Engro Polymer & Chemicals Ltd.

Financial Information for the Quarter
and Nine Months ended September 30, 2010

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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.
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 NINE MONTHS ENDED SEPTEMBER 30, 2010

ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

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 nine months ended September 30, 2010.

Business Review

Vinyl Chloride Monomer (VCM) plant operations improved during the quarter and the Plant achieved commercial production in the month of September 2010. VCM scrubbers which were damaged during the fire incident in December 2009 were installed after refurbishment and successfully commissioned during the month of August 2010. VCM plant was shutdown during the month of August 2010 for maintenance. VCM production during the quarter was 22 KTons as compared to the plant's production capacity of 38 KTons. During the first nine months, VCM production was 36 KTons. Highest level of VCM production was achieved during the month of September 2010 in which 9.4 KTons of VCM was produced.

Poly Vinyl Chloride (PVC) production during 3Q 2010 was 29 KTons as compared to 31 KTons in 3Q 2009. Production was lower than capacity as the operational load had to be curtailed due to unavailability of VCM and plant shutdown taken for maintenance. Production for nine months was 80 KTons as compared to 91 K Tons in corresponding period last year.

Caustic soda production for the quarter was 23 KTons as against 14 KTons during 3Q 2009 and that for nine months was 67 KTons as compared to 14 KTons in 2009.

International prices in the Vinyl chain exhibited a rising trend on account of rising feedstock prices and supply demand situation. Average PVC price in July was around USD 880 which reached to USD 985 in September. Similarly, Ethylene prices rose from an average of USD 818 in July to USD 1000 in September 2010.

Company sold 27 KTons of PVC in 3Q 2010 as against 29 KTons in same period last year. In addition, around 4.5 KTons of resin was imported during the quarter due to earlier supply constraints. Domestic sale for nine months was 74 KTons as against 93 KTons during same period last year.

Caustic soda sales remained strong during the quarter. The Company sold 20 KTons in 3Q 2010 as against 10 KTons in 3Q 2009. Caustic soda domestic sales volume for nine months was 58 KTons as against 10 KTons for same period 2009.

EDC produced was primarily used for the production of VCM, however, 10 KTons of surplus EDC was also exported during the quarter. A total of 33 KTons of EDC were exported during the nine months as against 16 KTons in corresponding period of 2009.

Revenue for the quarter was Rs. 3,700 million, an increase of 14.6% over same period last year. During the quarter, the Company incurred a loss of Rs. 314 million as compared to a loss after tax of Rs. 29 million in 3Q 2009. Loss after tax for nine months was Rs. 791 million as against a loss after tax of Rs. 22 million in nine months of 2009. Company's loss was primarily attributable to the delay in commissioning of the VCM plant due to which the economic benefits of the integrated facility could not be obtained and therefore the incremental fixed cost and financial charges could not be recovered. As a result of the losses incurred by the Company, the Current Ratio continues to be under pressure and the Company remains in breach of this covenant in the Loan Agreements.

Near Future Outlook

International Chlor Vinyl margins are improving due to global supply demand. PVC prices have also moved higher and are expected to remain at these levels. International Caustic soda prices have already started to firm up and are likely to increase during 4Q 2010.

Domestic demand for PVC is expected to be slow due to the liquidity crunch in the market and reduced government spending. Based on the improved PVC supply situation, the Company has initiated exports of PVC, which provides good margins at the current time. Caustic soda sales of the Company are expected to remain in line with company's production.

The margins are expected to improve as the integrated facility operations smooth out, however the profitability would depend on the productivity of the entire complex.

Delayed commissioning of the VCM plant resulted in a cumulative loss of Rs. 791 million during the first nine months and therefore the profitability projections (Rights Issue) for the year 2010 will not be met and the financials of the Company would show a net loss at the end of 2010.

Asif Qadir
President & Chief Executive

Kimihide Ando
Director

Karachi
October 25, 2010

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
UNAUDITED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2010

	Note	(Unaudited) September 30, 2010	(Audited) December 31, 2009
ASSETS		Rupees	
Non-Current Assets			
Property, plant and equipment	5	19,420,583	19,360,686
Intangible assets	6	19,671	11,816
Long term investment		50,000	50,000
Long term loans and advances		53,530	47,475
Deferred taxation	16	313,080	-
		19,856,864	19,469,977
Current Assets			
Stores, spares and loose tools		532,462	192,762
Stock-in-trade	7	1,981,692	1,605,218
Trade debts - considered good	8	469,150	336,242
Loans, advances, deposits, prepayments and other receivables	9	152,657	309,224
Taxes recoverable	10	585,739	452,548
Cash and bank balances	11	115,176	190,064
		3,836,876	3,086,058
TOTAL ASSETS		23,693,740	22,556,035
EQUITY AND LIABILITIES			
Equity			
Share capital	12	6,634,688	5,203,677
Share premium		964,029	975,438
Employees' share compensation reserve	13	8,848	9,313
Hedging reserve		(124,428)	(12,958)
(Accumulated loss) / Unappropriated profit		(605,883)	184,203
		6,877,254	6,359,673
Non-Current Liabilities			
Long term borrowings	14	10,688,146	11,135,163
Derivative financial instruments	15	191,428	19,935
Deferred taxation	16	-	321,520
Retirement and other service benefit obligations		48,456	38,312
		10,928,030	11,514,930
Current Liabilities			
Current portion of long term borrowings		1,302,323	1,016,393
Short term borrowings	17	1,485,063	394,241
Trade and other payables	18	2,478,234	2,998,097
Accrued interest / mark-up		494,408	202,207
Provisions	19	128,428	70,494
		5,888,456	4,681,432
Commitments	20		
TOTAL EQUITY AND LIABILITIES		23,693,740	22,556,035

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

Asif Qadir
President & Chief Executive

Kimihide Ando
Director

ENGRO POLYMER & CHEMICALS LIMITED
UNAUDITED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand except for loss per share)

		Quarter ended		Nine months ended	
		September 30, 2010	September 30, 2009 (Restated)	September 30, 2010	September 30, 2009 (Restated)
	Note	Rupees			
Net revenue		3,700,734	3,229,953	10,510,730	8,192,750
Cost of sales	21	(3,497,234)	(2,858,116)	(9,874,726)	(7,388,125)
Gross profit		203,500	371,837	636,004	804,625
Distribution and marketing expenses	22	(170,778)	(141,714)	(450,079)	(323,671)
Administrative expenses	23	(89,093)	(55,085)	(229,018)	(133,223)
Other operating expenses	24	(62,113)	(64,376)	(206,565)	(151,940)
Other operating income		2,115	55,441	12,800	93,172
Operating (loss) / profit		(116,369)	166,103	(236,858)	288,963
Finance costs	25	(372,204)	(222,973)	(1,017,019)	(341,978)
Loss before taxation		(488,573)	(56,870)	(1,253,877)	(53,015)
Taxation		174,510	27,689	463,326	30,889
Loss for the period		(314,063)	(29,181)	(790,551)	(22,126)
Loss per share - basic and diluted		(0.47)	(0.05)	(1.28)	(0.04)

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
UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	Rupees			
Loss for the period	(314,063)	(29,181)	(790,551)	(22,126)
Other comprehensive income / (loss):				
Hedging reserve				
Loss arising during the period	(90,567)	(77,622)	(232,005)	(30,859)
Less:				
- Reclassification adjustments for losses included in profit and loss	16,669	9,161	56,446	10,085
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	6,257	4,066	11,269
Income tax relating to hedging reserve	25,865	21,772	60,023	3,327
Other comprehensive loss for the period - net of tax	(48,033)	(40,432)	(111,470)	(6,178)
Total comprehensive loss for the period	(362,096)	(69,613)	(902,021)	(28,304)

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
UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Share capital	Share premium	Employees' share compensation reserve	Hedging reserve	(Accumulated loss) / Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2009 (Audited)	5,203,677	975,438	9,858	(39,100)	415,992	6,565,865
Unvested share options lapsed during the period	-	-	(266)	-	-	(266)
Total comprehensive loss for the nine months ended September 30, 2009	-	-	-	(6,178)	(22,126)	(28,304)
Balance as at September 30, 2009 (Unaudited)	5,203,677	975,438	9,592	(45,278)	393,866	6,537,295
Unvested share options lapsed during the period	-	-	(279)	-	-	(279)
Total comprehensive income / (loss) for the three months ended December 31, 2009	-	-	-	32,320	(209,663)	(177,343)
Balance as at December 31, 2009 (Audited)	5,203,677	975,438	9,313	(12,958)	184,203	6,359,673
Vested share options lapsed during the period	-	-	(465)	-	465	-
Total comprehensive loss for the nine months ended September 30, 2010	-	-	-	(111,470)	(790,551)	(902,021)
Share capital issued	1,431,011	-	-	-	-	1,431,011
Share issuance cost, net	-	(11,409)	-	-	-	(11,409)
Balance as at September 30, 2010 (Unaudited)	6,634,688	964,029	8,848	(124,428)	(605,883)	6,877,254

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
UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Note	(Unaudited) September 30, 2010	(Unaudited) September 30, 2009
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	(434,521)	957,213
Finance costs paid		(724,818)	(917,691)
Long term loans and advances		(6,055)	42,408
Provisions		57,934	10,968
Income tax paid		(238,298)	(183,748)
Net cash outflow from operating activities		(1,345,758)	(90,850)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(795,421)	(2,269,367)
Purchases of intangible assets		(7,855)	-
Proceeds from disposal of operating assets		6,583	3,764
Proceeds from sale of short term investments		-	(894,556)
Income on short term investments and bank deposits		10,300	89,186
Net cash outflow from investing activities		(786,393)	(3,070,973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		100,000	4,107,722
Repayment of long term borrowings-net		(547,017)	(130,000)
Proceeds from issue of share capital		1,431,011	-
Share issuance cost		(17,553)	-
Net cash inflow from financing activities		966,441	3,977,722
Net (decrease) / increase in cash and cash equivalents		(1,165,710)	815,899
Cash and cash equivalents at beginning of the period		(204,177)	(745,295)
Cash and cash equivalents at end of the period	27	(1,369,887)	70,604

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

Asif Qadir
President & Chief Executive

Kimihide Ando
Director

ENGRO POLYMER & CHEMICALS LIMITED
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

1. LEGAL STATUS AND OPERATIONS

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

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.

In 2006, the Company commenced work on its expansion and back-integration project comprising setting up of new PVC, Ethylene Di Chloride (EDC), Chlor-alkali, Vinyl Chloride Monomer (VCM) and Power plants. During 2009, the Company commenced commercial operations of new PVC, EDC, Chlor-alkali and Power plants (Gas turbines). The commercial operations of the VCM plant has been declared in third quarter 2010, after which the integrated chemical complex is now complete. These plants have been set up adjacent to the Company's existing PVC facilities in the Port Qasim Industrial Area. The Company is also engaged in supply of surplus power generated from its Power plants to Karachi Electric Supply Company (KESC), under an agreement.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months ended September 30, 2010 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

This condensed interim financial information 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, 2009.

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, 2009.

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, 2010, 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.

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, 2010 and have not been early adopted by the Company:

- IFRS 9, ‘Financial Instruments’ (effective from January 1, 2013). IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to asses the full impact of IFRS 9.

- IAS 24 (Revised), ‘Related party disclosures’ (effective from January 1, 2011). The revised standard supersedes IAS 24, ‘Related party disclosures’, issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company’s financial statements.

- IAS 32 (Amendment), ‘Classification of rights issues’ (effective for annual periods beginning on or after February 1, 2010). The amendment states that if rights issues, which are offered for a fixed amount of foreign currency, are issued pro rata to all the entity’s existing shareholders in the same class for fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Company currently has no right issues in offering therefore the amendment has no effect on the Company’s financial statements.

- IFRIC 14 (Amendments), ‘Prepayments to minimum funding requirement’ (effective from January 1, 2011). The amendments correct an unintended consequence of IFRIC 14, ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's retirement benefit funds are not subject to any minimum funding requirements, hence, these amendments will have no impact on the Company’s financial statements.

- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’ (effective for annual periods beginning on or after July 1, 2010). The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. The Company has not renegotiated the terms of a financial liability and offered any of its shares to its creditors, therefore, this interpretation will have no impact on the Company’s financial statements.

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, 2009.

(Amounts in thousand)

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 & 5.2	19,383,006	14,112,080
Capital work-in-progress - note 5.3	37,577	5,248,606
	19,420,583	19,360,686

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

Building on leasehold land	35,355	168,221
Plant and machinery	5,903,766	12,076,638
Pipelines	4,852	357,309
Furniture, fixtures and office equipment	12,251	16,820
Vehicles	46,727	29,811
	6,002,951	12,648,799

5.2 During the period, assets costing Rs. 15,306 (December 31, 2009: Rs. 13,591), having net book value of Rs. 6,131 (December 31, 2009: Rs. 4,560) were disposed off for Rs. 6,583 (December 31, 2009: Rs. 6,179)

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
5.3 Capital work-in-progress comprises of:		
Plant and machinery	4,378	3,744,783
Building on leasehold land	4,690	33,010
Ethylene pipeline and power cables	-	292
Water and gas pipelines	-	2,793
Furniture, fixtures and equipment	11,931	5,479
Software	8,385	-
Advances for vehicles	8,193	8,315
Other ancillary costs - note 5.3.1	-	1,453,934
	37,577	5,248,606

(Amounts in thousand)

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
5.3.1 The ancillary costs comprise:		
Salaries, wages and benefits	-	213,879
Training and travelling	-	45,051
Borrowing costs	-	591,810
Legal and professional	-	31,860
Storage and handling	-	481,667
Depreciation	-	15,053
Others	-	74,614
	-	1,453,934

6. INTANGIBLE ASSETS - Computer Software

Additions made during the period amounted to Rs. 11,355 (December 31, 2009: Rs. 6,255).

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
7. STOCK-IN-TRADE		
Raw and packing materials - note 7.1	838,989	1,168,171
Work-in-progress	16,285	17,579
Finished goods		
- own manufactured product - note 7.2	1,126,418	410,653
- purchased product	-	8,815
	1,126,418	419,468
	1,981,692	1,605,218

7.1 This includes stock-in-transit amounting to Rs. 223,650 (December 31, 2009: Rs. 248,065) and stocks held at the storage facilities of the following related parties:

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
- Engro Vopak Terminal Limited	248,157	595,104
- Dawood Hercules Chemicals Limited	4,851	1,635
	253,008	5 96,739

(Amounts in thousand)

7.2 This represents carrying value of PVC resin, net of realizable value reduction of Rs. 18,266 (December 31, 2009: Rs. 21,084).

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
8. TRADE DEBTS - considered good		
Includes amounts due from the following related parties:		
- Engro Polymer Trading (Private) Limited	183,004	60,565
- Engro Foods Limited	1,049	-
	184,053	60,565

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

Includes amounts due from the following related parties:		
- Engro Fetillizer Limited	3,162	1,318
- Engro Vopak Terminal Limited	1,393	-
- Engro Energy Limited	45	-
	4,600	1,318

10. TAXES RECOVERABLE

10.1 During the period, 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 financial costs in relation to the expansion Project.

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. 125,072 in the above demand against the Company's assessed refunds. Although the Company has sufficient tax refunds and recoupable minimum taxes to have the remaining demand of Rs. 88,100 adjusted, the OIR only gave a further credit, subject to further verification, of Rs. 55,696. Consequently, the Company has paid the balance amount of Rs. 32,404 'under protest'. The Company also applied for a stay order to the Commissioner Inland Revenue (Appeals) for the remaining outstanding demand as the credit of Rs. 55,696 has been given by the OIR subject to verification of taxes paid, which was granted up to June 26, 2010. Application for extension in stay order has also been filed, hearing for which is also pending.

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

10.2 While finalizing the assessment for the assessment year 2000-2001, the Taxation Officer had disallowed a claim of First Year Allowance (FYA) by the Company on the grounds that it 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 pending with 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 the Company's favour in 2005 by the Income Tax Appellate Tribunal (ITAT).

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

This disallowance results in a tax deductible timing difference, the effects of which have been recognized in the condensed interim financial information after taking into account the consequential effects of the ITAT Order in the years subsequent to 2000 - 2001.

(Amounts in thousand)

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
11. CASH AND BANK BALANCES		
Cash in hand	936	970
With banks on:		
- current accounts	105,846	121,621
- savings accounts	8,394	67,473
	115,176	190,064

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
12. SHARE CAPITAL		
Authorized capital		
700,000,000 (2009: 700,000,000) ordinary shares of Rs. 10 each	7,000,000	7,000,000
Issued, subscribed and paid-up capital		
663,468,788 (2009: 520,367,677) ordinary shares of Rs. 10 each, fully paid in cash	6,634,688	5,203,677

12.1 During the period, the Company issued 143,101,111 ordinary shares of Rs. 10 each at par as rights shares to the existing shareholders, ranking pari passu in all respects with the existing shares of the Company. Transaction costs, incurred during the period amounting to Rs. 11,409, net of tax, directly attributable to the issue of new shares have been recognized as a deduction from share premium.

12.2 As at September 30, 2010, Engro Corporation Limited (formerly Engro Chemical Pakistan Limited) holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2009: 292,399,992 ordinary shares of Rs. 10 each).

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
13. EMPLOYEES' SHARE COMPENSATION RESERVE		
Balance at beginning of the period/year	9,313	9,858
Less: Options lapsed due to employee resignation	(465)	(545)
Balance at end of the period/year	8,848	9,313

(Amounts in thousand)

13.1 During the current period, the Company has adjusted the exercise price of the share options from Rs. 22 per share to Rs. 19.41 per share and has increased the total entitlement from 5,300,000 shares to 6,757,500 shares consequent to the issue of right shares, which have been duly approved by the Securities and Exchange Commission of Pakistan. The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in the condensed interim financial information.

14. LONG TERM BORROWINGS, secured

14.1 During the period, the Company has entered into a Master Istisna Agreement for a facility of Rs. 100,000, for a period of three years. The entire amount of the facility has been drawn down by the Company. The facility carries mark-up at the rate of 1.5% over six months KIBOR. All amounts due under the Agreement are payable in tranches by way of a series of Istisna transactions, each Istisna transaction being treated as a separate agreement. Since the management's intention is to roll over each Istisna transaction on repayment date to the expiry date of the facility, the above mentioned financing has been included in long term borrowings of the Company. The facility is secured by a joint pari passu equitable mortgage over land and buildings and a pari passu hypothecation charge over plant and machinery, stocks and receivables amounting to Rs. 134,000

14.2 During the period, the Company has repaid an amount of Rs. 51,744 representing the first installment against a facility obtained in 2009 under a Syndicate Finance Agreement with a consortium of local banks. Further, the Company has repaid an amount of Rs. 341,640 representing the first installment against loan agreement/facility with International Finance Corporation.

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$ 4,000, 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 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$ 37,332, 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 September 30, 2010	(Audited) Fair value as at December 31, 2009
				Rupees	
Interest Rate Swap Agreements			**Fixed Rate %**		
14,000	December 15, 2008	June 15, 2017	3.385	87,819	23,770
4,666	June 15, 2009	June 15, 2017	3.005	23,592	1,838
14,000	June 15, 2009	June 15, 2017	2.795	61,359	(4,570)
4,666	June 15, 2009	June 15, 2017	2.800	17,478	(1,103)
37,332				190,248	19,935
Cross - Currency Interest Rate Swap Agreement			**Floating Rate %**		
4,000	September 9, 2010	June 15, 2015	LIBOR + 0.95	1,180	-
41,332				191,428	19,935

(Amounts in thousand)

16. DEFERRED TAXATION

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	4,180,037	3,061,376
- net borrowing costs capitalized	-	207,133
	4,180,037	3,268,509
Debit balances arising due to:		
- recoupable carried forward tax losses	(4,035,780)	(2,725,269)
- recoupable minimum turnover tax	(211,313)	(108,789)
- unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	(94,065)	(46,581)
- provision against duties	(22,845)	(6,454)
- provision for stock and slow moving stores and spares	(4,405)	(1,353)
- fair value of hedging instruments	(67,000)	(6,977)
- share issuance cost, net to equity	(57,709)	(51,566)
	(4,493,117)	(2,946,989)
	(313,080)	321,520

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. 2,000,000 (December 31, 2009: 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 plus 1.5% (December 31, 2009: relevant period KIBOR plus 0.9% to plus 3%). During the period, the mark-up rates, net of prompt payment rebate, ranged from 12.93% to 14.73% per annum (December 31, 2009: 12.39% to 17.37% per annum). The facilities are secured by a floating charge over stocks and book debts of the Company.

18. TRADE AND OTHER PAYABLES

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
Includes amounts due to the following related parties:		
- Engro Corporation Limited	3,585	-
- Mitsubishi Corporation	1,183,426	1,150,769
- Engro Vopak Terminal Limited	86,937	77,045
	1,273,948	1,227,814

19. PROVISIONS

19.1 Provision for SED on import of plant and machinery

As at September 30, 2010, the Company had paid Rs. 94,611 (December 31, 2009: 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, 2009: 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 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) – Federal Board of Revenue, 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(I)/2007 and that the amount adjusted was recoverable from the Company under the Federal Excise Act, 2005 alongwith default surcharge and penalty. During the period, 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. During the current quarter, the appeal has been decided against the Company. The Company has now filed an appeal with the Income Tax Appealate Tribunal against the decision of the Commissioner Inland Revenue (Appeals).

The Company is confident that the ultimate outcome of the matter will be in its favour, but, based on prudence is retaining the provision. Further, a provision for surcharge and penalty thereon amounting to Rs. 23,277 (December 31, 2009: Rs. 12,570) has also been made.

19.2 **Provision for duty on import of raw material**

The Company in 2009 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 for 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 manufacture of intermediary products. During the period, the Department has disagreed 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, based on prudence, a provision amounting to Rs. 47,227 (December 31, 2009: Nil) in respect of duty on such raw materials has been made.

20. COMMITMENTS

- Capital expenditure for the Project, under the contracts signed as at September 30, 2010 but not yet incurred amounts to Rs. Nil (December 31, 2009: Rs. 721,859).

- Performance guarantees issued by banks on behalf of the Company as at September 30, 2010 amount to Rs. 430,450 (December 31, 2009: Rs. 405,450).

21. COST OF SALES

		Unaudited			
		Quarter ended		Nine months ended	
		September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
		Rupees			
Opening stock of work-in-progress		15,576	18,780	17,579	21,293
Raw and packing materials consumed		2,356,834	2,602,032	6,998,295	5,928,825
Salaries, wages and staff welfare		148,139	64,680	336,246	151,483
Fuel, power and gas		516,107	262,621	1,258,952	438,452
Repairs and maintenance		94,085	6,127	204,038	29,162
Depreciation		284,667	162,607	716,743	302,096
Consumable stores		110,592	22,775	243,322	42,426
Purchased services		36,516	7,569	80,041	17,587
Storage and handling		239,207	104,780	631,794	191,907
Training and travelling		12,140	1,361	20,736	3,089
Communication, stationery and other office expenses		2,197	781	5,798	1,697
Insurance		28,482	18,472	63,493	38,902
Other expenses		2,596	3,732	5,772	6,998
		3,831,562	3,257,537	10,565,230	7,152,624
Closing stock of work-in-progress		(16,285)	(19,989)	(16,285)	(19,989)
Cost of goods manufactured		3,830,853	3,256,328	10,566,524	7,153,928
Opening stock of finished goods		792,799	177,946	410,653	810,355
Closing stock of finished goods		(1,126,418)	(576,158)	(1,126,418)	(576,158)
		(333,619)	(398,212)	(715,765)	234,197
Cost of sales	- own manufactured product	3,497,234	2,858,116	9,850,759	7,388,125
	- purchased product	-	-	23,967	-
		3,497,234	2,858,116	9,874,726	7,388,125

(Amounts in thousand)

	Unaudited			
	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	Rupees			

22. DISTRIBUTION AND MARKETING EXPENSES

Salaries, wages and staff welfare	16,695	13,313	45,668	39,786
Advertising, sales promotion and entertainment	18,801	11,305	45,712	32,122
Product transportation and handling	123,400	110,084	332,503	234,466
Rent, rates and taxes	5,040	692	8,775	2,566
Purchased services	1,536	1,598	2,627	2,388
Insurance	269	227	827	779
Depreciation	1,006	1,707	2,884	3,614
Training and travelling	1,685	2,044	4,886	4,929
Communication, stationery and other office expenses	1,069	530	2,157	1,495
Others	1,277	214	4,040	1,526
	170,778	141,714	450,079	323,671

23. ADMINISTRATIVE EXPENSES

Salaries, wages and staff welfare	37,844	21,182	100,774	53,972
Rent, rates and taxes	11,490	4,791	20,268	12,539
Purchased services	9,568	3,194	26,377	11,702
Insurance	25	308	220	516
Depreciation and amortization	4,184	1,385	9,766	4,674
Training and travelling expenses	15,258	15,229	41,760	31,061
Communication, stationery and Other office expenses	7,683	6,970	23,075	12,328
Others	3,041	2,026	6,778	6,431
	89,093	55,085	229,018	133,223

24. OTHER OPERATING EXPENSES

Legal and professional charges	1,007	4,581	10,237	6,886
Auditors' remuneration	251	524	781	791
Donations	2,573	2,746	8,360	4,121
Workers' profits participation fund	-	(206)	-	-
Workers' welfare fund	-	(78)	-	-
Foreign exchange loss - net	58,282	56,809	187,187	140,142
	62,113	64,376	206,565	151,940

(Amounts in thousand)

	Unaudited			
	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
25. FINANCE COSTS	Rupees			
Interest / Mark-up on:				
- long term borrowings	334,145	219,513	939,431	317,501
- short term borrowings	32,777	1,314	62,780	18,012
Guarantee commission bank charges and others	5,282	2,146	13,136	6,465
Interest on Workers' Profits Participation Fund	-	-	1,672	-
	372,204	222,973	1,017,019	341,978

	Unaudited	
	Nine months ended	
	September 30, 2010	September 30, 2009
26. CASH GENERATED FROM OPERATIONS	Rupees	
Loss before taxation	(1,253,877)	(53,015)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	10,144	2,123
Depreciation and amortization	729,393	310,384
Income on deposits	(10,300)	(89,853)
Amortization of deferred employee compensation expense	-	3,050
Finance costs	1,017,019	341,978
Profit on disposal of operating assets	(452)	(1,561)
Working capital changes - note 26.1	(926,448)	444,107
	(434,521)	957,213

26.1 **Working capital changes**

Decrease / (Increase) in current assets:		
Stores, spares and loose tools	(339,700)	(67,814)
Stock-in-trade	(376,474)	(381,921)
Trade debts	(132,908)	(694,000)
Loans, advances, deposits, prepayments and other receivables (net)	156,567	107,624
	(692,515)	(1,036,111)
Increase / (Decrease) in current liabilities:		
Trade and other payables	(519,863)	1,480,218
Current portion of long term borrowings	285,930	-
	(926,448)	444,107

(Amounts in thousand)

	Unaudited Nine months ended	
	September 30, 2010	September 30, 2009
	Rupees	
27. CASH AND CASH EQUIVALENTS		
Cash and bank balances	115,176	70,604
Short term borrowings	(1,485,063)	-
	(1,369,887)	70,604

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, 2009.

	Unaudited September 30, 2010			
	Poly Vinyl Chloride and allied chemicals	Caustic soda and allied chemicals	Power Supply	Total
	Rupees			
Revenue	8,331,256	2,072,330	107,144	10,510,730
(Loss) / Profit before unallocated expenses	(222,964)	403,582	5,307	**185,925**
Unallocated expenses				
Administrative expenses				(229,018)
Other operating expenses				(206,565)
Other operating income				12,800
Finance costs				(1,017,019)
Taxation				463,326
Loss after taxation				**(790,551)**

	Unaudited September 30, 2010				Audited December 31, 2009			
	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							
Total segment assets	13,559,384	5,778,463	106,785	19,444,632	13,190,511	6,368,873	132,333	19,691,717
Unallocated assets				4,249,108				2,864,318
Total assets				**23,693,740**				**22,556,035**

28.2 Segment assets consist primarily of property, plant and equipment, 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:

		Unaudited Nine months ended	
		September 30, 2010	September 30, 2009
Nature of relationship	**Nature of transactions**	Rupees	
Holding company	Purchase of services	14,522	16,152
	Sale of goods	-	3,195
	Sale of services	-	2,848
	Sale of steam and electricity	-	37,651
	Use of operating assets	2,242	2,857
	Pension fund contribution	2,932	2,983
	Provident fund contribution	2,134	2,196
	Medical contribution	85	88
Subsidiary company	Sale of goods	1,103,678	895,739
	Sale of services	158	244
Associated companies	Purchase of goods	5,558,953	5,912,694
	Sale of goods	-	106,941
Related parties by virtue of common directorship	Purchase of goods	14,769	10,769
	Purchase of services	787,918	652,844
	Sale of goods	17,088	301
	Sale of services	3,277	631
	Sale of steam and electricity	36,607	-
	Use of operating assets	1,807	-
	Insurance	3,515	1,067
	Investments	-	100,000
	Reimbursements	45	-
Directors' fee		1,350	150
Key management personnel	Managerial remuneration	58,477	50,620
	Retirement benefits	5,873	4,764
	Other benefits	8,031	9,125
Contribution to staff retirement benefits	Pension fund	4,699	1,309
	Provident fund	14,950	12,834
	Gratuity fund	2,583	873

30. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 25, 2010 by the Board of Directors of the Company.

31. CORRESPONDING FIGURES

31.1 In order to comply with the requirements 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, 2009. 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 nine months ended September 30, 2009.

(Amounts in thousand)

31.2 For better presentation, the following major reclassification in the corresponding figures has been made:

Description	**Head of account of the financial statements for the nine months ended September 30, 2009**	**Head of account of the financial statements for the nine months ended September 30, 2010**	**Rupees**
Supply of electricity	Other operating income	Net revenue	29,161

The effect of other reclassifications is not material.

Asif Qadir
President & Chief Executive

Kimihide Ando
Director

Engro Polymer & Chemicals Ltd.

AND ITS SUBSIDIARY COMPANY

DIRECTORS' REVIEW AND
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

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 nine months ended September 30, 2010.

Business Review

Vinyl Chloride Monomer (VCM) plant operations improved during the quarter and the Plant achieved commercial production in the month of September 2010. VCM scrubbers which were damaged during the fire incident in December 2009 were installed after refurbishment and successfully commissioned during the month of August 2010. VCM plant was shutdown during the month of August 2010 for maintenance. VCM production during the quarter was 22 KTons as compared to the plant's production capacity of 38 KTons. During first nine months, VCM production was 36 KTons. Highest level of VCM production was achieved during the month of September in which 9.4 KTons of VCM was produced.

Poly Vinyl Chloride (PVC) production during 3Q 2010 was 29 KTons as compared to 31 KTons in 3Q 2009. Production was lower than capacity as the operational load had to be curtailed due to unavailability of VCM and plant shutdown taken for maintenance. Production for the nine months was 80 KTons as compared to 91 KTons in corresponding period last year.

Caustic soda production for the quarter was 23 KTons as against 14 KTons during 3Q 2009 and that for nine months was 67 KTons as compared to 14 KTons in 2009.

International prices in the Vinyl chain exhibited a rising trend on account of rising feedstock prices and supply demand situation. Average PVC price in July was around USD 880 which reached to USD 985 in September. Similarly, Ethylene prices rose from an average of USD 818 in July to USD 1000 in September 2010.

Company sold 27 KTons of PVC in 3Q 2010 as against 29 KTons in same period last year. In addition, around 4.5 KTons of resin was imported during the quarter due to earlier supply constraints. Domestic sale for nine months was 74 KTons as against 93 KTons during same period last year.

Caustic soda sales remained strong during the quarter. The Company sold 20 KTons in 3Q 2010 as against 10 KTons in 3Q 2009. Caustic soda domestic sales volume for nine months was 58 KTons as against 10 KTons for same period 2009.

EDC produced was primarily used for the production of VCM, however, 10 KTons of surplus EDC was also exported during the quarter. A total of 33 KTons of EDC were exported during the nine months as against 16 KTons in corresponding period of 2009.

Revenue for the quarter was Rs. 3,700 million, an increase of 14.6% over same period last year. During the quarter, the Company incurred a loss of Rs. 313 million as compared to a loss after tax of Rs. 32 million in 3Q 2009. Loss after tax for nine months was Rs. 762 million as against a loss after tax of Rs. 19 million in nine months of 2009. Company's loss was primarily attributable to the delay in commissioning of the VCM plant due to which the economic benefits of the integrated facility could not be obtained and therefore the incremental fixed cost and financial charges could not be recovered. As a result of the losses incurred by the Company, the Current Ratio continues to be under pressure and the Company remains in breach of this covenant in the Loan Agreements.

Near Future Outlook

International Chlor Vinyl margins are improving due to global supply demand. PVC prices have also moved higher and are expected to remain at these levels. International Caustic soda prices have already started to firm up and are likely to increase during 4Q 2010.

Domestic demand for PVC is expected to be slow due to the liquidity crunch in the market and reduced government spending. Based on the improved PVC supply situation, the Company has initiated exports of PVC, which provides good margins at the current time. Caustic soda sales of the Company are expected to remain in line with company's production.

The margins are expected to improve as the integrated facility operations smooth out, however the profitability would depend on the productivity of the entire complex.

Delayed commissioning of the VCM plant resulted in a cumulative loss of Rs. 762 million during the first nine months and therefore the profitability projections (Rights Issue) for the year 2010 will not be met and the financials of the Company would show a net loss at the end of 2010.

Asif Qadir
President & Chief Executive

Kimihide Ando
Director

Karachi
October 25, 2010

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
UNAUDITED CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2010

	Note	(Unaudited) September 30, 2010	(Audited) December 31, 2009
ASSETS		Rupees	
Non-Current Assets			
Property, plant and equipment	5	19,420,583	19,360,686
Intangible assets	6	19,671	11,816
Long term loans and advances		53,530	47,475
Deferred taxation	16	313,080	-
		19,806,864	19,419,977
Current Assets			
Stores, spares and loose tools		532,462	192,762
Stock-in-trade	7	1,981,726	1,605,438
Trade debts - considered good	8	479,136	439,905
Loans, advances, deposits, prepayments and other receivables	9	241,778	410,881
Taxes recoverable	10	584,777	451,603
Short term investments		230,452	61,398
Cash and bank balances	11	117,710	217,531
		4,168,041	3,379,518
TOTAL ASSETS		23,974,905	22,799,495
EQUITY AND LIABILITIES			
Equity			
Share capital	12	6,634,688	5,203,677
Share premium		964,029	975,438
Employees' share compensation reserve	13	8,848	9,313
Hedging reserve		(124,428)	(12,958)
(Accumulated loss) / Unappropriated profit		(541,763)	220,173
		6,941,374	6,395,643
Non-Current Liabilities			
Long term borrowings	14	10,688,146	11,135,163
Derivative financial instruments	15	191,428	19,935
Deferred taxation	16	-	321,520
Retirement and other service benefit obligations		48,456	38,312
		10,928,030	11,514,930
Current Liabilities			
Current portion of long term borrowings		1,302,323	1,016,393
Short term borrowings	17	1,685,063	594,241
Trade and other payables	18	2,493,131	3,002,022
Accrued interest / mark-up		496,556	205,772
Provisions	19	128,428	70,494
		6,105,501	4,888,922
Commitments	20		
TOTAL EQUITY AND LIABILITIES		23,974,905	22,799,495

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

Asif Qadir
President & Chief Executive

Kimihide Ando
Director

ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
UNAUDITED CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Amounts in thousand except for loss per share)

		Quarter ended		Nine months ended	
		September 30, 2010	September 30, 2009 (Restated)	September 30, 2010	September 30, 2009 (Restated)
	Note	Rupees			
Net revenue		3,702,943	3,231,728	10,557,412	8,214,590
Export rebate		-	-	102	-
		3,702,943	3,231,728	10,557,514	8,214,590
Cost of sales	21	(3,496,872)	(2,858,145)	(9,874,726)	(7,388,154)
Gross profit		206,071	373,583	682,788	826,436
Distribution and marketing expenses	22	(171,534)	(141,714)	(454,361)	(336,468)
Administrative expenses	23	(87,361)	(55,085)	(229,724)	(133,223)
Other operating expenses	24	(57,397)	(60,537)	(198,608)	(148,151)
Other operating income		4,551	52,678	21,012	95,944
Operating (loss) / profit		(105,670)	168,925	(178,893)	304,538
Finance costs	25	(378,037)	(223,665)	(1,035,077)	(344,628)
Loss before taxation		(483,707)	(54,740)	(1,213,970)	(40,090)
Taxation		170,690	22,868	451,569	21,469
Loss for the period		(313,017)	(31,872)	(762,401)	(18,621)
Loss per share - basic and diluted		(0.47)	(0.06)	(1.23)	(0.03)

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
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	Rupees			
Loss for the period	(313,017)	(31,872)	(762,401)	(18,621)
Other comprehensive income / (loss):				
Hedging reserve				
Loss arising during the period	(90,567)	(77,622)	(232,005)	(30,859)
Less:				
- Reclassification adjustments for losses included in profit and loss	16,669	9,161	56,446	10,085
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	6,257	4,066	11,269
Income tax relating to hedging reserve	25,865	21,771	60,023	3,327
Other comprehensive loss for the period - net of tax	(48,033)	(40,433)	(111,470)	(6,178)
Total comprehensive loss for the period	(361,050)	(72,305)	(873,871)	(24,799)

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 AND ITS SUBSIDIARY COMPANY
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Share capital	Share premium	Employees' share compensation reserve	Hedging reserve	(Accumulated loss) / Unappropriated profit	Total
				Rupees		
Balance as at January 1, 2009 (Audited)	5,203,677	975,438	9,858	(39,100)	413,869	6,563,742
Unvested share options lapsed during the period	-	-	(266)	-	-	(266)
Total comprehensive loss for the nine months ended September 30, 2009	-	-	-	(6,178)	(18,621)	(24,799)
Balance as at September 30, 2009 (Unaudited)	5,203,677	975,438	9,592	(45,278)	395,248	6,538,677
Unvested share options lapsed during the period	-	-	(279)	-	-	(279)
Total comprehensive income / (loss) for the three months ended December 31, 2009	-	-	-	32,320	(175,075)	(142,755)
Balance as at December 31, 2009 (Audited)	5,203,677	975,438	9,313	(12,958)	220,173	6,395,643
Vested share options lapsed during the period	-	-	(465)	-	465	-
Total comprehensive loss for the nine months ended September 30, 2010	-	-	-	(111,470)	(762,401)	(873,871)
Share capital issued	1,431,011	-	-	-	-	1,431,011
Share issuance cost, net	-	(11,409)	-	-	-	(11,409)
Balance as at September 30, 2010 (Unaudited)	6,634,688	964,029	8,848	(124,428)	(541,763)	6,941,374

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 AND ITS SUBSIDIARY COMPANY
UNAUDITED CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Note	Unaudited Nine months ended September 30, 2010	Unaudited Nine months ended September 30, 2009
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	(436,451)	871,948
Finance costs paid		(744,293)	(920,341)
Long term loans and advances		(6,055)	42,408
Provisions		57,934	10,968
Income tax paid		(250,038)	(188,482)
Net cash outflow from operating activities		(1,378,903)	(183,499)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(795,421)	(2,269,367)
Purchases of intangible assets		(7,855)	-
Proceeds from disposal of operating assets		6,583	3,764
Proceeds from sale of short term investments		-	(850,908)
Income on short term investments and bank deposits		18,512	91,958
Net cash outflow from investing activities		(778,181)	(3,024,553)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		100,000	4,107,722
Repayment of long term borrowings - net		(547,017)	(130,000)
Proceeds from issue of share capital		1,431,011	-
Share issuance cost		(17,553)	-
Net cash inflow from financing activities		966,441	3,977,722
Net (decrease) / increase in cash and cash equivalents		(1,190,643)	769,670
Cash and cash equivalents at beginning of the period		(376,710)	(743,183)
Cash and cash equivalents at end of the period	27	(1,567,353)	26,487

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

Asif Qadir
President & Chief Executive

Kimihide Ando
Director

ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

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 as a public unlisted company. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

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.

In 2006, the Company commenced work on its expansion and back-integration project comprising setting up of new PVC, Ethylene Di Chloride (EDC), Chlor-alkali, Vinyl Chloride Monomer (VCM) and Power plants. During 2009, the Company commenced commercial operations of new PVC, EDC, Chlor-alkali and Power plants (Gas turbines). The commercial operations of the VCM plant has been declared in third quarter 2010, after which the integrated chemical complex is now complete. These plants have been set up adjacent to the Company's existing PVC facilities in the Port Qasim Industrial Area. The Company is also engaged in supply of surplus power generated from its Power plants to Karachi Electric Supply Company (KESC), under an agreement.

2. BASIS OF PREPARATION

This consolidated condensed interim financial information of the Company for the nine months ended September 30, 2010 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

This consolidated condensed interim financial information 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, 2009.

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 financial statements of the Company for the year ended December 31, 2009.

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, 2010, 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.

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, 2010 and have not been early adopted by the Company:

- IFRS 9, 'Financial Instruments' (effective from January 1, 2013). IFRS 9 addresses the classification and measurement of financial assets. The Company is yet to asses the full impact of IFRS 9.

- IAS 24 (Revised), 'Related party disclosures' (effective from January 1, 2011). The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

- IAS 32 (Amendment), 'Classification of rights issues' (effective for annual periods beginning on or after February 1, 2010). The amendment states that if rights issues, which are offered for a fixed amount of foreign currency, are issued pro rata to all the entity's existing shareholders in the same class for fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Company currently has no right issues in offering therefore the amendment has no effect on the Company's financial statements.

- IFRIC 14 (Amendments), 'Prepayments to minimum funding requirement' (effective from January 1, 2011). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The Company's retirement benefit funds are not subject to any minimum funding requirements, hence, these amendments will have no impact on the Company's financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after July 1, 2010). The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Company has not renegotiated the terms of a financial liability and offered any of its shares to its creditors, therefore, this interpretation will have no impact on the Company's financial statements.

4. ACCOUNTING ESTIMATES

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

During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited financial statements for the year ended December 31, 2009.

(Amounts in thousand)

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 & 5.2	19,383,006	14,112,080
Capital work-in-progress - note 5.3	37,577	5,248,606
	19,420,583	19,360,686

5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	35,355	168,221
Plant and machinery	5,903,766	12,076,638
Pipelines	4,852	357,309
Furniture, fixtures and office equipment	12,251	16,820
Vehicles	46,727	29,811
	6,002,951	12,648,799

5.2 During the period, assets costing Rs. 15,306 (December 31, 2009: Rs. 13,591), having net book value of Rs. 6,131 (December 31, 2009: Rs. 4,560) were disposed off for Rs. 6,583 (December 31, 2009: Rs. 6,179).

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
5.3 Capital work-in-progress comprises of:		
Plant and machinery	4,378	3,744,783
Building on leasehold land	4,690	33,010
Ethylene pipeline and power cables	-	292
Water and gas pipelines	-	2,793
Furniture, fixtures and equipment	11,931	5,479
Software	8,385	-
Advances for vehicles	8,193	8,315
Other ancillary costs - note 5.3.1	-	1,453,934
	37,577	5,248,606

(Amounts in thousand)

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
5.3.1 The ancillary costs, directly attributable to the VCM plant, comprise:		
Salaries, wages and benefits	-	213,879
Training and travelling	-	45,051
Borrowing costs	-	591,810
Legal and professional	-	31,860
Storage and handling	-	481,667
Depreciation	-	15,053
Others	-	74,614
	-	1,453,934

6. INTANGIBLE ASSETS - Computer Software

Additions made during the period amounted to Rs. 11,355 (December 31, 2009: Rs. 6,255).

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
7. STOCK-IN-TRADE		
Raw and packing materials - note 7.1	839,023	1,168,171
Work-in-progress	16,285	17,579
Finished goods		
- own manufactured product - note 7.2	1,126,418	410,653
- purchased product	-	9,035
	1,126,418	419,688
	1,981,726	1,605,438

7.1 This includes stock-in-transit amounting to Rs. 223,650 (December 31, 2009: Rs. 248,065) and stocks held at the storage facilities of the following related parties:

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
- Engro Vopak Terminal Limited	248,157	595,104
- Dawood Hercules Chemicals Limited	4,851	1,635
	253,008	596,739

7.2 This represents carrying value of PVC resin, net of realizable value reduction of Rs. 18,266 (December 31, 2009: Rs. 21,084).

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
8. TRADE DEBTS - considered good	Rupees	
Includes amounts due from the following related parties:		
- Mitsubishi Corporation	193,058	164,228
- Engro Foods Limited	1,049	-
	194,107	164,228

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Rupees	
Includes amounts due from the following related parties:		
- Engro Fertilizer Limited	3,162	1,318
- Engro Vopak Terminal Limited	1,393	-
- Engro Energy Limited	45	-
	4,600	1,318

10. TAXES RECOVERABLE

10.1 During the period, 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 financial costs in relation to the expansion Project.

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. 125,072 in the above demand against the Company's assessed refunds. Although the Company has sufficient tax refunds and recoupable minimum taxes to have the remaining demand of Rs. 88,100 adjusted, the OIR only gave a further credit, subject to further verification, of Rs. 55,696. Consequently, the Company has paid the balance amount of Rs. 32,404 'under protest'. The Company also applied for a stay order to the Commissioner Inland Revenue (Appeals) for the remaining outstanding demand as the credit of Rs. 55,696 has been given by the OIR subject to verification of taxes paid, which was granted up to June 26, 2010. Application for extension in stay order has also been filed, hearing for which is also pending.

(Amounts in thousand)

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

10.2 While finalizing the assessment for the assessment year 2000-2001, the Taxation Officer had disallowed a claim of First Year Allowance (FYA) by the Company on the grounds that it 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 pending with 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 the Company's favour in 2005 by the Income Tax Appellate Tribunal (ITAT).

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

This disallowance results in a tax deductible timing difference, the effects of which have been recognized in the condensed interim financial information after taking into account the consequential effects of the ITAT Order in the years subsequent to 2000 - 2001.

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
11. CASH AND BANK BALANCES	Rupees	
Cash in hand	936	970
With banks on:		
- current accounts	105,966	129,269
- savings accounts	10,808	68,292
Short term deposits	-	19,000
	117,710	217,531

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
12. SHARE CAPITAL	Rupees	
Authorized capital		
700,000,000 (2009: 700,000,000) ordinary shares of Rs. 10 each	7,000,000	7,000,000
Issued, subscribed and paid-up capital		
663,468,788 (2009: 520,367,677) ordinary shares of Rs. 10 each, fully paid in cash	6,634,688	5,203,677

12.1 During the period, the Company issued 143,101,111 ordinary shares of Rs. 10 each at par as rights shares to the existing shareholders, ranking pari passu in all respects with the existing shares of the Company. Transaction costs, incurred during the period amounting to Rs. 11,409, net of tax, directly attributable to the issue of new shares have been recognized as a deduction from share premium.

12.2 As at September 30, 2010, Engro Corporation Limited (formerly Engro Chemical Pakistan Limited) holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2009: 292,399,992 ordinary shares of Rs. 10 each).

(Amounts in thousand)

	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
13. EMPLOYEES' SHARE COMPENSATION RESERVE		
Balance at beginning of the period/year	9,313	9,858
Less: Options lapsed due to employee resignation	(465)	(545)
Balance at end of the period/year	8,848	9,313

13.1 During the current period, the Company has adjusted the exercise price of the share options from Rs. 22 per share to Rs. 19.41 per share and has increased the total entitlement from 5,300,000 shares to 6,757,500 shares consequent to the issue of right shares, which have been duly approved by the Securities and Exchange Commission of Pakistan. The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in the condensed interim financial information.

14. LONG TERM BORROWINGS, secured

14.1 During the period, the Company has entered into a Master Istisna Agreement for a facility of Rs. 100,000, for a period of three years. The entire amount of the facility has been drawn down by the Company. The facility carries mark-up at the rate of 1.5% over six months KIBOR. All amounts due under the Agreement are payable in tranches by way of a series of Istisna transactions, each Istisna transaction being treated as a separate agreement. Since the management's intention is to roll over each Istisna transaction on repayment date to the expiry date of the facility, the above mentioned financing has been included in long term borrowings of the Company. The facility is secured by a joint pari passu equitable mortgage over land and buildings and a pari passu hypothecation charge over plant and machinery, stocks and receivables amounting to Rs. 134,000

14.2 During the period, the Company has repaid an amount of Rs. 51,744 representing the first installment against a facility obtained in 2009 under a Syndicate Finance Agreement with a consortium of local banks. Further, the Company has repaid an amount of Rs. 341,640 representing the first installment against loan agreement/facility with International Finance Corporation.

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$ 4,000, 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 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$ 37,332, 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 September 30, 2010	(Audited) Fair value as at December 31, 2009
				Rupees	
Interest Rate Swap Agreements			**Fixed Rate %**		
14,000	December 15, 2008	June 15, 2017	3.385	87,819	23,770
4,666	June 15, 2009	June 15, 2017	3.005	23,592	1,838
14,000	June 15, 2009	June 15, 2017	2.795	61,359	(4,570)
4,666	June 15, 2009	June 15, 2017	2.800	17,478	(1,103)
37,332				190,248	19,935
Cross - Currency Interest Rate Swap Agreement			**Floating Rate %**		
4,000	September 9, 2010	June 15, 2015	LIBOR + 0.95	1,180	-
41,332				191,428	19,935

(Amounts in thousand)

16. DEFERRED TAXATION	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	4,180,037	3,061,376
- net borrowing costs capitalized	-	207,133
	4,180,037	3,268,509
Debit balances arising due to:		
- recoupable carried forward tax losses	(4,035,780)	(2,725,269)
- recoupable minimum turnover tax	(211,313)	(108,789)
- unrealized foreign exchange losses, unpaid liabilities and provision for retirement and other service benefits	(94,065)	(46,581)
- provision against duties	(22,845)	(6,454)
- provision for stocks and slow moving stores and spares	(4,405)	(1,353)
- fair value of hedging instruments	(67,000)	(6,977)
- share issuance cost, net to equity	(57,709)	(51,566)
	(4,493,117)	(2,946,989)
	(313,080)	321,520

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. 2,200,000 (December 31, 2009: 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 plus 1.5% (December 31, 2009: relevant period KIBOR plus 0.9% to plus 3%). During the period, the mark-up rates, net of prompt payment rebate, ranged from 12.93% to 14.73% per annum (December 31, 2009: 12.39% to 17.37% per annum). The facilities are secured by a floating charge over stocks and book debts of the Company.

18. TRADE AND OTHER PAYABLES	(Unaudited) September 30, 2010	(Audited) December 31, 2009
	Rupees	
Includes amounts due to the following related parties:		
- Engro Corporation Limited	3,585	-
- Mitsubishi Corporation	1,210,680	1,152,402
- Engro Vopak Terminal Limited	86,937	77,045
	1,301,202	1,229,447

19. PROVISIONS

19.1 Provision for SED on import of plant and machinery

As at September 30, 2010, the Company had paid Rs. 94,611 (December 31, 2009: 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, 2009: 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 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) – Federal Board of Revenue, 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(I)/2007 and that the amount adjusted was recoverable from the Company under the Federal Excise Act, 2005 alongwith default surcharge and penalty. During the period, 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. During the current quarter, the appeal has been decided against the Company. The Company has now filed an appeal with the Income Tax Appealate Tribunal against the decision of the Commissioner Inland Revenue (Appeals).

The Company is confident that the ultimate outcome of the matter will be in its favour, but, based on prudence is retaining the provision. Further, a provision for surcharge and penalty thereon amounting to Rs. 23,277 (December 31, 2009: Rs. 12,570) has also been made.

19.2 **Provision for duty on import of raw material**

The Company in 2009 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 for 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 manufacture of intermediary products. During the period, the Department has disagreed 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, based on prudence, a provision amounting to Rs. 47,227 (December 31, 2009: Nil) in respect of duty on such raw materials has been made.

20 COMMITMENTS

- Capital expenditure for the Project, under the contracts signed as at September 30, 2010 but not yet incurred amounts to Rs. Nil (December 31, 2009: Rs. 721,859).

- Performance guarantees issued by banks on behalf of the Company as at September 30, 2010 amount to Rs. 609,570 (December 31, 2009: Rs. 581,111).

21. COST OF SALES

	Unaudited			
	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	Rupees			
Opening stock of work-in-progress	15,576	18,780	17,579	21,293
Raw and packing materials consumed	2,356,472	2,602,281	6,997,933	5,929,074
Salaries, wages and staff welfare	148,139	64,680	336,246	151,483
Fuel, power and gas	516,107	262,621	1,258,952	438,452
Repairs and maintenance	94,085	5,041	204,038	26,484
Depreciation	284,667	162,607	716,743	302,096
Consumable stores	110,592	22,775	243,322	42,426
Purchased services	36,516	7,569	80,041	17,587
Storage and handling	239,207	104,780	631,794	191,907
Training and travelling	12,140	1,361	20,736	3,089
Communication, stationery and other office expenses	2,197	743	5,798	1,599
Insurance	28,482	18,472	63,493	38,902
Other expenses	2,596	4,856	5,772	9,774
	3,831,200	3,257,786	10,564,868	7,152,873
Closing stock of work-in-progress	(16,285)	(19,989)	(16,285)	(19,989)
Cost of goods manufactured	3,830,491	3,256,577	10,566,162	7,154,177
Opening stock of finished goods	792,799	177,946	410,653	810,355
Closing stock of finished goods	(1,126,418)	(576,378)	(1,126,418)	(576,378)
	(333,619)	(398,432)	(715,765)	233,977
Cost of sales - own manufactured product	3,496,872	2,858,145	9,850,397	7,388,154
- purchased product	-	-	24,329	-
	3,496,872	2,858,145	9,874,726	7,388,154

(Amounts in thousand)

	Unaudited			
	Quarter ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	Rupees			
22. DISTRIBUTION AND MARKETING EXPENSES				
Salaries, wages and staff welfare	16,695	13,313	45,668	39,786
Advertising, sales promotion and entertainment	18,801	11,305	45,712	32,122
Product transportation and handling	124,111	110,084	336,740	247,263
Rent rates and taxes	5,040	692	8,775	2,566
Purchased services	1,581	1,598	2,672	2,388
Insurance	269	227	827	779
Depreciation	1,006	1,707	2,884	3,614
Training and travelling	1,685	2,044	4,886	4,929
Communication, stationery and other office expenses	1,001	530	2,089	1,495
Others	1,345	214	4,108	1,526
	171,534	141,714	454,361	336,468
23. ADMINISTRATIVE EXPENSES				
Salaries, wages and staff welfare	37,844	21,182	100,774	53,972
Rent, rates and taxes	11,920	4,791	20,698	12,539
Purchased services	7,242	3,194	26,489	11,702
Insurance	183	308	378	516
Depreciation and amortization	4,184	1,385	9,766	4,674
Training and travelling expenses	15,258	15,229	41,760	31,061
Communication, stationery and other office expenses	7,689	6,970	23,081	12,328
Others	3,041	2,026	6,778	6,431
	87,361	55,085	229,724	133,223
24. OTHER OPERATING EXPENSES				
Legal and professional charges	2,899	4,717	12,287	7,562
Auditors' remuneration	211	474	771	791
Donations	3,608	2,746	9,395	4,121
Workers' profits participation fund	-	(206)	-	-
Workers' welfare fund	-	(78)	-	-
Foreign exchange loss - net	50,679	52,884	176,155	135,677
	57,397	60,537	198,608	148,151
25. FINANCE COSTS				
Interest / Mark-up on:				
- long term borrowings	334,145	219,513	939,431	317,501
- short term borrowings	37,274	1,992	75,311	18,690
Guarantee commission, bank charges and others	6,618	2,160	18,663	8,437
Interest on Workers' Profits Participation Fund	-	-	1,672	-
	378,037	223,665	1,035,077	344,628

(Amounts in thousand)

26. CASH GENERATED FROM OPERATIONS

	Unaudited Nine months ended September 30, 2010	Unaudited Nine months ended September 30, 2009
	Rupees	Rupees
Loss before taxation	(1,213,970)	(40,090)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	10,144	2,123
Depreciation and amortization	729,393	310,384
Income on deposits	(18,512)	(92,625)
Amortization of deferred employee compensation expense	-	3,050
Finance costs	1,035,077	344,628
Profit on disposal of operating assets	(452)	(1,561)
Working capital changes - note 26.1	(978,131)	346,039
	(436,451)	871,948

26.1 Working capital changes

	Unaudited Nine months ended September 30, 2010	Unaudited Nine months ended September 30, 2009
	Rupees	Rupees
Decrease / (Increase) in current assets:		
Stores, spares and loose tools	(339,700)	(67,814)
Stock-in-trade	(376,288)	(381,986)
Trade debts	(39,231)	(717,739)
Loans, advances, deposits, prepayments and other receivables - net	169,103	8,896
Short term investments	(169,054)	-
	(755,170)	(1,158,643)
Increase / (Decrease) in current liabilities:		
Trade and other payables	(508,891)	1,504,682
Current portion of long term borrowings	285,930	-
	(978,131)	346,039

27. CASH AND CASH EQUIVALENTS

Cash and bank balances	117,710	176,487
Short term borrowings	(1,685,063)	(150,000)
	(1,567,353)	26,487

(Amounts in thousand)

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, 2009.

	Unaudited September 30, 2010			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power Supply	Total
	Rupees			
Revenue	8,378,040	2,072,330	107,144	10,557,514
(Loss) / Profit before unallocated expenses	(174,665)	397,785	5,307	**228,427**
Unallocated expenses				
Administrative expenses				(229,724)
Other operating expenses				(198,608)
Other operating income				21,012
Finance costs				(1,035,077)
Taxation				451,569
Loss after taxation				**(762,401)**

	Unaudited September 30, 2010				Audited December 31, 2009			
	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							
Total segment assets	13,559,384	5,778,463	106,785	19,444,632	13,190,511	6,368,873	132,333	19,691,717
Unallocated assets				4,530,273				3,107,778
Total assets				**23,974,905**				**22,799,495**

28.2 Segment assets consist primarily of property, plant and equipment, 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 consolidated condensed interim financial information are as follows:

		Unaudited	
		Nine months ended	
		September 30, 2010	September 30, 2009
		Rupees	
Nature of relationship	**Nature of transactions**		
Holding company	Purchase of services	14,522	16,152
	Sale of goods	-	3,195
	Sale of services	-	2,848
	Sale of steam and electricity	-	37,651
	Use of operating assets	2,242	2,857
	Pension fund contribution	2,932	2,983
	Provident fund contribution	2,134	2,196
	Medical contribution	85	88
Associated companies	Purchase of goods	5,558,953	5,912,694
	Sale of goods	1,024,561	106,941
Related parties by virtue of common directorship	Purchase of goods	14,769	10,769
	Purchase of services	787,918	652,844
	Sale of goods	17,088	301
	Sale of services	3,277	631
	Sale of steam and electricity	36,607	-
	Use of operating assets	1,807	-
	Insurance	3,515	1,067
	Investments	99,000	100,000
	Reimbursements	45	-
Directors' fee		1,350	150
Key management personnel	Managerial remuneration	58,477	50,620
	Retirement benefits	5,873	4,764
	Other benefits	8,031	9,125
Contribution to staff retirement benefits	Pension fund	4,699	1,309
	Provident fund	14,950	12,834
	Gratuity fund	2,583	873

30. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 25, 2010 by the Board of Directors of the Company.

31. CORRESPONDING FIGURES

31.1 In order to comply with the requirements 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, 2009. 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 nine months ended September 30, 2009.

(Amounts in thousand)

31.2 For better presentation, the following major reclassification in the corresponding figures has been made:

Description	**Head of account of the financial statements for the nine months ended September 30, 2009**	**Head of account of the financial statement for the nine months ended September 30, 2010**	**Rupees**
Supply of electricity	Other operating income	Net revenue	29,161

The effect of other reclassifications is not material.

Asif Qadir
President & Chief Executive

Kimihide Ando
Director

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