



Engro Polymer & Chemicals Ltd.

Financial Information for the Quarter
and Nine Months ended September 30, 2011

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COMPANY INFORMATION

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





Engro Polymer & Chemicals Ltd.

AND IT'S SUBSIDIARY COMPANY

**DIRECTORS' REVIEW &
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**



**ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited Financial Information of the Company for the nine months ended September 30, 2011.

Business Review

Vinyl Chloride Monomer (VCM) production during first nine months was 57K tons as compared to 36K tons in the corresponding period last year. Production during 3Q 2011 was 22K tons which was lower than capacity mainly due to planned outage taken on one of the VCM furnaces. Shortfall of VCM was covered through import of 10K tons during the quarter.

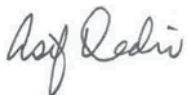
Poly Vinyl Chloride (PVC) production during 3Q 2011 was 30K tons compared to 29K tons in 3Q 2010. The Company sold 27K tons in 3Q 2011 which was same as compared to last year. A total of 82K tons of PVC was produced during the nine months ended September 2011 as compared to 80K tons last year. PVC domestic sales for nine months ended September 2011 was 82K tons as against 74K tons in the same period last year. International PVC prices declined during the quarter by almost \$100 per ton. International PVC-VCM average price differential in 3Q 2011 remained at around \$150 per ton as compared to \$130 per ton in 3Q 2010.

Caustic soda production for the quarter was 26K tons which was in line with the plant capacity and 3K tons more than same quarter last year. Total Caustic soda production during nine months ended September 2011 was 72K tons as against 67K tons in the last year. The Company sold 22K tons and 65K tons of Caustic soda in the quarter and nine months ended September 30, 2011 as compared to 20K tons and 58K tons in the corresponding period last year respectively. A total of 5K tons of Sodium Hypochlorite was produced and sold in the domestic market during the quarter. The Company exported 8K tons of EDC during 3Q 2011.

Revenue during nine months ended September 2011 was Rs. 12,313 million showing an increase of 17% over the same period last year. Growth in revenue is attributable to increased volumes and higher product prices as compared to last year. The Company incurred a loss after tax of Rs. 440 million in first nine months of the year as compared to a loss after tax of Rs. 762 million in the same period last year. Reduction in loss was mainly due to higher VCM production and higher PVC domestic sales.

Near Future Outlook

The VCM furnace which was under repair in 3Q 2011, came online on October 5, 2011 and the VCM plant is presently operating at capacity. Extensive efforts are being directed to ensure sustainable operations at this level for extended period of time. The commodity prices in 4Q 2011, on account of global economic unrest, are expected to be volatile which will keep the margins under pressure.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director

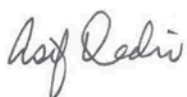
Karachi
October 21, 2011



ENGRO POLYMER & CHEMICALS LIMITED & ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2011

		(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Note	Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	18,752,717	19,198,729
Intangible assets	6	33,358	20,856
Long term loans and advances		52,097	40,323
Deferred taxation	7	<u>702,564</u>	<u>323,378</u>
		19,540,736	19,583,286
Current Assets			
Stores, spares and loose tools		998,138	633,799
Stock-in-trade	8	2,447,394	2,176,960
Trade debts - considered good	9	158,824	369,400
Loans, advances, deposits, prepayments and other receivables	10	255,354	380,846
Taxes recoverable	11	828,301	654,155
Short term investments - at fair value	12	28,093	-
Cash and bank balances	13	<u>92,890</u>	<u>682,894</u>
		4,808,994	4,898,054
TOTAL ASSETS		<u>24,349,730</u>	<u>24,481,340</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	6,634,688	6,634,688
Share premium		964,029	964,029
Employees' share compensation reserve	15	8,290	8,384
Hedging reserve		(112,695)	(72,062)
Accumulated loss		<u>(989,306)</u>	<u>(549,179)</u>
		6,505,006	6,985,860
Non-Current Liabilities			
Long term borrowings	16	9,311,015	10,903,360
Derivative financial instruments	17	173,377	110,864
Retirement and other service benefit obligations		<u>66,696</u>	<u>50,091</u>
		9,551,088	11,064,315
Current Liabilities			
Current portion of long term borrowings		2,392,182	1,361,293
Short term borrowings	18	822,880	1,780,388
Trade and other payables	19	4,383,173	2,960,982
Accrued interest / mark-up		538,734	197,480
Provisions	20	<u>156,667</u>	<u>131,022</u>
		8,293,636	6,431,165
Commitments	21		
TOTAL EQUITY AND LIABILITIES		<u>24,349,730</u>	<u>24,481,340</u>

The annexed notes 1 to 34 form an integral part of this condensed interim financial information.



Asif Qadir
President & Chief Executive

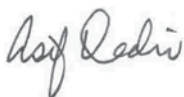


Kimihide Ando
Director

ENGRO POLYMER & CHEMICALS LIMITED & ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

	Note	Quarter ended		Nine months ended	
		Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
		Rupees			
Net revenue	22	4,321,826	3,684,194	12,312,847	10,512,291
Cost of sales	23	<u>(3,861,766)</u>	<u>(3,496,872)</u>	<u>(10,852,114)</u>	<u>(9,874,726)</u>
Gross profit		460,060	187,322	1,460,733	637,565
Distribution and marketing expenses	24	(202,940)	(152,785)	(559,627)	(409,138)
Administrative expenses	25	(94,318)	(87,361)	(268,333)	(229,724)
Other operating expenses	26	(127,228)	(57,397)	(173,866)	(198,608)
Other operating income	27	<u>6,095</u>	<u>4,551</u>	<u>40,255</u>	<u>21,012</u>
Operating profit / (loss)		41,669	(105,670)	499,162	(178,893)
Finance costs	28	<u>(408,667)</u>	<u>(378,037)</u>	<u>(1,167,519)</u>	<u>(1,035,077)</u>
Loss before taxation		(366,998)	(483,707)	(668,357)	(1,213,970)
Taxation		<u>121,876</u>	<u>170,690</u>	<u>228,136</u>	<u>451,569</u>
Loss for the period		<u>(245,122)</u>	<u>(313,017)</u>	<u>(440,221)</u>	<u>(762,401)</u>
Loss per share					Restated
- basic and diluted		<u>(0.37)</u>	<u>(0.47)</u>	<u>(0.66)</u>	<u>(1.15)</u>

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Asif Qadir
 President & Chief Executive



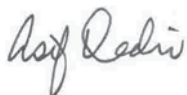
Kimihide Ando
 Director



ENGRO POLYMER & CHEMICALS LIMITED AND ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

	Quarter ended		Nine months ended	
	Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
	Rupees			
Loss for the period	(245,122)	(313,017)	(440,221)	(762,401)
Other comprehensive loss:				
Hedging reserve				
Loss arising during the period	(59,223)	(90,567)	(74,887)	(232,005)
Less:				
- Reclassification adjustments for losses on interest rate swaps included in profit and loss	8,182	16,669	12,374	56,446
- Adjustments for amounts transferred to initial carrying amount of hedged items	—	—	—	4,066
Income tax relating to hedging reserve	17,864	25,865	21,880	60,023
Other comprehensive loss for the period - net of tax	(33,177)	(48,033)	(40,633)	(111,470)
Total comprehensive loss for the period	<u>(278,299)</u>	<u>(361,050)</u>	<u>(480,854)</u>	<u>(873,871)</u>

The annexed notes 1 to 34 form an integral part of this condensed interim financial information.



Asif Qadir
President & Chief Executive



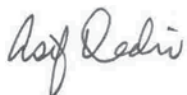
Kimihide Ando
Director



ENGRO POLYMER & CHEMICALS LIMITED & ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

	Share capital	Share premium	Employees' share compensation reserve	Hedging reserve	(Accumulated loss) / Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2010 (Audited)	5,203,677	975,438	9,313	(12,958)	220,173	6,395,643
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)	<u>6,634,688</u>	<u>964,029</u>	<u>8,848</u>	<u>(124,428)</u>	<u>(541,763)</u>	<u>6,941,374</u>
Vested share options lapsed during the period	–	–	(464)	–	464	–
Total comprehensive income for the three months ended December 31, 2010	–	–	–	52,366	(7,880)	44,486
Balance as at December 31, 2010 (Audited)	<u>6,634,688</u>	<u>964,029</u>	<u>8,384</u>	<u>(72,062)</u>	<u>(549,179)</u>	<u>6,985,860</u>
Vested share options lapsed during the period - note 15	–	–	(94)	–	94	–
Total comprehensive loss for the nine months ended September 30, 2011	–	–	–	(40,633)	(440,221)	(480,854)
Balance as at September 30, 2011 (Unaudited)	<u>6,634,688</u>	<u>964,029</u>	<u>8,290</u>	<u>(112,695)</u>	<u>(989,306)</u>	<u>6,505,006</u>

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Asif Qadir
President & Chief Executive



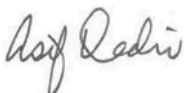
Kimihide Ando
Director



ENGRO POLYMER & CHEMICALS LIMITED & ITS SUBSIDIARY COMPANY
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

	Note	Nine months ended	
		Sept 30, 2011	Sept 30, 2010
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	2,615,186	(363,135)
Finance costs paid		(826,265)	(744,293)
Long term loans and advances		(11,774)	(6,055)
Income tax paid		(303,316)	(250,037)
Net cash generated from / (utilized in) operating activities		1,473,831	(1,363,520)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(432,992)	(795,421)
Purchases of intangible assets		(18,789)	(7,855)
Proceeds from disposal of operating assets		14,215	6,583
Proceeds from sale of short term investments		408,654	465,423
Purchases of short term investments		(426,758)	(628,775)
Income on short term investments and bank deposits		14,233	12,808
Net cash utilized in investing activities		(441,437)	(947,237)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		–	100,000
Repayments of long term borrowings		(664,890)	(393,344)
Repayments of short term borrowings		(450,000)	–
Proceeds from issue of share capital		–	1,431,011
Share issuance cost		–	(17,553)
Net cash (utilized in) / generated from financing activities		(1,114,890)	1,120,114
Net increase / (decrease) in cash and cash equivalents		(82,496)	(1,190,643)
Cash and cash equivalents at beginning of the period		(647,494)	(376,710)
Cash and cash equivalents at end of the period	30	(729,990)	(1,567,353)

The annexed notes 1 to 34 form an integral part of this condensed interim financial information.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director

**ENGRO POLYMER & CHEMICALS LIMITED & ITS SUBSIDIARY COMPANY
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011**

1 LEGAL STATUS AND OPERATIONS

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

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

The Company is a subsidiary of Engro Corporation Limited. 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 consolidated condensed interim financial information of the Company for the nine months ended September 30, 2011 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance take precedence.

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, 2010 except for the changes resulting from initial application of standards, amendments or an interpretation to existing standards as stated in note 3.2 which does not have any impact on this consolidated 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, 2011, 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, 2011 and have not been early adopted by the Company:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures';
- IFRS 9, 'Financial instruments';
- 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 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, 2010.

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	
5 PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1, 5.2 and 5.3	18,508,020	19,138,589
Capital work-in-progress	244,697	60,140
	<u>18,752,717</u>	<u>19,198,729</u>
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	4,999	37,255
Plant and machinery	208,815	5,926,831
Pipelines	-	4,852
Furniture, fixtures and equipment	7,788	20,644
Vehicles	26,833	65,122
	<u>248,435</u>	<u>6,054,704</u>

- 5.2 During the period, assets costing Rs. 28,417 (December 31, 2010: Rs. 36,292), having net book value of Rs. 12,650 (December 31, 2010: Rs. 11,917) were disposed off for Rs. 14,215 (December 31, 2010: Rs. 15,193).
- 5.3 Furnace tubes related to the VCM Plant, damaged during the period, having cost of Rs. 2,748 and net book value of Rs. 2,640, have been written-off.

6 INTANGIBLE ASSETS

Additions made during the period amount to Rs. 18,789 (December 31, 2010: Rs. 13,804).

7 DEFERRED TAXATION

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(4,151,927)	(4,141,621)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	4,335,263	4,097,320
- recoupable minimum turnover tax	324,671	204,227
- unpaid liabilities and provision for certain retirement and other service benefits	36,654	36,594
- provision against duties	35,789	27,639
- provision for stocks and slow moving stores and spares	3,722	2,707
- fair value of hedging instruments	60,683	38,803
- share issuance cost, net to equity	57,709	57,709
	4,854,491	4,464,999
	<u>702,564</u>	<u>323,378</u>

- 7.1 The aggregate tax losses available for carry-forward as at September 30, 2011 amount to Rs.12,386,465 (December 31, 2010: Rs.11,706,630), on which deferred tax asset has been recognized.

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	
8 STOCK-IN-TRADE		
Raw and packing materials - note 8.1 and 8.3	1,705,448	1,255,439
Work-in-process	10,660	4,749
Finished goods - own manufactured product - note 8.1 and 8.2	731,286	916,772
	<u>2,447,394</u>	<u>2,176,960</u>



8.1 This includes stocks held at the storage facilities of the following related parties:

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	
Engro Vopak Terminal Limited	417,890	601,050
Dawood Hercules Chemicals Limited	2,780	4,425
	<u>420,670</u>	<u>605,475</u>

8.2 This represents carrying value of PVC resin, net of realizable value reduction of Rs. 18,114 (December 31, 2010: Rs. 17,162) and write-off of 77 metric tons of Off-Spec PVC amounting to Rs. 4,572 (December 31, 2010: 89 metric tons of Off-Spec PVC amounting to Rs. 4,386).

8.3 During the period, expired chemicals amounting to Nil (December 31, 2010: Rs. 9,380) have been written-off.

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	

9 TRADE DEBTS - considered good

Includes amounts due from the following related parties:

- Engro Fertilizers Limited	-	1,158
- Engro Powergen Qadirpur Limited (formerly Engro Energy Limited)	-	240
	<u>-</u>	<u>1,398</u>

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	

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

Includes amounts due from the following related parties:

- Engro Fertilizers Limited	3,257	3,998
- Engro Foods Limited	61	-
- Avanceon Limited	-	2,185
	<u>3,318</u>	<u>6,183</u>

11 TAXES RECOVERABLE

11.1 Tax Year 2008

The Deputy Commissioner Inland Revenue (DCIR) raised certain issues and thereafter through the order dated November 26, 2009 had raised a tax demand of Rs. 213,172. The demand so created comprised of the following: addition of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (Ordinance); disallowance of provision for the retirement benefits of Rs. 5,899; interest free loans to employees and executives of Rs. 16,069; and disallowance of finance cost of Rs. 134,414. Further, the DCIR did not consider the brought forward losses amounting to Rs. 974,770. The aforementioned brought forward losses have been amended due to revision of returns as per the Appellate Tribunal Inland Revenue (ATIR) order as mentioned in note 11.3 below.

The Company had filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], and discharged the entire demand as follows: Adjustment against assessed refunds of Rs. 180,768 and paid balance of Rs. 32,404 'under protest'.

During the quarter ended September 30, 2011 the Company has received an appellate order of CIR(A) maintaining certain additions aggregating to Rs. 189,810 including finance cost relating to the expansion project amounting to Rs. 134,414. An appeal against the said appellate order has been filed before the ATIR. Department has also filed an appeal against the said appellate order challenging the actions of the CIR(A) in case of the remanding back the issue of interest free loans to employees and executives and directing the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007.

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

11.2 Tax Year 2009

The DCIR raised certain issues and thereafter through the order dated November 30, 2010 had raised a tax demand of Rs. 163,206. The demand so created comprised of the following: disallowance of finance cost of Rs. 457,282; additions of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for the retirement benefits of Rs. 14,239; provision against receivable of Special Excise Duty of Rs. 36,689; and interest free loans to employees and executives at Rs. 20,599. Further, the DCIR did not consider the figure of net loss relating to local sales before WWF as per the revised return.

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

During the quarter ended September 30, 2011 the Company has received an appellate order of CIR(A) maintaining certain addition aggregating to Rs. 493,971 including disallowance of finance cost relating to the expansion project amounting to Rs. 457,282. An appeal against the said appellate order has been filed before the ATIR. Department has also filed an appeal against the said appellate order challenging the action of CIR(A) in case of remanding back the issue of interest free loans to employees and executives and deleting the addition on account of provision for the retirement benefits.

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

11.3 Assessment Year 2000-2001

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

This disallowance 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 has arisen in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years.



12 SHORT TERM INVESTMENTS - At fair value through statement of profit and loss

These represent investments in open ended mutual funds and are valued at their respective redemption price as at the balance sheet date.

	<u>(Unaudited) September 30, 2011</u>	<u>(Audited) December 31, 2010</u>
	Rupees	
13 CASH AND BANK BALANCES		
Cash in hand	704	630
Cash at bank on:		
- current accounts	71,878	297,942
- savings accounts	20,308	384,322
	<u>92,890</u>	<u>682,894</u>

14 SHARE CAPITAL**Authorized capital**

800,000,000 (2010: 700,000,000) ordinary shares of Rs. 10 each

<u>8,000,000</u>	<u>7,000,000</u>
------------------	------------------

Issued, subscribed and paid-up capital

663,468,788 (2010: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash

<u>6,634,688</u>	<u>6,634,688</u>
------------------	------------------

- 14.1** During the current period, the Company has increased its authorized share capital to 800,000,000 ordinary shares of Rs. 10 each.
- 14.2** As at September 30, 2011, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2010: 372,809,989 ordinary shares of Rs. 10 each).

	<u>(Unaudited) September 30, 2011</u>	<u>(Audited) December 31, 2010</u>
	Rupees	
15 EMPLOYEES' SHARE COMPENSATION RESERVE		
Balance at beginning of the year	8,384	9,313
Less: Options lapsed due to employee resignation	(94)	(929)
Balance at end of the period/year	<u>8,290</u>	<u>8,384</u>

16 LONG TERM BORROWINGS, secured

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at September 30, 2011, all debt covenants have been complied with except for current ratio and debt service coverage ratio, for which waivers have been applied for.

17 DERIVATIVE FINANCIAL INSTRUMENTS

17.1 During the period, the Company has entered into a cross-currency interest rate swap agreement for a notional amount of US\$ 4,786, 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 1.83% on the relevant USD notional amount, which will be settled semi-annually. As at September 30, 2011, the Company has outstanding cross currency swap agreements with local banks for notional amounts aggregating to US\$ 12,002.

17.2 As at September 30, 2011, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 32,000 to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

17.3 Details of the swap agreements are as follows:

Notional Amounts US \$	Effective Date	Termination Date	Rate %	(Unaudited)	(Audited)
				Fair value as at September 30, 2011	Fair value as at December 31, 2010
				Rupees	
Interest Rate Swap Agreements			Fixed Rate %		
12,000	December 15, 2008	June 15, 2017	3.385	80,467	54,957
4,000	June 15, 2009	June 15, 2017	3.005	22,505	13,487
12,000	June 15, 2009	June 15, 2017	2.795	60,357	32,452
4,000	June 15, 2009	June 15, 2017	2.800	20,312	10,784
32,000				183,641	111,680
Cross Currency Interest Rate Swap Agreements			Floating Rate %		
3,200	September 9, 2010	June 15, 2015	LIBOR + 0.95	(4,199)	(816)
4,016	January 18, 2011	January 19, 2016	LIBOR + 3.70	(5,146)	-
4,786	July 6, 2011	June 30, 2016	LIBOR + 1.83	(919)	-
12,002				(10,264)	(816)
<u>44,002</u>				<u>173,377</u>	<u>110,864</u>

18 SHORT TERM BORROWINGS

18.1 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, 2010: Rs. 1,925,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to plus 1.5% (December 31, 2010: relevant period KIBOR plus 0.9% to plus 1.5%). During the period, the mark-up rates, net of prompt payment rebate, ranged from 14.12% to 15.15% per annum (December 31, 2010: 12.83% to 14.84% per annum). These facilities are secured by a floating charge over stocks and book debts of the Company.

18.2 During the period, on February 28, 2011, the short term financing obtained under the Export Refinance Scheme amounting to Rs. 200,000 has been paid and has not been renewed further.

19 TRADE AND OTHER PAYABLES	(Unaudited)	(Audited)
	September 30, 2011	December 31, 2010
	Rupees	
Includes amounts due to the following related parties:		
- EPCL Employees' Provident Fund	4,219	-
- Engro Corporation Limited	2,525	377
- Mitsubishi Corporation	3,268,146	1,690,399
- Akzo Nobel (formerly ICI Pakistan Limited)	1,983	-
- Engro Fertilizers Limited	567	-
- Engro Foods Limited	1,797	-
- Dawood Hercules Chemicals Limited	24	-
- Engro Vopak Terminal Limited	78,876	86,679
	3,358,137	1,777,455

20 PROVISIONS

20.1 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. 31,220 (December 31, 2010: Rs. 25,871) has also been made.

20.2 Provision for duty on import of raw material

In 2009, the Company received a letter from the Assistant Collector (Survey) Large Taxpayers Unit regarding the utilization of raw materials imported under SRO 565(I)/2006 on a concessionary basis from customs duty. The letter alleged that the Company had violated the provisions of the SRO by utilizing the concessionary imports in manufacturing and selling the intermediary product Ethylene Di Chloride (EDC) rather than its utilization in the production of the final product Poly Vinyl Chloride (PVC). The Company responded to the letter explaining its view that imports under the said SRO were allowable for 'PVC Manufacturing Industry' as a whole, which includes manufacturing of intermediary products. 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. 67,523 (December 31, 2010: Rs. 47,227) in respect of custom duty on such raw materials has been made.

21 COMMITMENTS

- 21.1** Performance guarantees issued by banks on behalf of the Company as at September 30, 2011 amounts to Rs. 697,685 (December 31, 2010: Rs. 942,774).
- 21.2** 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) September 30, 2011	(Audited) December 31, 2010
	Rupees	
Not later than 1 year	43,412	59,840
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	39,600	50,400
	<u>140,612</u>	<u>167,840</u>



22 NET REVENUE	Unaudited			
	Quarter ended		Nine months ended	
	Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
	Rupees			
Gross local sales	3,986,157	3,307,703	11,598,770	9,274,052
Less: Dealers commission	(23,770)	(18,749)	(63,929)	(45,223)
Net local sales	3,962,387	3,288,954	11,534,841	9,228,829
Supply of electricity	5,230	12,844	20,081	107,144
Export sales	354,209	382,396	757,925	1,176,216
Export rebate	—	—	—	102
	<u>4,321,826</u>	<u>3,684,194</u>	<u>12,312,847</u>	<u>10,512,291</u>

23 COST OF SALES	Unaudited			
	Quarter ended		Nine months ended	
	Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
	Rupees			
Opening stock of work-in-progress	27,922	15,576	4,749	17,579
Raw and packing materials consumed	2,640,882	2,356,472	6,700,573	6,997,933
Salaries, wages and staff welfare	155,903	148,139	444,443	336,246
Fuel, power and gas	550,774	516,107	1,517,960	1,258,952
Repairs and maintenance	46,378	94,085	199,880	204,038
Depreciation	285,071	284,667	854,373	716,743
Consumable stores	72,042	110,592	186,826	243,322
Purchased services	10,992	36,516	29,648	80,041
Storage and handling	238,833	239,207	661,330	631,794
Training and travelling	1,827	12,140	8,902	20,736
Communication, stationery and other office expenses	1,952	2,197	5,372	5,798
Insurance	17,129	28,482	42,429	63,493
Other expenses	6,804	2,596	20,803	5,772
	4,028,587	3,831,200	10,672,539	10,564,868
Closing stock of work-in-progress	(10,660)	(16,285)	(10,660)	(16,285)
Cost of goods manufactured	4,045,849	3,830,491	10,666,628	10,566,162
Opening stock of finished goods	547,203	792,799	916,772	410,653
Closing stock of finished goods	(731,286)	(1,126,418)	(731,286)	(1,126,418)
	(184,083)	(333,619)	185,486	(715,765)
Cost of sales - own manufactured product	3,861,766	3,496,872	10,852,114	9,850,397
Cost of sales - purchased product	—	—	—	24,329
	<u>3,861,766</u>	<u>3,496,872</u>	<u>10,852,114</u>	<u>9,874,726</u>

	Unaudited			
	Quarter ended		Nine months ended	
	Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
24 DISTRIBUTION AND MARKETING EXPENSES	Rupees			
Salaries, wages and staff welfare	17,440	16,695	48,783	45,668
Advertising, sales promotion and entertainment	507	52	1,528	489
Product transportation and handling	175,410	124,111	477,653	336,740
Rent, rates and taxes	2,826	5,040	8,328	8,775
Purchased services	2,337	1,581	3,994	2,672
Insurance	274	269	949	827
Depreciation	1,145	1,006	3,323	2,884
Training and travelling	1,564	1,685	4,905	4,886
Communication, stationery and other office expenses	811	1,001	2,146	2,089
Others	626	1,345	8,018	4,108
	<u>202,940</u>	<u>152,785</u>	<u>559,627</u>	<u>409,138</u>
25 ADMINISTRATIVE EXPENSES				
Salaries, wages and staff welfare	46,676	37,844	132,146	100,774
Rent, rates and taxes	8,296	11,920	25,781	20,698
Purchased services	12,089	7,242	34,841	26,489
Insurance	525	183	675	378
Depreciation and amortization	4,130	4,184	12,305	9,766
Training and travelling expenses	16,279	15,258	40,584	41,760
Communication, stationery and other office expenses	4,400	7,689	13,454	23,081
Others	1,923	3,041	8,547	6,778
	<u>94,318</u>	<u>87,361</u>	<u>268,333</u>	<u>229,724</u>
26 OTHER OPERATING EXPENSES				
Legal and professional charges	3,166	2,899	8,692	12,287
Auditors' remuneration	60	211	822	771
Donations	–	3,608	1,449	9,395
Foreign exchange loss - net	123,748	50,679	159,294	176,155
Damaged items of operating assets written-off	–	–	2,640	–
Others	254	–	969	–
	<u>127,228</u>	<u>57,397</u>	<u>173,866</u>	<u>198,608</u>
27 OTHER OPERATING INCOME				
Income on short term investments and bank deposits	1,020	3,637	24,222	18,512
Scrap sales	602	575	2,285	2,048
Profit on disposal of operating assets	4,473	339	1,565	452
Stores and spares written back - net	–	–	12,183	–
	<u>6,095</u>	<u>4,551</u>	<u>40,255</u>	<u>21,012</u>
28 FINANCE COSTS				
Interest / Mark-up on:				
- long term borrowings	359,552	334,145	1,060,453	939,431
- short term borrowings	43,598	37,274	88,893	75,311
Guarantee commission	631	1,396	4,127	4,324
Interest on Workers' Profits Participation Fund	–	–	–	1,672
Bank charges and others	4,886	5,222	14,046	14,339
	<u>408,667</u>	<u>378,037</u>	<u>1,167,519</u>	<u>1,035,077</u>



	Unaudited	
	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	Rupees	
29 CASH GENERATED FROM OPERATIONS		
Loss before taxation	(668,357)	(1,213,970)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	16,605	10,144
Provision against concessionary import duty on import of raw materials and Special Excise Duty	25,645	57,934
Provision for net realizable value of stock-in-trade	18,971	18,266
Provision for slow moving stores and spares	2,900	1,934
Write-off of damaged item of operating assets	2,640	-
Write-off of Off-Spec PVC	4,572	-
Depreciation and amortization	870,001	729,393
Income on short term investments and bank deposits	(14,233)	(12,808)
Realized gain on sale of short term investments	(9,152)	(5,252)
Unrealized fair value gain on investments	(837)	(452)
Loss on revaluation of IFC loan	89,920	121,240
Amortization of prepaid financial charges	13,514	11,017
Finance costs	1,167,519	1,035,077
Profit on disposal of operating assets	(1,565)	(452)
Working capital changes - note 29.1	1,097,043	(1,115,206)
	<u>2,615,186</u>	<u>(363,135)</u>
29.1 WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(367,239)	(341,633)
Stock-in-trade	(293,977)	(394,554)
Trade debts	210,576	(39,231)
Loans, advances, deposits, prepayments and other receivables-net	125,492	169,103
	<u>(325,148)</u>	<u>(606,315)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	1,422,191	(508,891)
	<u>1,097,043</u>	<u>(1,115,206)</u>
30 CASH AND CASH EQUIVALENTS		
Cash and bank balances	92,890	117,710
Short term borrowings	(822,880)	(1,685,063)
	<u>(729,990)</u>	<u>(1,567,353)</u>

31 SEGMENT INFORMATION

31.1 The basis of segmentation and reportable segments presented in this consolidated condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2010.

	Unaudited September 30, 2011				Unaudited September 30, 2010			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Revenue	9,817,911	2,474,855	20,081	12,312,847	8,350,960	2,054,187	107,144	10,512,291
Profit / (loss) before unallocated expenses	119,251	785,405	(3,550)	901,106	(174,665)	397,785	5,307	228,427
Unallocated expenses								
Administrative expenses				(268,333)				(229,724)
Other operating expenses				(173,866)				(198,608)
Other operating income				40,255				21,012
Finance costs				(1,167,519)				(1,035,077)
Taxation				228,136				451,569
Loss after taxation				(440,221)				(762,401)

	Unaudited September 30, 2011				Audited December 31, 2010			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
	Rupees							
Total segment assets	13,468,466	5,738,967	80,455	19,287,888	13,427,455	5,748,046	106,785	19,282,286
Unallocated assets				5,061,842				5,199,054
Total assets				24,349,730				24,481,340

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

32 TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited	
		Nine months ended September 30, 2011	Nine months ended September 30, 2010
		Rupees	
Holding company	Purchase of services	4,012	14,522
	Sales of goods	187	–
	Use of operating assets	–	2,242
	Pension fund contribution	3,517	2,932
	Provident fund contribution	4,282	2,134
	Medical contribution	225	85
	Gratuity fund contribution	832	–
Associated companies	Purchase of goods	6,257,486	5,558,953
	Sales of goods	552,113	1,024,561
Related parties by virtue of common directorship	Purchase of goods	31,254	14,769
	Purchase of services	619,949	787,918
	Sale of goods	46,766	17,088
	Sale of services	5,096	3,277
	Sale of steam and electricity	30,635	36,607
	Use of operating assets	465	1,807
	Insurance expenses	–	3,515
	Medical contribution	4	–
	Annual subscription	527	–
	Reimbursement	–	45
Directors' fee		1,751	1,350
Key management personnel	Managerial remuneration	51,234	58,477
	Retirement benefits	7,388	5,873
	Bonus	14,494	–
	Other benefits	9,586	8,031
Contribution to staff retirement benefits	Pension fund	9,284	4,699
	Provident fund	15,804	14,950
	Gratuity fund	4,223	2,583



33 DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on October 21, 2011 by the Board of Directors of the Company.

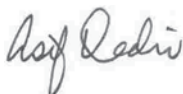
34 CORRESPONDING FIGURES

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 Company for the year ended December 31, 2010. 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 nine months ended September 30, 2010.

34.1 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, 2010	Head of account of the financial statements for the nine months ended September 30, 2011	Rupees
Dealers commission	Distribution and marketing expenses - Advertising, sales promotion and entertainment	Net revenue	63,929

The effect of other reclassifications is not material.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director





Engro Polymer & Chemicals Ltd.

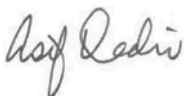
**UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**



ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2011

		(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Note	Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	18,752,717	19,198,729
Intangible assets	6	33,358	20,856
Long term investment - at cost		50,000	50,000
Long term loans and advances		52,097	40,323
Deferred taxation	7	702,564	323,378
		<u>19,590,736</u>	<u>19,633,286</u>
Current Assets			
Stores, spares and loose tools		998,138	633,799
Stock-in-trade	8	2,437,412	2,056,383
Trade debts - considered good	9	159,819	591,770
Loans, advances, deposits, prepayments and other receivables	10	152,776	243,424
Taxes recoverable	11	826,688	653,924
Cash and bank balances	12	83,398	321,496
		<u>4,658,231</u>	<u>4,500,796</u>
TOTAL ASSETS		<u>24,248,967</u>	<u>24,134,082</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	6,634,688	6,634,688
Share premium		964,029	964,029
Employees' share compensation reserve	14	8,290	8,384
Hedging reserve		(112,695)	(72,062)
Accumulated loss		(1,081,890)	(628,697)
		<u>6,412,422</u>	<u>6,906,342</u>
Non-Current Liabilities			
Long term borrowings	15	9,311,015	10,903,360
Derivative financial instruments	16	173,377	110,864
Retirement and other service benefit obligations		66,696	50,091
		<u>9,551,088</u>	<u>11,064,315</u>
Current Liabilities			
Current portion of long term borrowings		2,392,182	1,361,293
Short term borrowings	17	822,880	1,580,388
Trade and other payables	18	4,374,994	2,898,031
Accrued interest / mark-up		538,734	192,691
Provisions	19	156,667	131,022
		<u>8,285,457</u>	<u>6,163,425</u>
Commitments	20		
TOTAL EQUITY AND LIABILITIES		<u>24,248,967</u>	<u>24,134,082</u>

The annexed notes 1 to 33 form an integral part of this condensed interim financial information.



Asif Qadir
 President & Chief Executive



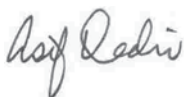
Kimihide Ando
 Director



ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

	Note	Quarter ended		Nine months ended	
		Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
Rupees					
Net revenue	21	4,313,406	3,681,985	12,167,877	10,465,507
Cost of sales	22	<u>(3,862,945)</u>	<u>(3,497,234)</u>	<u>(10,741,519)</u>	<u>(9,874,726)</u>
Gross profit		450,461	184,751	1,426,358	590,781
Distribution and marketing expenses	23	(196,816)	(152,029)	(542,882)	(404,856)
Administrative expenses	24	(94,270)	(89,093)	(265,478)	(229,018)
Other operating expenses	25	(123,721)	(62,113)	(173,413)	(206,565)
Other operating income	26	<u>2,570</u>	<u>2,115</u>	<u>27,344</u>	<u>12,800</u>
Operating profit / (loss)		38,224	(116,370)	471,929	(236,858)
Finance costs	27	<u>(407,048)</u>	<u>(372,204)</u>	<u>(1,160,150)</u>	<u>(1,017,019)</u>
Loss before taxation		(368,824)	(488,573)	(688,221)	(1,253,877)
Taxation		<u>122,685</u>	<u>174,510</u>	<u>234,934</u>	<u>463,326</u>
Loss for the period		<u>(246,139)</u>	<u>(314,063)</u>	<u>(453,287)</u>	<u>(790,551)</u>
Loss per share - basic and diluted		<u>(0.37)</u>	<u>(0.47)</u>	<u>(0.68)</u>	<u>Restated (1.19)</u>

The annexed notes 1 to 33 form an integral part of this condensed interim financial information.



Asif Qadir
 President & Chief Executive



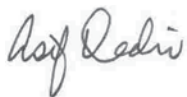
Kimihide Ando
 Director



ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

	Quarter ended		Nine months ended	
	Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
	Rupees			
Loss for the period	(246,139)	(314,063)	(453,287)	(790,551)
Other comprehensive loss:				
Hedging reserve				
Loss arising during the period	(59,223)	(90,567)	(74,887)	(232,005)
Less:				
- Reclassification adjustments for losses on interest rate swaps included in profit and loss	8,182	16,669	12,374	56,446
- Adjustments for amounts transferred to initial carrying amount of hedged items	-	-	-	4,066
Income tax relating to hedging reserve	17,864	25,865	21,880	60,023
Other comprehensive loss for the period - net of tax	(33,177)	(48,033)	(40,633)	(111,470)
Total comprehensive loss for the period	<u>(279,316)</u>	<u>(362,096)</u>	<u>(493,920)</u>	<u>(902,021)</u>

The annexed notes 1 to 33 form an integral part of this condensed interim financial information.



Asif Qadir
 President & Chief Executive



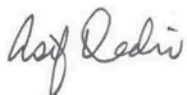
Kimihide Ando
 Director



ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

	Share capital	Share premium	Employees' share compensation reserve	Hedging reserve	(Accumulated loss) / Unappropriated profit	Total
	Rupees					
Balance as at January 1, 2010 (Audited)	5,203,677	975,438	9,313	(12,958)	184,203	6,359,673
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)	<u>6,634,688</u>	<u>964,029</u>	<u>8,848</u>	<u>(124,428)</u>	<u>(605,883)</u>	<u>6,877,254</u>
Vested share options lapsed during the period	–	–	(464)	–	464	–
Total comprehensive income for the three months ended December 31, 2010	–	–	–	52,366	(23,278)	29,088
Balance as at December 31, 2010 (Audited)	<u>6,634,688</u>	<u>964,029</u>	<u>8,384</u>	<u>(72,062)</u>	<u>(628,697)</u>	<u>6,906,342</u>
Vested share options lapsed during the period - note 14	–	–	(94)	–	94	–
Total comprehensive loss for the nine months ended September 30, 2011	–	–	–	(40,633)	(453,287)	(493,920)
Balance as at September 30, 2011 (Unaudited)	<u>6,634,688</u>	<u>964,029</u>	<u>8,290</u>	<u>(112,695)</u>	<u>(1,081,890)</u>	<u>6,412,422</u>

The annexed notes 1 to 33 form an integral part of this condensed interim financial information.



Asif Qadir
 President & Chief Executive



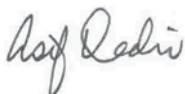
Kimihide Ando
 Director



ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

	Note	Nine months ended	
		Sept 30, 2011	Sept 30, 2010
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	2,731,572	(530,261)
Finance costs paid		(814,107)	(724,817)
Long term loans and advances		(11,774)	(6,055)
Income tax paid		(295,136)	(238,298)
Net cash generated from operating activities		1,610,555	(1,499,431)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(432,992)	(795,421)
Purchases of intangible assets		(18,789)	(7,854)
Proceeds from disposal of operating assets		14,215	6,583
Income on short term investments and bank deposits		11,311	10,299
Net cash utilized in investing activities		(426,255)	(786,393)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		—	100,000
Repayments of long term borrowings		(664,890)	(393,344)
Repayments of short term borrowings		(250,000)	—
Proceeds from issue of share capital		—	1,431,011
Share issuance cost		—	(17,553)
Net cash (utilized in) / generated from financing activities		(914,890)	1,120,114
Net increase / (decrease) in cash and cash equivalents		269,410	(1,165,710)
Cash and cash equivalents at beginning of the period		(1,008,892)	(204,177)
Cash and cash equivalents at end of the period	29	(739,482)	(1,369,887)

The annexed notes 1 to 33 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 CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2011

1 LEGAL STATUS AND OPERATIONS

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

The Company is a subsidiary of Engro Corporation Limited. 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 nine months ended September 30, 2011 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance take precedence.

3 ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2010 except for the changes resulting from initial application of standards, amendments or an interpretation to existing standards as stated in note 3.2 which 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, 2011, 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, 2011 and have not been early adopted by the Company:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures';
- IFRS 9, 'Financial instruments';
- 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, 2010.

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	
5 PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1, 5.2 and 5.3	18,508,020	19,138,589
Capital work-in-progress	244,697	60,140
	18,752,717	19,198,729
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	4,999	37,255
Plant and machinery	208,815	5,926,831
Pipelines	-	4,852
Furniture, fixtures and equipment	7,788	20,644
Vehicles	26,833	65,122
	248,435	6,054,704



5.2 During the period, assets costing Rs. 28,417 (December 31, 2010: Rs. 36,292), having net book value of Rs. 12,650 (December 31, 2010: Rs. 11,917) were disposed off for Rs. 14,215 (December 31, 2010: Rs. 15,193).

5.3 Furnace tubes related to the VCM Plant, damaged during the period, having cost of Rs. 2,748 and net book value of Rs. 2,640, have been written-off.

6 INTANGIBLE ASSETS

Additions made during the period amount to Rs. 18,789 (December 31, 2010: Rs. 13,804).

7 DEFERRED TAXATION

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(4,151,927)	(4,141,621)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	4,335,263	4,097,320
- recoupable minimum turnover tax	324,671	204,227
- unpaid liabilities and provision for certain retirement and other service benefits	36,654	36,594
- provision against duties	35,789	27,639
- provision for stocks and slow moving stores and spares	3,722	2,707
- fair value of hedging instruments	60,683	38,803
- share issuance cost, net to equity	57,709	57,709
	4,854,491	4,464,999
	<u>702,564</u>	<u>323,378</u>

7.1 The aggregate tax losses available for carry-forward as at September 30, 2011 amount to Rs.12,386,465 (December 31, 2010: Rs.11,706,630), on which deferred tax asset has been recognized.

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	
8 STOCK-IN-TRADE		
Raw and packing materials - note 8.1 and 8.3	1,705,448	1,255,439
Work-in-process	10,660	4,749
Finished goods - own manufactured product - note 8.1 and 8.2	721,304	796,195
	<u>2,437,412</u>	<u>2,056,383</u>

8.1 This includes stocks held at the storage facilities of the following related parties:

	(Unaudited) September 30, 2011	Rupees	(Audited) December 31, 2010
Engro Vopak Terminal Limited	417,890		601,050
Dawood Hercules Chemicals Limited	2,780		4,425
	<u>420,670</u>		<u>605,475</u>

8.2 This represents carrying value of PVC resin, net of realizable value reduction of Rs. 18,114 (December 31, 2010: Rs. 17,162) and write-off of 77 metric tons of Off-Spec PVC amounting to Rs. 4,572 (December 31, 2010: 89 metric tons of Off-Spec PVC amounting to Rs. 4,386).

8.3 During the period, expired chemicals amounting to Nil (December 31, 2010: Rs. 9,380) have been written-off.

9	(Unaudited) September 30, 2011	Rupees	(Audited) December 31, 2010
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TRADE DEBTS - considered good

Includes amounts due from the following related parties:

- Engro Fertilizers Limited	-		1,158
- Engro Powergen Qadirpur Limited (formerly Engro Energy Limited)	-		240
- Engro Polymer Trading (Private) Limited	995		412,974
	<u>995</u>		<u>414,372</u>

10	(Unaudited) September 30, 2011	Rupees	(Audited) December 31, 2010
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**LOANS, ADVANCES, DEPOSITS,
PREPAYMENTS AND OTHER RECEIVABLES
- considered good**

Includes amounts due from the following related parties:

- Engro Fertilizers Limited	3,257		3,998
- Engro Foods Limited	61		-
- Avanceon Limited	-		2,185
	<u>3,318</u>		<u>6,183</u>



11 TAXES RECOVERABLE

11.1 Tax Year 2008

The Deputy Commissioner Inland Revenue (DCIR) raised certain issues and thereafter through the order dated November 26, 2009 had raised a tax demand of Rs. 213,172. The demand so created comprised of the following: addition of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (Ordinance); disallowance of provision for the retirement benefits of Rs. 5,899; interest free loans to employees and executives of Rs. 16,069; and disallowance of finance cost of Rs. 134,414. Further, the DCIR did not consider the brought forward losses amounting to Rs. 974,770. The aforementioned brought forward losses have been amended due to revision of returns as per the Appellate Tribunal Inland Revenue (ATIR) order as mentioned in note 11.3 below.

The Company had filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], and discharged the entire demand as follows: Adjustment against assessed refunds of Rs. 180,768 and paid balance of Rs. 32,404 'under protest'.

During the quarter ended September 30, 2011 the Company has received an appellate order of CIR(A) maintaining certain additions aggregating to Rs. 189,810 including finance cost relating to the expansion project amounting to Rs. 134,414. An appeal against the said appellate order has been filed before the ATIR. Department has also filed an appeal against the said appellate order challenging the actions of the CIR(A) in case of the remanding back the issue of interest free loans to employees and executives and directing the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007.

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 raised certain issues and thereafter through the order dated November 30, 2010 had raised a tax demand of Rs. 163,206. The demand so created comprised of the following: disallowance of finance cost of Rs. 457,282; additions of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for the retirement benefits of Rs. 14,239; provision against receivable of Special Excise Duty of Rs. 36,689; and interest free loans to employees and executives at Rs. 20,599. Further, the DCIR did not consider the figure of net loss relating to local sales before WWF as per the revised return.

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

During the quarter ended September 30, 2011 the Company has received an appellate order of CIR(A) maintaining certain addition aggregating to Rs. 493,971 including disallowance of finance cost relating to the expansion project amounting to Rs. 457,282. An appeal against the said appellate order has been filed before the ATIR. Department has also filed an appeal against the said appellate order challenging the action of CIR(A) in case of remanding back the issue of interest free loans to employees and executives and deleting the addition on account of provision for the retirement benefits.

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.

11.3 Assessment Year 2000-2001

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

This disallowance 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 has arisen in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years.

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	
12 CASH AND BANK BALANCES		
Cash in hand	704	630
Cash at bank on:		
- current accounts	71,468	297,489
- savings accounts	11,226	23,377
	83,398	321,496

13 SHARE CAPITAL**Authorized capital**

800,000,000 (2010: 700,000,000) ordinary shares
of Rs. 10 each

8,000,000

7,000,000

Issued, subscribed and paid-up capital

663,468,788 (2010: 663,468,788) ordinary shares
of Rs. 10 each, fully paid in cash

6,634,688

6,634,688

13.1 During the current period, the Company has increased its authorized share capital to 800,000,000 ordinary shares of Rs. 10 each.

13.2 As at September 30, 2011, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2010: 372,809,989 ordinary shares of Rs. 10 each).

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	Rupees	
14 EMPLOYEES' SHARE COMPENSATION RESERVE		
Balance at beginning of the year	8,384	9,313
Less: Options lapsed due to employee resignation	(94)	(929)
Balance at end of the period/year	8,290	8,384

15 LONG TERM BORROWINGS, secured

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at September 30, 2011, all debt covenants have been complied with except for current ratio and debt service coverage ratio, for which waivers have been applied for.

16 DERIVATIVE FINANCIAL INSTRUMENTS

16.1 During the period, the Company has entered into a cross-currency interest rate swap agreement for a notional amount of US\$ 4,786, 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 1.83% on the relevant USD notional amount, which will be settled semi-annually. As at September 30, 2011, the Company has outstanding cross currency swap agreements with local banks for notional amounts aggregating to US\$ 12,002.



16.2 As at September 30, 2011, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 32,000 to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

16.3 Details of the swap agreements are as follows:

Notional Amounts US \$	Effective Date	Termination Date	Rate %	(Unaudited)	(Audited)
				Fair value as at September 30, 2011	Fair value as at December 31, 2010
				Rupees	
Interest Rate Swap Agreements			Fixed Rate %		
12,000	December 15, 2008	June 15, 2017	3.385	80,467	54,957
4,000	June 15, 2009	June 15, 2017	3.005	22,505	13,487
12,000	June 15, 2009	June 15, 2017	2.795	60,357	32,452
4,000	June 15, 2009	June 15, 2017	2.800	20,312	10,784
32,000				183,641	111,680
Cross Currency Interest Rate Swap Agreements			Floating Rate %		
3,200	September 9, 2010	June 15, 2015	LIBOR + 0.95	(4,199)	(816)
4,016	January 18, 2011	January 19, 2016	LIBOR + 3.70	(5,146)	–
4,786	July 6, 2011	June 30, 2016	LIBOR + 1.83	(919)	–
12,002				(10,264)	(816)
44,002				173,377	110,864

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, 2010: Rs. 1,925,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.9% to plus 1.5% (December 31, 2010: relevant period KIBOR plus 0.9% to plus 1.5%). During the period, the mark-up rates, net of prompt payment rebate, ranged from 14.12% to 15.15% per annum (December 31, 2010: 12.83% to 14.84% per annum). These facilities are secured by a floating charge over stocks and book debts of the Company.

18 TRADE AND OTHER PAYABLES	(Unaudited)	(Audited)
	September 30, 2011	December 31, 2010
Rupees		
Includes amounts due to the following related parties:		
- EPCL Employees' Provident Fund	4,219	–
- Engro Corporation Limited	2,525	377
- Mitsubishi Corporation	3,265,211	1,690,399
- Akzo Nobel (formerly ICI Pakistan Limited)	1,983	–
- Engro Fertilizers Limited	567	–
- Engro Foods Limited	1,797	–
- Dawood Hercules Chemicals Limited	24	–
- Engro Vopak Terminal Limited	78,876	86,679
	3,355,202	1,777,455

19 PROVISIONS

19.1 Provision for SED on import of plant and machinery

The Company has paid Rs. 94,611 (December 31, 2010: Rs. 94,611) on account of Special Excise Duty (SED) on import of plant and machinery for the Project. Of this amount, the Company had adjusted Rs. 57,924 (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. 31,220 (December 31, 2010: Rs. 25,871) has also been made.

19.2 Provision for duty on import of raw material

In 2009, the Company received a letter from the Assistant Collector (Survey) Large Taxpayers Unit regarding the utilization of raw materials imported under SRO 565(I)/2006 on a concessionary basis from customs duty. The letter alleged that the Company had violated the provisions of the SRO by utilizing the concessionary imports in manufacturing and selling the intermediary product Ethylene Di Chloride (EDC) rather than its utilization in the production of the final product Poly Vinyl Chloride (PVC). The Company responded to the letter explaining its view that imports under the said SRO were allowable for 'PVC Manufacturing Industry' as a whole, which includes manufacturing of intermediary products. 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. 67,523 (December 31, 2010: Rs. 47,227) in respect of custom duty on such raw materials has been made.

20 COMMITMENTS

20.1 Performance guarantees issued by banks on behalf of the Company as at September 30, 2011 amounts to Rs. 590,450 (December 31, 2010: Rs. 431,975).

20.2 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) September 30, 2011	(Audited) December 31, 2010
	Rupees	
Not later than 1 year	43,412	59,840
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	39,600	50,400
	140,612	167,840



21 NET REVENUE

	Unaudited			
	Quarter ended		Nine months ended	
	Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
	Rupees			
Gross local sales	4,139,167	3,687,890	12,018,946	10,402,789
Less: Dealers commission	(23,770)	(18,749)	(63,929)	(45,223)
Net local sales	4,115,397	3,669,141	11,955,017	10,357,566
Supply of electricity	5,230	12,844	20,081	107,144
Export sales	192,779	-	192,779	797
	<u>4,313,406</u>	<u>3,681,985</u>	<u>12,167,877</u>	<u>10,465,507</u>

22 COST OF SALES

	Unaudited			
	Quarter ended		Nine months ended	
	Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
	Rupees			
Opening stock of work-in-progress	27,922	15,576	4,749	17,579
Raw and packing materials consumed	2,640,882	2,356,834	6,700,573	6,998,295
Salaries, wages and staff welfare	155,903	148,139	444,443	336,246
Fuel, power and gas	550,774	516,107	1,517,960	1,258,952
Repairs and maintenance	46,378	94,085	199,880	204,038
Depreciation	285,071	284,667	854,373	716,743
Consumable stores	72,042	110,592	186,826	243,322
Purchased services	10,992	36,516	29,648	80,041
Storage and handling	238,833	239,207	661,330	631,794
Training and travelling	1,827	12,140	8,902	20,736
Communication, stationery and other office expenses	1,952	2,197	5,372	5,798
Insurance	17,129	28,482	42,429	63,493
Other expenses	6,804	2,596	20,803	5,772
	4,028,587	3,831,562	10,672,539	10,565,230
Closing stock of work-in-progress	(10,660)	(16,285)	(10,660)	(16,285)
Cost of goods manufactured	4,045,849	3,830,853	10,666,628	10,566,524
Opening stock of finished goods	538,400	792,799	796,195	410,653
Closing stock of finished goods	(721,304)	(1,126,418)	(721,304)	(1,126,418)
	(182,904)	(333,619)	74,891	(715,765)
Cost of sales - own manufactured product	3,862,945	3,497,234	10,741,519	9,850,759
Cost of sales - purchased product	-	-	-	23,967
	<u>3,862,945</u>	<u>3,497,234</u>	<u>10,741,519</u>	<u>9,874,726</u>

	Unaudited			
	Quarter ended		Nine months ended	
	Sept 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
23 DISTRIBUTION AND MARKETING EXPENSES	Rupees			
Salaries, wages and staff welfare	17,440	16,695	48,783	45,668
Advertising, sales promotion and entertainment	507	52	1,528	489
Product transportation and handling	170,413	123,400	461,456	332,503
Rent, rates and taxes	2,826	5,040	8,328	8,775
Purchased services	1,215	1,536	3,455	2,627
Insurance	274	269	949	827
Depreciation	1,145	1,006	3,323	2,884
Training and travelling	1,564	1,685	4,905	4,886
Communication, stationery and other office expenses	806	1,069	2,137	2,157
Others	626	1,277	8,018	4,040
	<u>196,816</u>	<u>152,029</u>	<u>542,882</u>	<u>404,856</u>
24 ADMINISTRATIVE EXPENSES				
Salaries, wages and staff welfare	46,676	37,844	132,146	100,774
Rent, rates and taxes	8,296	11,490	25,781	20,268
Purchased services	12,044	9,568	31,995	26,377
Insurance	525	25	675	220
Depreciation and amortization	4,130	4,184	12,305	9,766
Training and travelling expenses	16,279	15,258	40,584	41,760
Communication, stationery and other office expenses	4,400	7,683	13,454	23,075
Others	1,920	3,041	8,538	6,778
	<u>94,270</u>	<u>89,093</u>	<u>265,478</u>	<u>229,018</u>
25 OTHER OPERATING EXPENSES				
Legal and professional charges	1,476	1,007	6,967	10,237
Auditors' remuneration	87	251	839	781
Donations	–	2,573	1,449	8,360
Foreign exchange loss - net	125,066	58,282	161,077	187,187
Damaged items of operating assets written-off	–	–	2,640	–
Others	–	–	441	–
	<u>126,629</u>	<u>62,113</u>	<u>173,413</u>	<u>206,565</u>
26 OTHER OPERATING INCOME				
Income on short term investments and bank deposits	403	1,201	11,311	10,300
Scrap sales	602	575	2,285	2,048
Profit on disposal of operating assets	4,473	339	1,565	452
Stores and spares written back - net	–	–	12,183	–
	<u>5,478</u>	<u>2,115</u>	<u>27,344</u>	<u>12,800</u>
27 FINANCE COSTS				
Interest / Mark-up on:				
- long term borrowings	359,552	334,145	1,060,453	939,431
- short term borrowings	43,598	32,777	85,709	62,780
Guarantee commission	1,544	1,129	4,127	3,258
Interest on Workers' Profits Participation Fund	–	–	–	1,672
Bank charges and others	2,354	4,153	9,861	9,878
	<u>407,048</u>	<u>372,204</u>	<u>1,160,150</u>	<u>1,017,019</u>



	Unaudited	
	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Rupees		
28 CASH GENERATED FROM OPERATIONS		
Loss before taxation	(688,221)	(1,253,877)
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	16,605	10,144
Provision against concessionary import duty on import of raw materials and Special Excise Duty	25,645	57,934
Provision for net realizable value of stock-in-trade	18,971	18,266
Provision for slow moving stores and spares	2,900	1,934
Write-off of damaged item of operating assets	2,640	-
Write-off of Off-Spec PVC	4,572	-
Depreciation and amortization	870,001	729,393
Income on short term investments and bank deposits	(11,311)	(10,300)
Loss on revaluation of IFC loan	89,920	121,240
Amortization of prepaid financial charges	13,514	11,017
Finance costs	1,160,150	1,017,019
Profit on disposal of operating assets	(1,565)	(452)
Working capital changes - note 28.1	1,227,751	(1,232,579)
	<u>2,731,572</u>	<u>(530,261)</u>
28.1 WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(367,239)	(341,634)
Stock-in-trade	(404,572)	(394,741)
Trade debts	431,951	(132,909)
Loans, advances, deposits, prepayments and other receivables-net	90,648	156,567
	<u>(249,212)</u>	<u>(712,717)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	1,476,963	(519,862)
	<u>1,227,751</u>	<u>(1,232,579)</u>
29 CASH AND CASH EQUIVALENTS		
Cash and bank balances	83,398	115,176
Short term borrowings	(822,880)	(1,485,063)
	<u>(739,482)</u>	<u>(1,369,887)</u>



30 SEGMENT INFORMATION

30.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2010.

	Unaudited September 30, 2011				Unaudited September 30, 2010			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Revenue	9,672,941	2,474,855	20,081	12,167,877	8,304,176	2,054,187	107,144	10,465,507
Profit / (loss) before unallocated expenses	101,621	785,405	(3,550)	883,476	(222,964)	403,582	5,307	185,925
Unallocated expenses								
Administrative expenses				(265,478)				(229,018)
Other operating expenses				(173,413)				(206,565)
Other operating income				27,344				12,800
Finance costs				(1,160,150)				(1,017,019)
Taxation				234,934				463,326
Loss after taxation				(453,287)				(790,551)

	Unaudited September 30, 2011				Audited December 31, 2010			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
	Rupees							
Total segment assets	13,459,479	5,738,967	80,455	19,278,901	13,649,824	5,748,046	106,785	19,504,655
Unallocated assets				4,970,066				4,629,427
Total assets				24,248,967				24,134,082

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

31 TRANSACTIONS WITH RELATED PARTIES

31.1 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	
		Nine months ended September 30, 2011	Nine months ended September 30, 2010
		Rupees	
Holding company	Purchase of services	4,012	14,522
	Sales of services	187	–
	Use of operating assets	–	2,242
	Pension fund contribution	3,517	2,932
	Provident fund contribution	4,282	2,134
	Medical contribution	225	85
	Gratuity fund contribution	832	–
Subsidiary company	Sale of goods	420,176	1,103,678
	Sale of services	982	158
Associated companies	Purchase of goods	6,257,486	5,558,953
	Sales of goods	192,278	–
Related parties by virtue of common directorship	Purchase of goods	31,254	14,769
	Purchase of services	619,949	787,918
	Sale of goods	46,766	17,088
	Sale of services	1,774	3,277
	Sale of steam and electricity	30,636	36,607
	Use of operating assets	465	1,807
	Insurance expenses	–	3,515
	Medical contribution	4	–
	Annual subscription	527	–
Reimbursement	–	45	
Directors' fee		1,751	1,350
Key management personnel	Managerial remuneration	51,234	58,477
	Retirement benefits	7,388	5,873
	Bonus	14,494	–
	Other benefits	9,586	8,031
Contribution to staff retirement benefits	Pension fund	9,284	4,699
	Provident fund	15,804	14,950
	Gratuity fund	4,223	2,583



32 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on October 21, 2011 by the Board of Directors of the Company.

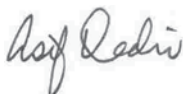
33 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting' corresponding figures in the condensed interim balance sheet comprise of balances as per the annual audited financial statements of the Company for the year ended December 31, 2010. Corresponding figures in the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows comprise of balances of comparable period as per the condensed interim financial information of the Company for the nine months ended September 30, 2010.

33.1 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, 2010	Head of account of the financial statements for the nine months ended September 30, 2011	Rupees
Dealers commission	Distribution and marketing expenses - Advertising, sales promotion and entertainment	Net revenue	63,929

The effect of other reclassifications is not material.



Asif Qadir
President & Chief Executive



Kimihide Ando
Director



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