudited March 31, 2011			
	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							
Revenue	<u>3,886,068</u>	<u>1,123,761</u>	<u>8,880</u>	<u>5,018,709</u>	<u>3,337,011</u>	<u>779,450</u>	<u>7,199</u>	<u>4,123,660</u>
Profit/(loss) before unallocated expenses	<u>380,329</u>	<u>392,797</u>	<u>629</u>	773,755	<u>117,246</u>	<u>233,949</u>	<u>(201)</u>	350,994
Unallocated expenses								
Administrative expenses				(97,117)				(77,688)
Other operating expenses				(91,453)				(7,177)
Other operating income				403,328				29,210
Finance costs				(357,600)				(387,317)
Taxation				(216,654)				33,024
Loss after taxation				<u>414,259</u>				<u>(58,894)</u>

	Unaudited March 31, 2012				Audited March 31, 2011			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	13,989,047	5,353,549	73,921	19,416,517	14,086,556	5,698,350	80,818	19,865,724
Unallocated assets				6,089,232				4,842,305
Total assets				<u>25,505,749</u>				<u>24,708,029</u>

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



30 TRANSACTIONS WITH RELATED PARTIES**(Amounts in thousand)**

30.1 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 Quarter ended	
		March 31, 2012	March 31, 2011
		Rupees	
Holding company	Purchase of services	4,023	761
	Reimbursements	649	424
	Reimbursements received	113	-
	Pension fund contribution	1,143	341
	Provident fund contribution	1,913	1,959
	Medical contribution	-	57
	Gratuity fund contribution	661	315
Associated companies	Purchase of goods	2,254,858	1,896,950
	Reimbursements	1,679	-
	Sale of goods	223,865	245,294
	Purchase of services	307	298
Related parties by virtue of common directorship	Purchase of goods	10,533	9,954
	Purchase of services	210,119	237,104
	Sale of goods	20,169	14,460
	Sale of services	126	105
	Sale of steam and electricity	11,305	10,423
	Use of operating assets	835	80
	Annual Subscription	121	-
	Reimbursements	3,103	3,644
Reimbursements received	8,063	-	
Directors' fee		400	450
Key management personnel*	Managerial remuneration	21,612	13,256
	Retirement benefits	2,641	2,273
	Bonus	5,876	3,385
	Other benefits	3,235	3,196
Contribution to staff retirement benefits	Pension fund	3,936	1,545
	Provident fund	5,735	10,299
	Gratuity fund	1,592	694

* During the period, assets having net book value of Rs. 10,711 (2011: Rs. nil) were sold to out going Chief Executive Officer for Rs. 11,530 (2011: Rs. nil) as per Company's policy.

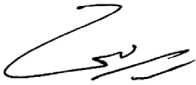


31 DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on April 20, 2012 by the Board of Directors of the Company.

32 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, 2011. Corresponding figures in 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 comprise of balances of comparable period as per the consolidated condensed interim financial information of the Company for the quarter ended March 31, 2011.



Khalid Siraj Subhani
President & Chief Executive



Shabbir Hashmi
Director





engro polymer & chemicals

**UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED MARCH 31, 2012**



ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2012

(Amounts in thousand)

	Note	(Unaudited) March 31, 2012	(Audited) December 31, 2011
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	18,341,703	18,537,582
Intangible assets	6	38,366	31,104
Long term investment - at cost		50,000	50,000
Long term loans and advances		50,130	37,803
Deferred taxation	7	738,594	902,138
		<u>19,218,793</u>	<u>19,558,627</u>
Current Assets			
Stores, spares and loose tools		1,245,344	1,098,891
Stock-in-trade	8	2,713,669	2,469,563
Trade debts - considered good	9	186,060	213,674
Loans, advances, deposits, prepayments and other receivables	10	701,360	220,905
Taxes recoverable	11	891,819	859,971
Cash and bank balances	12	436,470	106,228
		6,174,722	4,969,232
		<u>25,393,515</u>	<u>24,527,859</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity			
Share capital	13	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(103,873)	(102,221)
Accumulated loss		(946,205)	(1,357,965)
		6,548,639	6,138,531
Non-Current Liabilities			
Long term borrowings	14	8,652,953	8,620,195
Derivative financial instruments	15	159,804	157,263
Retirement and other service benefit obligations		52,091	62,107
		8,864,848	8,839,565
Current Liabilities			
Current portion of long term borrowings		2,496,255	2,491,828
Short term borrowings	16	309,716	722,340
Trade and other payables	17	6,566,715	6,024,183
Accrued interest / mark-up		436,624	144,734
Provisions	18	170,718	166,678
		9,980,028	9,549,763
Commitments			
	19		
		<u>25,393,515</u>	<u>24,527,859</u>
TOTAL EQUITY AND LIABILITIES			

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Shabbir Hashmi
 Director

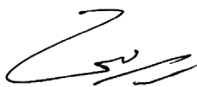


[Amounts in thousand except for profit / (loss) per share]

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

	Note	Quarter ended	
		(Unaudited) March 31, 2012	(Audited) December 31, 2011
		Rupees	
Net revenue	20	4,963,830	3,992,054
Cost of sales	21	(3,912,684)	(3,471,464)
Gross profit		1,051,146	520,590
Distribution and marketing expenses	22	(284,774)	(181,851)
Administrative expenses	23	(97,117)	(77,688)
Other operating expenses	24	(88,379)	(5,072)
Other operating income	25	403,328	5,119
Operating profit		984,204	261,098
Finance cost - net	26	(358,265)	(365,584)
Profit / (Loss) before taxation		625,939	(104,486)
Taxation		(214,179)	36,777
Profit / (Loss) for the period		411,760	(67,709)
Profit / (Loss) per share - basic and diluted		0.62	(0.11)

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Shabbir Hashmi
 Director



ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

(Amounts in thousand)

	Quarter ended	
	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
Profit / (Loss) for the period	411,760	(67,709)
Other comprehensive profit / (loss):		
Hedging reserve		
Gain / (Loss) arising during the period	(3,126)	15,013
Less:		
- Reclassification adjustments for losses on interest rate swaps included in profit and loss	585	229
Income tax relating to hedging reserve	889	(5,335)
Other comprehensive (gain) / loss for the period - net of tax	(1,652)	9,907
Total comprehensive profit / (loss) for the period	<u>410,108</u>	<u>(57,802)</u>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Shabbir Hashmi
 Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

	Share capital	RESERVE			Total	
		CAPITAL		REVENUE		
	Share premium	Employees' share compensation reserve	Hedging reserve	Accumulated loss		
Rupees						
Balance as at January 1, 2011 (Audited)	6,634,688	964,029	8,384	(72,062)	(628,697)	6,906,342
Total comprehensive income / (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
Vested share options lapsed during the period	-	-	(8,384)	-	-	(8,384)
Total comprehensive (loss) for the nine months ended December 31, 2011	-	-	-	(40,066)	(661,559)	(701,625)
Balance as at December 31, 2011 (Audited)	6,634,688	964,029	-	(102,221)	(1,357,965)	6,138,531
Total comprehensive income / (loss) for the three months ended March 31, 2012	-	-	-	(1,652)	411,760	410,108
Balance as at March 31, 2012 (Unaudited)	<u>6,634,688</u>	<u>964,029</u>	<u>-</u>	<u>(103,873)</u>	<u>(946,205)</u>	<u>6,548,639</u>

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Shabbir Hashmi
 Director



(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

	Note	Period ended	
		March 31, 2012	December 31, 2011
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	1,005,818	1,968,863
Finance costs paid		(67,029)	(45,081)
Long term loans and advances		(12,327)	(3,796)
Income tax paid		(81,593)	(103,075)
Net cash generated from operating activities		844,869	1,816,911
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(105,380)	(97,795)
Purchases of intangible assets		(9,949)	(12,908)
Proceeds from disposal of operating assets		12,672	5,423
Income on short term investments and bank deposits		654	1,749
Net cash utilized in investing activities		(102,003)	(103,531)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of short term borrowings		-	(250,000)
Net cash utilized in financing activities		-	(250,000)
Net increase / (decrease) in cash and cash equivalents		742,866	1,463,380
Cash and cash equivalents at beginning of the period		(616,112)	(1,008,892)
Cash and cash equivalents at end of the period	28	126,754	454,488

The annexed notes 1 to 32 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
President & Chief Executive



Shabbir Hashmi
Director



ENGRO POLYMER & CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2012

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. The address of its registered office is 1st Floor, Bahria Complex I, 24 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.

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, 2012 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.

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, 2011 except for the changes resulting from initial application of standards, amendments or an interpretation to existing standards as stated in note 3.2 which though adopted does not have any impact on this condensed interim financial information.

3.2 Following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on or after January 1, 2012, but are either not currently relevant to the Company or do not have any significant effect on the Company's financial information :

- IFRS 1 (Amendment), 'First time adoption, on financial instrument disclosures';
- IFRS 7 (Amendment), 'Financial instruments: Disclosures';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 32 (Amendment), 'Financial instruments: Presentation on classification of rights issues';
- IAS 34 (Amendment), 'Interim financial reporting';
- IFRIC 4, 'Determining whether an agreement contains a lease';
- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'; and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.



3.3 Following new standards, amendments and interpretations to published standards are not effective for the accounting period beginning January 1, 2012 and have not been early adopted by the Company:

- IFRS 10, 'Consolidated financial statements';
- IFRS 11, 'Joint arrangements';
- IFRS 12, 'Disclosure of interests in other entities';
- IFRS 13, 'Fair value measurements';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 12 (Amendment), 'Income taxes';
- IAS 19 (Revised), 'Employee benefits';
- IAS 27 (Revised), 'Separate financial statements'; and
- IAS 28 (Revised), 'Associates and joint ventures'.

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, 2011.

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
5 PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value		
- notes 5.1 and 5.2	18,097,505	18,375,445
Capital work-in-progress	244,198	162,137
	<u>18,341,703</u>	<u>18,537,582</u>
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	-	5,146
Plant and machinery	19,384	368,625
Furniture, fixtures and equipment	160	8,229
Vehicles	3,775	30,251
	<u>23,319</u>	<u>412,251</u>



(Amounts in thousand)

- 5.2** During the period, assets costing Rs. 18,679 (December 31, 2011: Rs. 34,962), having net book value of Rs. 11,987 (December 31, 2011: Rs. 15,899) were disposed off for Rs. 12,672 (December 31, 2011: Rs. 18,396) and assets costing Rs. 276 (December 31, 2011: Rs. 5,973) and having net book value of Rs. 3 (December 31, 2011: Rs. 5,368) were written-off.

6 INTANGIBLE ASSETS

Additions made during the period amount to Rs. 9,949 (December 31, 2011: Rs. 18,790).

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
7 DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(4,166,869)	(4,195,902)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	4,276,863	4,520,417
- recoupable minimum turnover tax	427,162	377,524
- tax amortization	-	73
- unpaid liabilities and provision for certain retirement and other service benefits	39,018	38,835
- provision against custom duty and SED refundable	44,380	44,380
- provision for stocks and slow moving stores and spares	4,399	4,060
- fair value of hedging instruments	55,932	55,042
- share issuance cost, net to equity	57,709	57,709
	4,905,463	5,098,040
	<u>738,594</u>	<u>902,138</u>

- 7.1** The aggregate tax losses available for carry-forward as at March 31, 2012 amount to Rs.12,219,609 (December 31, 2011: Rs.12,915,477), on which deferred income tax asset has been recognized. The component of losses attributable to unabsorbed tax depreciation amount to Rs. 12,898,785 (December 31, 2011: Rs. 12,660,060).

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
8 STOCK-IN-TRADE		
Raw and packing materials - note 8.1 and 8.3	1,936,716	1,694,992
Work-in-process	3,370	24,258
Finished goods - own manufactured product - note 8.1 and 8.2	773,583	750,313
	<u>2,713,669</u>	<u>2,469,563</u>



(Amounts in thousand)

- 8.1** This includes stock-in-transit amounting to Rs. 363,080 (December 31, 2011: Rs. 131,830) and stocks held at storage facilities of the following related parties:

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
Engro Vopak Terminal Limited	507,399	717,858
DH Fertilizer Limited (formerly Dawood Hercules Chemicals Limited)	1,775	6,387
	<u>509,174</u>	<u>724,245</u>

- 8.2** This includes carrying value of PVC resin, net of realizable value reduction of Rs. 21,616 (December 31, 2011: Rs. 14,931) and write-off of nil tons of PVC resin (December 31, 2011: 87 M tons of PVC resin amounting to Rs. 4,965).

- 8.3** During the period, expired chemicals amounting to nil (December 31, 2011: Rs. 200) have been written-off.

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	

9 TRADE DEBTS - considered good

Secured	149,718	149,259
Unsecured	36,342	64,415
	<u>186,060</u>	<u>213,674</u>

- 9.1** Includes amounts due from the following related parties:

- Engro Foods Limited	2,123	2,473
- Engro Polymer Trading (Private) Limited	1,106	43,114
	<u>3,229</u>	<u>45,587</u>

**10 LOANS, ADVANCES, DEPOSITS,
PREPAYMENTS AND OTHER RECEIVABLES
- considered good**

Includes receivable from the following related parties; Engro Fertilizers Limited amounting to Rs. 12,391 (2011: Rs. nil), Engro Foundation amounting to Rs. 21 (2011: nil) and Engro Vopak Terminal Limited amounting to Rs. 1,601 (2011: Rs. nil).



11 TAXES RECOVERABLE

11.1 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 (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 though adjustment against assessed refunds of Rs. 180,768 and paying balance of Rs. 32,404 'under protest'.

During the 2011, through an 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 has been filed by the Company before the ATIR. The department has also filed an appeal against the said appellate order challenging the actions of the CIR(A).

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.

11.2 Tax Year 2009

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of 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 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 matters 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).

During 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 has been filed before the ATIR. The department has also filed an appeal against the said appellate order challenging the action of CIR(A) deleting the addition on account of provision for the retirement benefits.

The management of the Company is confident that the ultimate outcome of the aforesaid appeal would be decided in its favour and consequently has not recognized the effects for the same in the condensed interim financial information.

11.3 Assessment Year 2000-2001

While finalizing the assessment, the Taxation Officer had disallowed the First Year Allowance (FYA) claimed 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 the said disallowance before the CIR(A) which was decided in favor of the Company. The department, thereafter, filed second appeal before the ATIR. Although in case of assessment year 2001-2002, a similar issue was decided by the ATIR in the Company's favor, the ATIR, for assessment year 2000-2001 departing from the previous view, has decided the matter against the Company and maintained the disallowance of FYA amounting to Rs. 1,884,359.

This disallowance had resulted in tax deductible timing differences, the effects of which had been duly recognized by revising the income tax returns for the tax years 2003 to 2007 and 2009. Due to the aforesaid revision, a tax liability of Rs. 86,767 arose in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years.



(Amounts in thousand)

12 CASH AND BANK BALANCES	(Unaudited)	(Audited)
	March 31, 2012	December 31, 2011
	Rupees	
Cash in hand	1,120	719
Cash at bank on:		
- current accounts	396,242	91,275
- saving accounts	39,108	14,234
	435,350	105,509
	436,470	106,228
	(Unaudited)	(Audited)
	March 31, 2012	December 31, 2011
	Rupees	

13 SHARE CAPITAL

Authorized capital

800,000,000 (2011: 700,000,000) ordinary shares of Rs. 10 each

8,000,000	8,000,000
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Issued, subscribed and paid-up capital

663,468,788 (2011: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash

6,634,688	6,634,688
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13.1 As at March 31, 2012, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2011: 372,809,989 ordinary shares of Rs. 10 each).

14 LONG TERM BORROWINGS, secured

14.1

Title	Mark-up rate per annum	Installments		(Unaudited)	(Audited)
		Number	Commencing from	March 31, 2012	December 31, 2011
				Rupees	
Syndicated term finance I	6 months KIBOR+2.25%	13 half yearly	November 2010	4,900,529	4,898,377
Syndicated term finance II	6 months KIBOR+3%	13 half yearly	June 2010	1,241,089	1,241,089
Syndicated term finance III	6 months KIBOR+2%	Single	June 2012	748,667	747,333
Master Istisna I	6 months KIBOR+1.5%	6 half yearly	May 2013	100,000	100,000
Master Istisna II	6 months KIBOR+2%	3 half yearly	June 2012	199,500	199,000
International Finance Corporation (IFC)	6 months LIBOR+2.6 to 3%	15 half yearly	June 2010	3,959,423	3,926,224
				11,149,208	11,112,023
Less: Current portion shown under current liabilities				(2,496,255)	2,491,828
				8,652,953	8,620,195



(Amounts in thousand)

14.2 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, 2012, all debt covenants have been complied with except for current ratio, for which waivers have been applied for.

15 DERIVATIVE FINANCIAL INSTRUMENTS

15.1 As at March 31, 2012, the Company has outstanding cross-currency interest rate swap agreements with banks for notional amounts aggregating US\$ 10,268, 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 on the relevant PKR notional amount and will pay six month USD-LIBOR on the relevant USD notional amount, which will be settled semi-annually.

15.2 As at March 31, 2012, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 29,334 to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

15.3 Details of the swap agreements are as follows:

Notional Amounts US \$	Effective Date	Termination Date	Rate %	Fair Value	
				(Unaudited) March 31, 2012	(Audited) December 31, 2011
				Rupees	
Interest Rate Swap Agreements			Fixed Rate		
11,000	December 15, 2008	June 15, 2017	3.385	70,547	66,962
3,667	June 15, 2009	June 15, 2017	3.005	19,721	18,573
11,000	June 15, 2009	June 15, 2017	2.795	52,871	49,505
3,667	June 15, 2009	June 15, 2017	2.800	17,529	16,279
29,334				160,668	151,319
Cross Currency Interest Rate Swap Agreements			Floating Rate		
2,690	September 9, 2010	June 15, 2015	LIBOR+0.95	(2,492)	2,164
3,471	January 18, 2011	January 19, 2016	LIBOR+3.70	2,932	365
4,107	July 6, 2011	June 30, 2016	LIBOR+1.83	(1,304)	3,415
10,268				(864)	5,944
<u>39,602</u>				<u>159,804</u>	<u>157,263</u>

16 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. 2,000,000 (December 31, 2011: Rs. 2,000,000). 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 relevant period KIBOR plus 1.5% (December 31, 2011: relevant period KIBOR plus 1.0% to relevant period KIBOR plus 1.5%). During the period, the mark-up rates, net of prompt payment rebate, ranged from 12.92% to 13.64% per annum (December 31, 2011: 12.92% to 15.29% per annum). These facilities are secured by a floating charge over stocks and book debts of the Company.



(Amounts in thousand)

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
17 TRADE AND OTHER PAYABLES		
Trade and other creditors - note 17.1	4,602,195	4,455,741
Accrued liabilities - note 17.1	918,812	743,131
Advances from customers	758,798	735,377
Retention money against project payments	17,703	17,563
Security deposits	14,776	11,477
Workers' profits participation fund and workers' welfare fund	43,899	164
Sales tax and SED payable	190,127	45,295
Withholding tax payable	15,525	9,002
Others - note 17.1	4,880	6,433
	<u>6,566,715</u>	<u>6,024,183</u>
17.1 Includes amounts due to the following related parties:		
- Engro Corporation Limited	5,581	6,344
- Mitsubishi Corporation	4,572,598	4,280,474
- Engro Fertilizers Limited	939	7,730
- DH Fertilizer Limited (formerly Dawood Hercules Chemicals Limited)	-	23,641
- Engro Vopak Terminal Limited	70,629	81,264
- ICI Pakistan Limited	2,045	-
- EPCL Provident Fund	3,668	5,640
- EPCL Pension Fund	3,300	2,504
- EPCL Gratuity Funds	2,116	7,476
	<u>4,660,876</u>	<u>4,415,073</u>
	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
18 PROVISIONS		
Balance at beginning of the year	166,678	131,022
Add: Provision during the year - notes 18.1 & 18.2	4,040	35,656
Balance at end of the year	<u>170,718</u>	<u>166,678</u>

18.1 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 (December 31, 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 2010, the Company was granted a stay order by 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 aggregating to Rs. 37,614 (December 31, 2011: Rs. 33,574) has also been made.

18.2 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(l)/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. However, 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. 75,180 (December 31, 2011: Rs. 75,180) in respect of custom duty on such raw materials has been made.

19 COMMITMENTS

19.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2012 amount to Rs. 1,215,000 (December 31, 2011: Rs. 1,215,000). The amount utilized at March 31, 2012 is Rs. 640,450 (December 31, 2011: Rs. 640,450).

19.2 The Company has entered into operating lease arrangements with Al-Rahim Trading Terminal 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 July 31, 2019. The future aggregate lease payments under these arrangements are as follows:

	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
Not later than 1 year	36,715	59,030
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	32,400	36,000
	<u>126,715</u>	<u>152,630</u>
	(Unaudited) March 31, 2012	(Audited) December 31, 2011
	Rupees	
20 NET REVENUE		
Net local sales	4,954,950	3,984,855
Supply of electricity	8,880	7,199
	<u>4,963,830</u>	<u>3,992,054</u>



(Amounts in thousand)

21	COST OF SALES	Unaudited	
		Quarter ended	
		March 31, 2012	December 31, 2011
		Rupees	
	Opening stock of work-in-progress	24,258	4,749
	Raw and packing materials consumed	2,355,112	2,105,342
	Salaries, wages and staff welfare	161,943	147,114
	Fuel, power and gas	691,164	467,448
	Repairs and maintenance	98,518	65,128
	Depreciation	287,145	285,033
	Consumable stores	43,541	66,634
	Purchased services	8,617	15,511
	Storage and handling	238,663	205,131
	Training and travelling	3,513	3,281
	Communication, stationery and other office expenses	1,223	1,320
	Insurance	19,578	8,362
	Other expenses	6,049	9,141
		3,915,066	3,379,445
	Closing stock of work-in-progress	(3,370)	(12,171)
	Cost of goods manufactured	3,935,954	3,372,023
	Opening stock of finished goods	750,313	1,156,007
	Closing stock of finished goods	(773,583)	(1,056,566)
		(23,270)	99,441
	Cost of sales - own manufactured product	3,912,684	3,471,464

22	DISTRIBUTION AND MARKETING EXPENSES	Unaudited	
		Quarter ended	
		March 31, 2012	December 31, 2011
		Rupees	
	Salaries, wages and staff welfare	17,644	15,601
	Sales promotion	96	248
	Dealers' commission	29,418	20,657
	Product transportation and handling	225,428	136,727
	Rent, rates and taxes	2,570	2,123
	Purchased services	2,045	713
	Insurance	277	326
	Depreciation	1,127	984
	Training and travelling	1,465	1,265
	Communication, stationery and other office expenses	817	593
	Others	3,887	2,614
		284,774	181,851



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2012	December 31, 2011
	Rupees	
23 ADMINISTRATIVE EXPENSES		
Salaries, wages and staff welfare	49,520	40,612
Rent, rates and taxes	11,540	9,689
Purchased services	10,425	7,352
Insurance	980	10
Depreciation and amortization	3,684	4,080
Training and travelling expenses	15,407	10,351
Communication, stationery and other office expenses	2,138	3,096
Others	3,423	2,498
	<u>97,117</u>	<u>77,688</u>
24 OTHER OPERATING EXPENSES		
Legal and professional charges	5,433	3,371
Auditors' remuneration	451	281
Donations	-	474
Loss on disposal of operating assets	-	946
Workers' profit participation fund	29,807	-
Workers' welfare fund	13,928	-
Foreign exchange loss - net	38,760	-
	<u>88,379</u>	<u>5,072</u>
25 OTHER OPERATING INCOME		
Scrap sales	10,670	736
Foreign exchange gain	-	4,383
Profit on disposal of operating assets	682	-
Insurance claim - note 25.1	391,000	-
Others	976	-
	<u>403,328</u>	<u>5,119</u>

25.1 This represents insurance claim on account of loss of profit incurred as a result of fire incident at the Plant site in December 2009, which has been confirmed by the insurance companies.



(Amounts in thousand)

	Unaudited	
	Quarter ended	
	March 31, 2012	December 31, 2011
	Rupees	
26 FINANCE COST - net		
Finance Cost		
Interest / Mark-up on:		
- long term borrowings	301,269	348,337
- short term finances	22,993	29,870
Foreign exchange loss on foreign currency borrowings	31,680	-
Guarantee commission	1,400	1,172
Bank charges and others	1,577	2,518
	358,919	381,897
Finance Income		
Income on short term investments and bank deposits	(654)	(1,749)
Foreign exchange gain on foreign currency borrowings	-	(14,564)
	(654)	(16,313)
	<u>358,265</u>	<u>365,584</u>
27 CASH GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	625,939	(104,486)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	(10,016)	448
Provision against concessionary import duty on import of raw materials and Special Excise Duty	4,040	4,789
Provision for net realizable value of stock-in-trade	21,616	18,377
Provision for slow moving stores and spares	967	967
Depreciation and amortization	291,956	290,097
Income on short term investments and bank deposits	(654)	(1,749)
Loss / (gain) on revaluation of IFC loan	31,680	(14,564)
Amortization of prepaid financial charges	5,504	5,006
Finance costs	358,919	381,897
Profit on disposal of operating assets	(682)	946
Working capital changes - note 28.1	(323,451)	1,387,135
	<u>1,005,818</u>	<u>1,968,863</u>
27.1 WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(147,420)	(97,635)
Stock-in-trade	(265,722)	(190,453)
Trade debts - considered good	27,614	278,317
Loans, advances, deposits, prepayments and other receivables	(480,455)	(29,755)
	(865,983)	(39,526)
Increase in current liabilities		
Trade and other payables	542,532	1,426,661
	<u>(323,451)</u>	<u>1,387,135</u>



(Amounts in thousand)

		Unaudited Quarter ended	
		March 31, 2012	December 31, 2011
		Rupees	
Cash and bank balances		436,470	603,929
Short term borrowings		(309,716)	(97,236)
		<u>126,754</u>	<u>506,693</u>

28 CASH AND CASH EQUIVALENTS**29 SEGMENT INFORMATION**

29.1 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, 2011.

	Unaudited March 31, 2012				Unaudited March 31, 2011			
	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								
Revenue	<u>3,831,189</u>	<u>1,123,761</u>	<u>8,880</u>	<u>4,963,830</u>	<u>3,205,405</u>	<u>779,450</u>	<u>7,199</u>	<u>3,992,054</u>
Profit/(loss) before unallocated expenses	<u>372,946</u>	<u>392,797</u>	<u>629</u>	<u>766,372</u>	<u>104,991</u>	<u>233,949</u>	<u>(201)</u>	<u>338,739</u>
Unallocated expenses								
Administrative expenses				(97,117)				(77,688)
Other operating expenses				(88,379)				(4,126)
Other operating income				403,328				20,486
Finance costs				(358,265)				(381,897)
Taxation				(214,179)				36,777
Loss after taxation				<u>411,760</u>				<u>(67,709)</u>

	Unaudited March 31, 2012				Audited March 31, 2011			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
Rupees								
Total segment assets	13,990,121	5,353,549	73,921	19,417,591	14,007,625	5,698,350	80,818	19,786,793
Unallocated assets				5,975,924				4,741,066
Total assets				<u>25,393,515</u>				<u>24,527,859</u>

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

30 TRANSACTIONS WITH RELATED PARTIES

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



(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited	
		Quarter ended	
		March 31, 2012	March 31, 2011
		Rupees	
Holding company	Purchase of services	4,023	761
	Reimbursements	649	424
	Reimbursements received	113	-
	Pension fund contribution	1,143	341
	Provident fund contribution	1,913	1,959
	Medical contribution	-	57
	Gratuity fund contribution	661	315
Subsidiary company	Sale of goods	168,985	157,569
	Sale of services	33	-
	Reimbursements received	13	120
Associated companies	Purchase of goods	2,254,858	1,896,950
	Reimbursements	1,679	-
	Purchase of services	307	298
Related parties by virtue of common directorship	Purchase of goods	10,533	9,954
	Purchase of services	210,119	237,104
	Sale of goods	20,169	14,460
	Sale of services	126	105
	Sale of steam and electricity	11,305	10,423
	Use of operating assets	835	80
	Annual Subscription	121	-
	Reimbursements	3,103	3,644
	Reimbursements received	8,063	-
Directors' fee		400	450
Key management personnel*	Managerial remuneration	21,612	13,256
	Retirement benefits	2,641	2,273
	Bonus	5,876	3,385
	Other benefits	3,235	3,196

* During the period, assets having net book value of Rs. 10,711 (2011: Rs. nil) were sold to out going Chief Executive Officer for Rs. 11,530 (2011: Rs. nil) as per Company's policy.

Contribution to staff retirement benefits	Pension fund	3,936	1,545
	Provident fund	5,735	10,299
	Gratuity fund	1,592	694

31 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 20, 2012 by the Board of Directors of the Company.

32 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, 2011. 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, 2011.



Khalid Siraj Subhani
President & Chief Executive



Shabbir Hashmi
Director





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