



engro polymer & chemicals

Financial Information for the Quarter
and Nine Months ended September 30, 2018

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COMPANY INFORMATION

Chairman	Ghiasuddin Khan
President and Chief Executive	Imran Anwer
Directors	Muhammad Asif Sultan Tajik Nadir Salar Qureshi Feroz Rizvi Noriyuki Koga Hasnain Moochhala
Board Audit Committee	Feroz Rizvi Noriyuki Koga Hasnain Moochhala
Chief Financial Officer	Syed Abbas Raza
Company Secretary	Hussain Hasanali
Corporate Audit Manager	Vijay Kumar
Bankers / Lenders	Allied Bank Ltd. Askari Bank Ltd. Al-Baraka Bank Pakistan Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. BankIslami Pakistan Ltd. Citibank N.A. Deutsche Bank AG Dubi Islamic Bank Ltd. Faysal Bank Ltd. Habib Bank Ltd. Industrial and Commercial Bank of China Ltd. JS Bank Ltd. MCB Bank Ltd. Meezan Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. Summit Bank Ltd. The Bank of Punjab United Bank Ltd.
Auditors	A. F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi
Registered Office	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi.
Plant	EZ/1/P-II-1, Eastern Zone, Bin Qasim, Karachi
Regional Sales Office	First Floor, 38 Z Block, Commercial Area, Phase III, DHA Lahore
Share Registrar	FAMCO Associates (Private) Limited 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahra-e-Faisal, Karachi-74000 Tel: +92(21) 34380101-5 lines
Website	www.engropolymer.com





engro polymer & chemicals

**DIRECTORS' REVIEW &
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**



ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited financial statements of the Company for the nine months ended September 30, 2018.

Business Review

EPCL continued to follow stringent systems and policies to ensure maintenance of highest standards for HSE and has thus far achieved 15.67 million man hours without loss work injury. Consistent monitoring of Safety indicators helped to achieve improvement of processes, resultantly proactive measures for avoidable incidents have been implemented.

On operational front, the Company produced highest ever PVC for the nine months period, testifying successful debottlenecking from 178 thousand tons to 195 thousand tons. Continuous focus on reliability and efficiency ensured high service factor and optimum raw material consumption.

During 9M 2018, the Company recorded revenue of Rs. 25,524 compared to Rs. 20,390 million in the same period last year and posted Profit After Tax (PAT) of Rs. 3,865 million translating into Earning Per Share (EPS) of Rs. 5.03 compared to Profit After Tax (PAT) of Rs. 1,947 million and EPS of Rs. 2.70 (restated) per share for the same period last year. Higher profitability can be attributed to strong operational performance and robust domestic market dynamics in both vinyl and caustic soda segment.

During 9M 2018, international PVC prices remained slightly higher as compared to same period last year, however, this was offset by higher raw material prices. Overall demand in the domestic market remained promising and non-conventional downstream segments supported the overall offtake positively. The Caustic Soda market remained healthy during the year.

During the quarter, EPCL successfully completed issuance of right shares and has consolidated its balance sheet, the financial strength will enable the Company to undertake projects, capitalize on opportunities and withstand vinyl chain dynamics. During the quarter, JCR VIS assigned a rating of AA-/A1+ and PACRA upgraded entity rating to AA-/A1+, the upgradation in credit rating is a testimony to EPCL's robust business model and strong financial profile.

Recently, the Company notified the Stock Exchange about its Hydrogen Peroxide venture, entry into Hydrogen Peroxide segment would enable EPCL to capitalize on available hydrogen which is derived as a by-product of existing process and maximize shareholder value. EPCL remains steadfast towards achieving its vision and will continue to explore opportunities in allied chemical space.

Future Outlook

Going forward, domestic PVC demand is likely to remain stable in last quarter of the year while international vinyl dynamics will be a function of regional demand supply dynamics. The caustic soda segment will remain stable with modest uptick from textile sector on account of improving export dynamics. The Company will continue to focus on operational optimization and remains committed to complete expansion projects safely and on schedule.



Imran Anwer
President & Chief Executive



Feroz Rizvi
Director

Karachi
October 12, 2018

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF
FINANCIAL POSITION (UNAUDITED) AS AT SEPTEMBER 30, 2018

(Amounts in thousand)

	Note	(Unaudited)	(Audited)
		September 30, 2018	December 31, 2017
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,669,588	16,011,070
Intangibles		103,793	104,663
Long-term loans and advances	6	87,692	75,756
Deferred taxation	7	-	11,255
		<u>17,861,073</u>	<u>16,202,744</u>
Current assets			
Stores, spares and loose tools		1,681,145	1,602,387
Stock-in-trade		5,307,650	3,681,162
Trade debts - considered good	8	643,799	505,123
Loans, advances, deposits, prepayments and other receivables	9	1,163,166	683,231
Taxes recoverable	10	-	766,519
Short-term investments		7,023,291	240,410
Cash and bank balances		950,101	682,750
		<u>16,769,152</u>	<u>8,161,582</u>
TOTAL ASSETS		<u><u>34,630,225</u></u>	<u><u>24,364,326</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		9,089,233	6,634,688
Share premium		3,874,953	964,029
Unappropriated profit		<u>2,767,262</u>	<u>161,392</u>
		<u>15,731,448</u>	<u>7,760,109</u>
Liabilities			
Non-current liabilities			
Long-term borrowings	11	6,902,083	8,750,000
Deferred tax liability	7	20,151	-
		<u>6,922,234</u>	<u>8,750,000</u>
Current liabilities			
Current portion of long-term borrowings	11	597,917	-
Service benefit obligations		42,349	45,953
Trade and other payables	12	6,341,827	4,522,808
Unclaimed dividend		311,627	37,750
Accrued interest / mark-up		149,866	135,087
Taxes payable	10	180,998	-
Provisions	13	4,351,959	3,112,619
		<u>11,976,543</u>	<u>7,854,217</u>
Contingencies and commitments	14		
TOTAL EQUITY AND LIABILITIES		<u><u>34,630,225</u></u>	<u><u>24,364,326</u></u>

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



[Amounts in thousand except for earnings per share]

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Note	Quarter ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Rupees					
Net revenue		8,422,094	7,344,131	25,523,707	20,389,788
Cost of sales		(6,181,864)	(5,331,597)	(18,723,724)	(15,326,839)
Gross profit		<u>2,240,230</u>	<u>2,012,534</u>	<u>6,799,983</u>	<u>5,062,949</u>
Distribution and marketing expenses		(306,782)	(259,253)	(995,422)	(1,002,398)
Administrative expenses		(199,336)	(128,421)	(535,516)	(385,865)
Other operating expenses		(144,498)	(157,147)	(470,237)	(269,466)
Other income		127,864	11,282	620,266	60,530
Operating profit	15	<u>1,717,478</u>	<u>1,478,995</u>	<u>5,419,074</u>	<u>3,465,750</u>
Finance costs		(153,138)	(192,769)	(451,501)	(588,282)
Profit for the period before taxation		<u>1,564,340</u>	<u>1,286,226</u>	<u>4,967,573</u>	<u>2,877,468</u>
Taxation		(482,575)	(385,376)	(1,102,137)	(930,448)
Profit for the period after taxation		<u>1,081,765</u>	<u>900,850</u>	<u>3,865,436</u>	<u>1,947,020</u>
Earnings per share - basic and diluted		<u>1.25</u>	<u>(Restated) 1.25</u>	<u>5.03</u>	<u>(Restated) 2.70</u>

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
Profit for the period after taxation	1,081,765	900,850	3,865,436	1,947,020
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items - share issuance cost	-	-	(1,651)	-
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (loss) arising during the period	-	-	-	(21)
Reclassification adjustments for losses included in profit or loss	-	-	-	2,128
Income tax relating to hedging reserve	-	-	-	(632)
Other comprehensive income for the period - net of tax	-	-	(1,651)	1,475
Total comprehensive income for the period	<u>1,081,765</u>	<u>900,850</u>	<u>3,863,785</u>	<u>1,948,495</u>

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Share capital	RESERVES		Total	
		CAPITAL	REVENUE		
		Share premium	Hedging reserve		Unappropriated profit / (accumulated loss)
	Rupees				
Balance as at January 1, 2017 (Audited)	6,634,688	964,029	(1,475)	(1,593,063)	6,004,179
Total comprehensive income for the period year ended September 30, 2017	-	-	1,475	1,947,020	1,948,495
Balance as at September 30, 2017 (Unaudited)	6,634,688	964,029	-	353,957	7,952,674
First interim cash dividend of Re. 0.45 per share	-	-	-	(298,561)	(298,561)
Total comprehensive income for the period ended December 31, 2017	-	-	-	105,996	105,996
Balance as at December 31, 2017 (Audited)	6,634,688	964,029	-	161,392	7,760,109
Final cash dividend of Re. 0.80 per share	-	-	-	(530,775)	(530,775)
First interim cash dividend of Re. 0.8 per share	-	-	-	(727,140)	(727,140)
Addition Right share capital	2,454,545	2,910,924	-	-	5,365,469
Total comprehensive income for the period ended September 30, 2018	-	-	-	3,863,785	3,863,785
Balance as at September 30, 2018 (Unaudited)	<u>9,089,233</u>	<u>3,874,953</u>	<u>-</u>	<u>2,767,262</u>	<u>15,731,448</u>

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Note	Nine months ended	
		September 30, 2018	September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	6,762,558	619,512
Finance costs paid		(436,722)	(417,719)
Long-term loans and advances		(11,936)	(11,126)
Retirement benefits paid		(45,953)	(45,622)
Income tax paid		(124,865)	(121,078)
Net cash generated from operating activities		6,143,082	23,967
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,372,264)	(633,430)
Purchases of intangible assets		(10,508)	(9,690)
Proceeds from disposal of property, plant and equipment		-	179
Income on short-term investment and bank deposits		158,491	40,416
Net cash generated / (utilized) in investing activities		(2,224,281)	(602,525)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term borrowings		(1,250,000)	(419,428)
Proceeds from long term borrowings		-	250,000
Repayments of short-term borrowings		-	(300,000)
Right share capital with premium		5,365,469	-
Dividend payment		(984,038)	-
Net cash generated / (utilized) in financing activities		3,131,431	(469,428)
Net increase / (decrease) in cash and cash equivalents		7,050,232	(1,047,986)
Cash and cash equivalents at the beginning of the period		923,160	1,086,509
Cash and cash equivalents at the end of the period	17	7,973,392	38,523

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM
FINANCIAL INFORMATION (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

1. LEGAL STATUS AND OPERATIONS

- 1.1 The Group consist of Engro Polymer and Chemicals Limited and its wholly owned subsidiary company, Engro Polymer Trading (Private) Limited (herein after refer as the Company).
- 1.2 Engro Polymer and Chemicals Limited (EPCL) was incorporated in Pakistan in 1997 under the repealed Companies Ordinance, 1984. EPCL is listed on the Pakistan Stock Exchange Limited.
- 1.3 EPCL is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).
- 1.4 The registered office of EPCL is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/II-P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the first Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- the provisions of and the directives issued under the Companies Act, 2017.

Where the provisions of and the directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and the directives issued under the Companies Act, 2017 have been followed.

- 2.2 The consolidated condensed interim financial information is unaudited. However, a limited scope review has been performed by the statutory auditors of the Company as required under the Listed Companies (Code of Corporate Governance) Regulations, 2017.
- 2.3 The consolidated condensed interim financial information does not include all the information required to be contained in the annual financial statements and, therefore, should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2017.



3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN

- 3.1 The accounting policies applied in the preparation of the consolidated condensed interim financial information are the same as those that were applied in the preparation of the audited annual consolidated financial statements of the Company for the year ended December 31, 2017. The financial risk management objectives and policies of the Company are also consistent with those disclosed in the audited annual consolidated financial statements of the Company for the year ended December 31, 2017.
- 3.2 There are certain new amendments to published International Financial Reporting Standards and interpretations that are mandatory to the financial year beginning on January 1, 2018. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in the consolidated condensed interim financial information. Further, third and fourth schedules to the Companies Act, 2017 will be applicable to the Company for the first time in the preparation of annual financial statements or the year ending December 31, 2018 which have added / amended certain disclosure requirements.
- 3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. ACCOUNTING ESTIMATES

The preparation of the consolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgment 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.

The significant estimates, judgments and assumptions made by the management in the preparation of these consolidated condensed interim financial statements are the same as those that were applied in the audited annual consolidated financial statements of the Company as at and for the year ended December 31, 2017.

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,498,002	15,023,936
Capital work-in-progress - note 5.3	2,107,794	923,342
Capital spares	63,792	63,792
	<u>17,669,588</u>	<u>16,011,070</u>
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	-	91,707
Plant and machinery	1,163,448	674,554
Furniture, fixtures and equipment	15,238	30,283
Vehicles	9,186	45,507
	<u>1,187,872</u>	<u>842,051</u>
5.2 During the period, asset costing Nil (December 31, 2017: Rs. 63,831), having net book value of Nil (December 31, 2017: Rs. 24,282) was disposed off for Nil (December 31, 2017: Rs. 92,702) and assets costing Nil (December 31, 2017: Rs. 165,370) having net book value of Rs. Nil (December 31, 2017: Rs. 107,930) were written off. Out of the assets written-off, insurance claim against some assets has been received amounting to Rs. Nil (December 31, 2017: Rs. 180).		



(Amounts in thousand)

5.3 Movement in capital work-in-progress during the period / year is as follows:

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	<u>Rupees</u>	<u>Rupees</u>
Balance as the beginning of the period / year	923,342	679,306
Add: Additions during the period / year	2,382,833	1,112,465
Less: Transferred to operating assets during the period / year	(1,187,872)	(842,051)
Less: Transferred to intangible assets during the period / year	(10,508)	(26,378)
	<u>2,107,795</u>	<u>923,342</u>

6. LONG-TERM LOANS AND ADVANCES

6.1 These includes interest free loans and advances to executives and employees for house rent, vehicles, home appliances and investments given in accordance with the terms of employment.

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	<u>Rupees</u>	<u>Rupees</u>
Credit balances arising due to:		
- accelerated tax depreciation	(2,979,360)	(3,224,307)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	604,018	1,443,219
- recoupable minimum turnover tax - note 7.2	545,873	510,131
- recoupable alternative corporate tax	611,060	111,655
- unpaid liabilities	97,551	104,263
- provision for Gas Infrastructure Development Cess and Special Excise Duty	960,584	924,358
- provision for net realizable value against stock-in-trade	1,295	7,515
- provision for slow moving stores and spares	2,573	82,066
- provision for bad debts	78,425	2,888
- share issuance cost, net to equity	57,830	49,467
	<u>2,959,209</u>	<u>3,235,562</u>
	<u>(20,151)</u>	<u>11,255</u>

7.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at September 30, 2018 amount to Rs. 2,119,360 (December 31, 2017: Rs. 4,810,730).

7.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 315,840 (December 31, 2017: Rs. 341,472) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.



(Amounts in thousand)

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Rupees	
8. TRADE DEBTS		
Secured	245,817	287,211
Unsecured - note 8.1	397,982	217,912
	<u>643,799</u>	<u>505,123</u>
8.1 Includes amounts due from the following related parties:		
- Engro Foods Limited	27	-
- Engro Fertilizers Limited	189,472	119,069
	<u>189,499</u>	<u>119,069</u>
	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Rupees	
9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
9.1 These include unsecured receivables from the following related parties:		
- Engro Vopak Terminal Limited	1,674	215
- Engro Fertilizers Limited	998	-
- Sindh Engro Coal Mining Company Limited	126	126
- Engro Foods Limited	5	5
- Engro Corporation Limited	3,316	4,684
- Engro Energy Limited	331	86,724
- Engro Powergen Qadirpur Limited	9	9
	<u>6,459</u>	<u>91,763</u>

10. TAXES RECOVERABLE

10.1 Tax Year 2008

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

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 'under protest'. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414, remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The DCIR also filed an appeal against the said appellate order challenging the actions of the CIR(A).



In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting the Company's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

The Company filed a reference with the High Court of Sindh against the additions maintained by the ATIR. Likewise, the tax department also filed reference with the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects of the same in the consolidated condensed interim financial information.

10.2 Tax Year 2009

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282, additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance, disallowance of provision for retirement benefits of Rs. 14,239, disallowance of provision against Special Excise Duty (SED) refundable of Rs. 36,687, addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by the Company before the CIR(A). Through his appellate order, the CIR(A) maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A), in respect of deletion of addition on account of provision for retirement benefits.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting the Company's position except for additions on account of provision against SED refundable of Rs. 36,687 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Company filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department also filed reference with the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in the consolidated condensed interim financial information.



(Amounts in thousand)

11. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments		(Unaudited)	(Audited)
		Number	Commencing from	September 30, 2018	December 31, 2017
				Rupees	
Bilateral - IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	1,250,000
Bilateral - VIII	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	1,000,000
Bilateral - IX	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
Bilateral - X	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
				<u>7,500,000</u>	<u>8,750,000</u>
Less: Current portion shown under current liabilities				(597,917)	-
				<u>6,902,083</u>	<u>8,750,000</u>

12. TRADE AND OTHER PAYABLES	(Unaudited)	(Audited)
	September 30, 2018	December 31, 2017
		Rupees
Trade and other creditors - note 12.1	3,502,726	1,714,553
Accrued liabilities - note 12.1	1,765,507	1,623,408
Advances from customers	192,963	883,418
Retention money	12,954	13,249
Security deposits	24,710	28,959
Payable to provident fund	17,287	15,874
Dividend payable	444,617	53,198
Workers' profits participation fund	261,617	163,661
Withholding tax payable	3,814	6,742
Deffered bonus	76,875	19,746
Others	21,976	-
		<u>6,341,827</u>
		<u>4,522,808</u>

12.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	254,779	1,461
- Engro Corporation Limited	3,400	18,459
- Engro Fertilizers Limited	49,349	6,622
- Engro Vopak Terminal Limited	99,232	87,390
		<u>406,760</u>
		<u>113,932</u>



(Amounts in thousand)

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Rupees	
13. PROVISIONS		
Provision for GIDC - note 13.1	3,881,166	3,112,619
Provision for Gas Price revision	470,793	-
	<u>4,351,959</u>	<u>3,112,619</u>

13.1 Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, the Finance Act, 2014 and the GIDC Ordinance 2014 against which the Company obtained ad-interim stay orders from the High Court of Sindh. However, on prudent basis the Company recognized a provision of Rs. 1,345,789 till May 21, 2015.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs.200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

The Company, based on the advice of its legal counsel, is of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs. 3,881,166 pertaining to the period subsequent to promulgation of GIDC Act, 2015 which includes a provision amounting to Rs. 768,547 recognized in the consolidated condensed interim financial information during the period ended September 30, 2018.

14. CONTINGENCIES AND COMMITMENTS

14.1 The Deputy Commissioner Inland Revenue (DCIR) through his order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw materials. The Company filed an appeal against the order before Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favour of the Company. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding the case has been carried out by ATIR, till the period end. The management of the Company, based on the advice of the tax consultants, is confident of a favorable outcome of this matter. Accordingly, no provision has been made in this respect.

14.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at September 30, 2018 amounts to Rs. 1,748,000 (December 2017: Rs. 1,297,000). The amount utilized there against as at September 30, 2018 is Rs. 1,704,720 (December 2017: Rs. 1,238,450).

14.3 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Fatima Fertilizer, for storage and handling of Ethylene Di Chloride and Caustic soda. The total lease rentals due under these lease arrangements are payable in periodic monthly instalments till July 2019. The future aggregate lease payments under these arrangements are as follows:



(Amounts in thousand)

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	<u>Rupees</u>	<u>Rupees</u>
Not later than 1 year	19,192	16,875
Later than 1 year but not later than 5 years	-	8,400
	<u>19,192</u>	<u>25,275</u>

- 14.4** The Company has entered into various contracts with Engro Vopak Terminal Limited, a related party, for storage and handling of Ethylene, Vinyl Chloride Monomer (VCM) and Ethylene Di-Chloride (EDC) valid till March 2026, December 2018 and December 2018 respectively. Annual fixed cost payable to Engro Vopak Terminal Limited, under these contracts, approximates to US\$ 9,165.

15. OTHER INCOME

During the period, the Company has recognized income against insurance claim of Rs. 388,360 pertaining to business interruption during 2017 resulting due to non-supply of Ethylene by its primary supplier.

	(Unaudited) September 30, 2018	(Unaudited) September 30, 2017
	<u>Rupees</u>	<u>Rupees</u>

16. CASH GENERATED FROM OPERATIONS

Profit for the period before taxation	4,967,573	2,877,468
Adjustments for non-cash charges and other items:		
Provision for staff retirement and other service benefits	42,349	35,834
Provision for GIDC	768,547	712,532
Provision for Gas price	470,793	-
Provision for doubtful debts	(618)	11,704
Reversal of provision for net realizable value of stock-in-trade, net	(15,111)	(8,186)
Provision for slow moving stores and spares	(3,307)	-
Depreciation and amortisation	725,124	716,286
Income on short-term investments and bank deposits	(158,491)	(40,416)
Amortisation of prepaid financial charges	-	2,525
Finance costs	451,501	588,285
Profit on disposal of operating assets	-	(2,709)
Working capital changes - note 16.1	(485,802)	(4,273,811)
	<u>6,762,558</u>	<u>619,512</u>

16.1 Working capital changes

(Increase) / decrease in current assets

Stores, spares and loose tools	(75,451)	(38,266)
Stock-in-trade	(1,611,377)	(676,127)
Trade debts - considered good	(138,058)	(3,976)
Loans, advances, deposits, prepayments and other receivables - net	(479,935)	(9,185)
	<u>(2,304,821)</u>	<u>(727,554)</u>

Decrease in current liabilities

Trade and other payables	1,819,019	(3,546,256)
	<u>(485,802)</u>	<u>(4,273,810)</u>



(Amounts in thousand)

	(Unaudited) September 30, 2018	(Unaudited) June 30, 2017
	Rupees	
Cash and bank balances	950,101	213,737
Short-term investments	7,023,291	89,421
Running finance utilized under mark-up arrangements	-	(264,635)
	<u>7,973,392</u>	<u>38,523</u>

17. CASH AND CASH EQUIVALENTS**18. SEGMENT INFORMATION**

18.1 The basis of segmentation and reportable segments presented in these condensed interim financial statements are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2017.

	Unaudited September 30, 2018				Unaudited September 30, 2017			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Net revenue	22,280,000	4,202,838	40,869	25,523,707	16,823,830	3,521,443	44,515	20,389,788
Cost of sales	(16,657,297)	(2,033,150)	(33,277)	(18,723,724)	(13,308,952)	(1,989,131)	(28,756)	(15,326,839)
Distribution and marketing expenses	(462,295)	(533,127)	-	(995,422)	(800,569)	(201,780)	(49)	(1,002,398)
Administrative expenses	(446,479)	(88,180)	(857)	(535,516)	(343,420)	(42,445)	-	(385,865)
Other operating expenses	(383,471)	(86,386)	(380)	(470,237)	(202,602)	(66,082)	(781)	(269,466)
Other income	531,521	88,708	37	620,266	18,064	42,440	26	60,530
Finance costs	(447,458)	(4,004)	(39)	(451,501)	(579,290)	(8,882)	(110)	(588,282)
Taxation	(540,944)	(558,738)	(2,455)	(1,102,137)	(520,751)	(404,911)	(4,786)	(930,448)
Profit after taxation	<u>2,873,577</u>	<u>987,961</u>	<u>3,898</u>	<u>3,865,436</u>	<u>1,086,309</u>	<u>850,652</u>	<u>10,059</u>	<u>1,947,020</u>

	Unaudited September 30, 2018				Audited December 31, 2017			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	17,096,009	5,791,666	200,419	23,088,094	15,100,195	5,459,465	129,865	20,689,525
Unallocated assets				11,542,131				3,674,801
Total assets				<u>34,630,225</u>				<u>24,364,326</u>

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



(Amounts in thousand)

18.3 The segment results for the period are prepared in line with basis of allocation adopted in the annual financial statements for the year ended December 31, 2017 and therefore, the corresponding amounts have also been revised for proper comparison.

19. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited	
		Nine months period ended	
		September 30, 2018	September 30, 2017
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on sub-ordinated loan	-	215,933
	Reimbursements made	15,870	3,924
	Reimbursements received	5,887	23,689
	Purchase of services	154,914	54,375
	Medical contribution	172	129
	Life insurance	452	421
Associated companies			
- Mitsubishi Corporation	Purchase of goods	2,163,283	1,551,162
	Sale of goods	59,814	251,955
Other related party			
- Arabian Sea Country Club	Purchase of services	-	134
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	12,429	12,688
	Purchase of services	11,075	-
	Sale of steam and electricity	61,679	72,904
	Reimbursement made	3,016	8,613
	Purchase of land	63,701	-
	Reimbursements received	11,075	-
	Use of operating assets	-	8,000
- Engro Vopak Terminal Limited	Purchase of services	856,222	845,393
	Reimbursement made	15,575	2,408
	Reimbursements received	-	1,911
	Sales of services	1,460	-
- Engro Powergen Qadirpur Limited	Reimbursement made	-	4,641
	Reimbursements received	-	3,280
- Engro Foods Limited	Sale of goods	-	4,837
	Reimbursement made	-	1,549
- Engro Energy Limited	Reimbursement received	4,028	-
- Sindh Engro Coal Mining Company Limited	Reimbursement made	-	2



(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited	
		Nine months period ended	
		September 30, 2018	September 30, 2017
- The Hub Power Company Limited	Sale of goods	-	2,757
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	-	91
- Pakistan Oxygen Limited (Formerly- Linde Pakistan Limited)	Purchase of goods	14,605	-
	Sale of goods	43,521	-
- Pakistan Institute of Corporate Governance		100	200
Directors	Fee	1,000	600
Contribution to staff retirement benefits	Managed and operated by the Holding Company		
	Provident fund	49,185	44,071
	Gratuity fund	41,621	35,308
	Pension fund	2,443	2,314
Key management personnel	Managerial remuneration	78,907	64,883
	Retirement benefit funds	12,186	10,094
	Bonus	60,355	34,402
	Other benefits	16,996	15,886

20. CORRESPONDING FIGURES

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

21. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial information were authorized for issue on October 12, 2018 by the Board of Directors of the Company.



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director





engro polymer & chemicals

**UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**



ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT SEPTEMBER 30, 2018

(Amounts in thousand)

		(Unaudited) September 30, 2018	(Audited) December 31, 2017
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,669,588	16,011,070
Intangibles		103,793	104,663
Long term investment - at cost		50,000	50,000
Long term loans and advances	6	87,692	75,756
Deferred taxation	7	-	11,255
		17,911,073	16,252,744
Current assets			
Stores, spares and loose tools		1,681,145	1,602,387
Stock-in-trade		5,307,650	3,681,162
Trade debts - considered good	8	643,799	505,123
Loans, advances, deposits, prepayments and other receivables	9	1,158,165	677,918
Taxes recoverable	10	-	765,948
Short term investments		7,022,547	150,000
Cash and bank balances		853,781	679,881
		16,667,087	8,062,419
TOTAL ASSETS		34,578,160	24,315,163
EQUITY AND LIABILITIES			
Equity			
Share capital		9,089,233	6,634,688
Share premium		3,874,953	964,029
Unappropriated profit		2,718,675	121,668
		15,682,861	7,720,385
Non-Current Liabilities			
Long term borrowings	11	6,902,083	8,750,000
Deferred tax liabilities	7	20,151	-
		6,922,234	8,750,000
Current Liabilities			
Current portion of long term borrowings	11	597,917	-
Service benefit obligations		42,349	45,953
Trade and other payables	12	6,341,121	4,513,369
Unclaimed dividend		311,627	37,750
Accrued interest / mark-up		150,028	135,087
Taxes payable	10	178,064	-
Provisions	13	4,351,959	3,112,619
		11,973,065	7,844,778
TOTAL EQUITY AND LIABILITIES		34,578,160	24,315,163
Contingencies and Commitments	14		

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



[Amounts in thousand except for earnings per share]

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Note	Quarter ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Rupees					
Net revenue		8,422,094	7,344,131	25,523,707	20,389,788
Cost of sales		(6,181,864)	(5,331,597)	(18,723,724)	(15,326,839)
Gross profit		2,240,230	2,012,534	6,799,983	5,062,949
Distribution and marketing expenses		(306,782)	(259,253)	(995,422)	(1002,398)
Administrative expenses		(199,336)	(128,421)	(535,516)	(385,865)
Other operating expenses		(144,463)	(157,114)	(470,177)	(269,408)
Other income	15	125,561	9,647	606,694	57,258
Operating profit		1,715,210	1,477,392	5,405,562	3,462,536
Finance costs		(153,138)	(192,770)	(451,500)	(589,516)
Profit of the period before taxation		1,562,072	1,284,622	4,954,062	2,873,020
Taxation		(478,657)	(384,894)	(1,097,489)	(929,113)
Profit for the period after taxation		1,083,415	899,728	3,856,573	1,943,907
Earnings per share - basic and diluted		1.25	(Restated) 1.25	5.02	(Restated) 2.70

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Rupees			
Profit for the period after taxation	1,083,415	899,728	3,856,573	1,943,907
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items - share issuance cost			(1,651)	
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Loss arising during the period	-	-	-	(21)
Reclassification adjustments for losses included in profit or loss	-	-	-	2,128
Income tax relating to hedging reserve	-	-	-	(632)
Other comprehensive income for the period - net of tax	-	-	(1,651)	1,475
Total comprehensive income for the period	<u>1,083,415</u>	<u>899,728</u>	<u>3,854,922</u>	<u>1,945,382</u>

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Share capital	RESERVES		Total	
		CAPITAL	REVENUE		
		Share premium	Hedging reserve		Unappropriated profit / (accumulated loss)
		Rupees			
Balance as at January 1, 2017 (Audited)	6,634,688	964,029	(1,475)	(1,628,905)	5,968,337
Total comprehensive income for the period ended September 30, 2017	-	-	1,475	1,943,907	1,945,382
Balance as at September 30, 2017 (Unaudited)	6,634,688	964,029	-	315,002	7,913,719
First interim cash dividend of Re.0.45 per share	-	-	-	(298,561)	(298,561)
Total comprehensive income for the period ended December 31, 2017	-	-	-	105,227	105,227
Balance as at December 31, 2017 (Audited)	6,634,688	964,029	-	121,668	7,720,385
Final cash dividend of Re. 0.80 per share	-	-	-	(530,775)	(530,775)
First interim cash dividend of Re.0.80 per share	-	-	-	(727,140)	(727,140)
Addition Right share capital	2,454,545	2,910,924	-	-	5,365,469
Total comprehensive income for the period ended September 30, 2018	-	-	-	3,854,922	3,854,922
Balance as at September 30, 2018 (Unaudited)	<u>9,089,233</u>	<u>3,874,953</u>	<u>-</u>	<u>2,718,675</u>	<u>15,682,861</u>

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Note	Nine months ended	
		September 30, 2018	September 30, 2017
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	6,771,039	616,662
Finance costs paid		(436,559)	(418,951)
Long term loans and advances		(11,936)	(11,126)
Payment against employee service benefits		(45,953)	(45,622)
Income tax paid		(123,722)	(119,719)
Net cash generated from operating activities		6,152,869	21,244
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,372,264)	(633,430)
Purchases of intangible assets		(10,508)	(9,690)
Proceeds from disposal of property, plant and equipment		-	179
Income on bank deposits		144,919	40,416
Net cash utilized in investing activities		(2,237,853)	(602,525)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(1,250,000)	(419,428)
Proceeds from long term borrowings		-	250,000
Proceeds from short term borrowings		-	-
Repayments of short term borrowings		-	(385,000)
Right share capital with premium		5,365,469	-
Dividend payment		(984,038)	-
Net cash generated from / (utilized in) financing activities		3,131,431	(554,428)
Net increase / (decrease) in cash and cash equivalents		7,046,447	(1,135,709)
Cash and cash equivalents at the beginning of the period		829,881	1,081,978
Cash and cash equivalents at the end of the period	17	7,876,328	(53,731)

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



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL
INFORMATION (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

1. LEGAL STATUS AND OPERATIONS

- 1.1 Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the repealed Companies Ordinance, 1984. The Company is listed on the Pakistan Stock Exchange Limited.
- 1.2 The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).
- 1.3 The registered office of the Company is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/II-P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the first Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- the provisions of and the directives issued under the Companies Act, 2017.

Where the provisions of and the directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and the directives issued under the Companies Act, 2017 have been followed.

- 2.2 The condensed interim financial information does not include all the information required to be contained in the annual financial statements and, therefore, should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2017.

3. ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN

- 3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2017. The financial risk management objectives and policies of the Company are also consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2017.



3.2 There are certain new amendments to published International Financial Reporting Standards and interpretations that are mandatory to the financial year beginning on January 1, 2018. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in this condensed interim financial information.. Further, third and fourth schedules to the Companies Act, 2017 will be applicable to the Company for the first time in the preparation of annual financial statements or the year ending December 31, 2018 which have added / amended certain disclosure requirements.

3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4. ACCOUNTING ESTIMATES

The preparation of the condensed interim financial information is in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgments in the process of applying the Company's accounting policies. Estimates and judgement 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.

The significant estimates, judgments and assumptions made by the management in the preparation of the condensed interim financial statements are the same as those that were applied in the financial statements of the Company as at and for the year ended December 31, 2017.

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,498,001	15,023,936
Capital work-in-progress - notes 5.3	2,107,795	923,342
Capital spares	63,792	63,792
	<u>17,669,588</u>	<u>16,011,070</u>

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

Building on leasehold land	-	91,707
Plant and machinery	1,163,448	674,554
Furniture, fixtures and equipment	15,238	30,283
Vehicles	9,186	45,507
	<u>1,187,872</u>	<u>842,051</u>

5.2 During the period, asset costing Nil (December 31, 2017: Rs. 63,831), having net book value of Nil (December 31, 2017: Rs. 24,282) was disposed off for Nil (December 31, 2017: Rs. 92,702) and assets costing Nil (December 31, 2017: Rs. 165,370) having net book value of Rs. Nil (December 31, 2017: Rs. 107,930) were written off. Out of the assets written-off, insurance claim against some assets has been received amounting to Rs. Nil (December 31, 2017: Rs. 180).



(Amounts in thousand)

5.3 Movement in capital work-in-progress during the period / year is as follows:

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	<u>Rupees</u>	<u>Rupees</u>
Balance as the beginning of the period / year	923,342	679,306
Add: Additions during the period / year (note 5.4)	2,382,833	1,112,465
Less: Transferred to operating assets during the period / year	(1,187,872)	(868,429)
Less: Transferred to intangible assets during the period	(10,508)	-
	<u>2,107,795</u>	<u>923,342</u>

5.4 During the period, the Company has entered into an agreement with Engro Fertilizer Limited (EFL, a related party) for purchase of land therefrom at a total consideration of Rs 720,000 against which the Company has made an advance payment of Rs 14,400. The balance shall be payable by the Company at the time of execution of assignment deed, completion of all legal formalities for effectuating the transfer of rights from EFL to the Company and the handing over of physical vacant possession of the land to the Company.

6. LONG TERM LOANS AND ADVANCES

6.1 These includes interest free loans and advances to executives and employees for house rent, vehicles, home appliances and investments given in accordance with the terms of employment.

7. DEFERRED TAXATION

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	<u>Rupees</u>	<u>Rupees</u>
Credit balances arising due to:		
- accelerated tax depreciation	(2,979,360)	(3,224,307)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	604,018	1,443,219
- recoupable minimum turnover tax - note 7.2	545,873	510,131
- recoupable alternative corporate tax - note 7.3	611,060	111,655
- unpaid liabilities	97,551	104,263
- provision for Gas Infrastructure Development Cess and Special Excise Duty	960,584	924,358
- provision for net realizable value against stock-in-trade	1,295	7,515
- provision for bad debts	2,573	2,888
- provision for slow moving stores and spares	78,425	82,066
- share issuance cost, net to equity	57,830	49,467
	<u>2,959,209</u>	<u>3,235,562</u>
	<u>(20,151)</u>	<u>11,255</u>

7.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at September 30, 2018 amount to Rs. 2,119,360 (December 31, 2017: Rs. 4,810,730).



(Amounts in thousand)

7.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 315,840 (December 31, 2017: Rs. 341,472) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Rupees	
8. TRADE DEBTS		
Secured	245,817	287,211
Unsecured - note 8.1	397,982	217,912
	<u>643,799</u>	<u>505,123</u>
8.1 Includes amounts due from the following related parties:		
- Engro Foods Limited	27	-
- Engro Fertilizers Limited	189,472	119,069
	<u>189,499</u>	<u>119,069</u>

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
9.1 These include unsecured receivables from the following related parties:		
- Engro Vopak Terminal Limited	1,674	215
- Engro Fertilizers Limited	998	-
- Sindh Engro Coal Mining Company Limited	126	126
- Engro Foods Limited	5	5
- Engro Corporation Limited	3,316	4,684
- Engro Energy Limited	331	86,724
- Engro Powergen Qadirpur Limited	9	9
	<u>6,459</u>	<u>91,763</u>

10. TAXES RECOVERABLE

10.1 Tax Year 2008

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



The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 'under protest'. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414, remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The DCIR also filed an appeal against the said appellate order challenging the actions of the CIR(A).

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting the Company's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

The Company filed a reference with the High Court of Sindh against the additions maintained by the ATIR. Likewise, the tax department also filed reference with the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects of the same in the condensed interim financial information.

10.2 Tax Year 2009

The DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282, additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance, disallowance of provision for retirement benefits of Rs. 14,239, disallowance of provision against Special Excise Duty (SED) refundable of Rs. 36,687, addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by the Company before the CIR(A). Through his appellate order, the CIR(A) maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A), in respect of deletion of addition on account of provision for retirement benefits.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting the Company's position except for additions on account of provision against SED refundable of Rs. 36,687 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Company filed a reference with the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department also filed reference with the High Court of Sindh against the order passed by the ATIR in favour of the Company. The management of the Company, based on the advice of its tax consultants, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, has not recognized the effects for the same in the condensed interim financial information.



(Amounts in thousand)

11. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments		(Unaudited) September 30, 2018	(Audited) December 31, 2017
		Number	Commencing from	Rupees	
Bilateral - IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	1,250,000
Bilateral - VIII	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	1,000,000
Bilateral - IX	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
Bilateral - X	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
				<u>7,500,000</u>	<u>8,750,000</u>
Less: Current portion shown under current liabilities				(597,917)	-
				<u>6,902,083</u>	<u>8,750,000</u>

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Rupees	
12. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 12.1	3,502,726	1,714,553
Accrued liabilities - note 12.1	1,764,801	1,622,695
Advances from customers	192,963	883,418
Retention money	12,954	13,249
Security deposits	24,710	28,959
Payable to provident fund	17,287	15,874
Dividend payable	444,617	-
Workers' profits participation fund	261,617	163,661
Workers' welfare fund	16,781	44,472
Withholding tax payable	3,814	6,742
Deferred bonus	76,875	-
Others	21,976	19,746
	<u>6,341,121</u>	<u>4,513,369</u>

12.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	254,779	1,461
- Engro Corporation Limited	3,400	18,459
- Engro Fertilizers Limited	49,349	6,622
- Engro Vopak Terminal Limited	99,232	87,390
	<u>406,760</u>	<u>113,932</u>



(Amounts in thousand)

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Rupees	
13. PROVISIONS		
Provision for GIDC note 13.1	3,881,166	3,112,619
Provision for Gas price revision	<u>470,793</u>	<u>-</u>
	<u>4,351,959</u>	<u>3,112,619</u>

13.1 Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development Cess (GIDC) on all industrial gas consumers at the rate of Rs. 13 per MMBTU. Subsequently, the GIDC rates were enhanced through notifications under OGRA Ordinance 2002, the Finance Act, 2014 and the GIDC Ordinance 2014 against which the Company obtained ad-interim stay orders from the High Court of Sindh. However, on prudent basis the Company recognized a provision of Rs. 1,345,789 till May 21, 2015.

On May 22, 2015 the Gas Infrastructure Development Cess (GIDC) Act, 2015 was promulgated whereby cess rate of Rs.100 per MMBTU and Rs.200 per MMBTU were fixed for industrial and captive power consumption, respectively. The GIDC Act, 2015 was made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014.

The Company, based on the advice of its legal counsel, is of the view that as per GIDC Act, 2015, the uncollected portion of cess levied through GIDC Act, 2011 and GIDC Ordinance 2014, shall not be collected from the industrial sector. Therefore, the Company reversed the provision relating to industrial portion of GIDC amounting to Rs. 753,664 for the period prior to promulgation of GIDC Act, 2015 and retained GIDC provision amounting to Rs. 592,125 in respect of captive power.

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs. 3,881,166 pertaining to the period subsequent to promulgation of GIDC Act, 2015 which includes a provision amounting to Rs. 768,547 recognized in the condensed interim financial information during the period ended September 30, 2018.

14. CONTINGENCIES AND COMMITMENTS

14.1 The Deputy Commissioner Inland Revenue (DCIR) through his order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products that would have been produced and sold from the excess wastage of raw materials. The Company filed an appeal against the order before Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against the Company was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favour of the Company. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding the case has been carried out by ATIR, till the period end. The management of the Company, based on the advice of the tax consultants, is confident of a favorable outcome of this matter. Accordingly, no provision has been made in this respect.

14.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at September 30, 2018 amounts to Rs. 1,748,000 (December 2017: Rs. 1,297,000). The amount utilized there against as at September 30, 2018 is Rs. 1,704,720 (December 2017: Rs. 1,238,450).

14.3 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Fatima Fertilizer, for storage and handling of Ethylene Di Chloride and Caustic soda. The total lease rentals due under these lease arrangements are payable in periodic monthly instalments till July 2019. The future aggregate lease payments under these arrangements are as follows:



(Amounts in thousand)

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Rupees	
Not later than 1 year	19,192	16,875
Later than 1 year but not later than 5 years	-	8,400
	<u>19,192</u>	<u>25,275</u>

- 14.4** The Company has entered into various contracts with Engro Vopak Terminal Limited, a related party, for storage and handling of Ethylene, Vinyl Chloride Monomer (VCM) and Ethylene Di-Chloride (EDC) valid till March 2026, December 2018 and December 2018 respectively. Annual fixed cost payable to Engro Vopak Terminal Limited, under these contracts, approximates to US\$ 9,165.

15. OTHER INCOME

During the period, the Company has recognized income against insurance claim of Rs. 388,360 pertaining to business interruption during 2017 resulting due to non-supply of Ethylene by its primary supplier.

	(Unaudited) September 30, 2018	(Unaudited) September 30, 2017
	Rupees	

16. CASH GENERATED FROM OPERATIONS

Profit for the period before taxation	4,954,062	2,873,020
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Adjustments for non-cash charges and other items:

Provision for staff retirement and other service benefits	42,349	35,834
Provision for GIDC	768,547	712,532
Provision for Gas price	470,793	-
Reversal of provision for net realizable value of stock-in-trade, net	(15,111)	(8,186)
Provision for slow moving stores and spares	(3,307)	-
Depreciation and amortization	725,124	716,286
Income on short term investments and bank deposits	(144,919)	(40,416)
Provision for bad debts	(618)	11,704
Amortization of prepaid financial charges	-	2,525
Finance costs	451,500	589,517
Profit on disposal of operating assets	-	(2,709)
Working capital changes - note 16.1	(477,381)	(4,273,445)
	<u>6,771,039</u>	<u>616,662</u>

16.1 Working capital changes

Decrease / (Increase) in current assets

Stores, spares and loose tools	(75,451)	(38,266)
Stock-in-trade	(1,611,377)	(676,127)
Trade debts	(138,058)	(3,977)
Loans, advances, deposits, prepayments and other receivables - net	(480,247)	(8,823)
	<u>(2,305,133)</u>	<u>(727,193)</u>
Decrease in current liabilities		
Trade and other payables	1,827,752	(3,546,252)
	<u>(477,381)</u>	<u>(4,273,445)</u>



(Amounts in thousand)

	(Unaudited) September 30, 2018	(Unaudited) June 30, 2017
	Rupees	
Cash and bank balances	853,781	210,904
Running finance utilized under mark-up arrangements	-	(264,635)
Short term investment	<u>7,022,547</u>	<u>-</u>
	<u>7,876,328</u>	<u>(53,731)</u>

17. CASH AND CASH EQUIVALENTS**18. SEGMENT INFORMATION**

18.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2017.

	Unaudited September 30, 2018				Unaudited September 30, 2017			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Net revenue	21,280,000	4,202,838	40,869	25,523,707	16,823,830	3,521,443	44,515	20,389,788
Cost of sales	(16,657,297)	(2,033,150)	(33,277)	(18,723,724)	(13,308,952)	(1,989,131)	(28,756)	(15,326,839)
Distribution and marketing expenses	(462,295)	(533,127)	-	(995,422)	(800,569)	(201,780)	(49)	(1,002,398)
Administrative expenses	(446,479)	(88,180)	(857)	(535,516)	(343,420)	(42,445)	-	(385,865)
Other operating expenses	(383,411)	(86,386)	(380)	(470,177)	(202,545)	(66,082)	(781)	(269,408)
Other income	517,949	88,708	37	606,695	14,792	42,440	26	57,258
Finance costs	(447,457)	(4,004)	(39)	(451,500)	(580,523)	(8,882)	(111)	(589,516)
Taxation	(536,296)	(558,738)	(2,455)	(1,097,489)	(519,416)	(404,911)	(4,786)	(929,113)
Profit after taxation	<u>2,864,714</u>	<u>987,960</u>	<u>3,899</u>	<u>3,856,573</u>	<u>1,083,197</u>	<u>850,652</u>	<u>10,058</u>	<u>1,943,907</u>

	Unaudited September 30, 2018				Audited December 31, 2017			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	17,096,009	5,791,666	200,419	23,088,094	15,100,195	5,459,465	129,865	20,689,525
Unallocated assets				11,490,066				3,625,638
Total assets				<u>34,578,160</u>				<u>24,315,163</u>

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



(Amounts in thousand)

18.3 The segment results for the period are prepared in line with basis of allocation adopted in the annual financial statements for the year ended December 31, 2017 and therefore, the corresponding amounts have also been revised for proper comparison.

19. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited	
		Nine months period ended	
		September 30, 2018	September 30, 2017
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on sub-ordinated loan	-	215,933
	Reimbursement made	15,870	3,924
	Reimbursement received	5,887	23,689
	Purchase of services	154,914	54,375
	Medical contribution	172	129
	Short-term loan received	-	-
	Short-term loan repaid	-	-
	Life insurance	452	421
Associated companies			
- Mitsubishi Corporation	Purchase of goods	2,163,283	1,551,162
	Sale of goods	59,814	251,955
- Arabian Sea Country Club	Purchase of services	-	134
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	12,429	12,688
	Sale of steam and electricity	61,679	72,904
	Reimbursement made	3,016	8,613
	Purchase of services	11,075	-
	Purchase of land	63,701	-
	Reimbursement received	417	-
	Use of operating assets	-	8,000
- Engro Vopak Terminal Limited	Purchase of services	856,222	854,393
	Reimbursement made	15,575	2,408
	Sale of services	1,460	-
	Reimbursement received	-	1,911
- Engro Powergen Qadirpur Limited	Reimbursement made	-	4,641
	Reimbursement received	-	3,280
- Engro Energy Limited	Reimbursement received	4,028	-
- Engro Foods Limited	Sale of goods	-	4,837
	Reimbursement made	-	1,549
- Sindh Engro Coal Mining Company Limited	Reimbursement made	-	2



(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited	
		Nine months period ended	
		September 30, 2018	September 30, 2017
- The Hub Power Company Limited	Sale of goods	-	2,757
- Pakistan Oxygen Limited (formerly Linde Pakistan Limited)	Purchase of services	14,605	-
	Sale of goods	43,521	-
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	-	91
- Pakistan Institute of Corporate Governance	Purchase of services	100	200
Directors	Fee	1,000	600
Contribution to staff retirement benefits	Managed and operated by the Holding Company		
	Provident fund	49,185	44,071
	Gratuity fund	41,621	35,308
	Pension fund	2,443	2,314
Key management personnel	Managerial remuneration	78,907	64,883
	Retirement benefit funds	12,186	10,094
	Bonus	60,355	34,402
	Other benefits	16,996	15,886

20. CORRESPONDING FIGURES

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

21. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on October 12, 2018 by the Board of Directors of the Company.



Imran Anwer
President & Chief Executive



Syed Abbas Raza
Chief Financial Officer



Feroz Rizvi
Director



اینگروپولیمرا اینڈ کیمیکلز لمیٹڈ

شیر ہولڈرز کے لیے ڈائریکٹرز کا جائزہ

غیر آڈٹ شدہ مجمع عبوری مالیاتی گوشوارے

برائے اختتام نو ماہہ ختمہ 30 ستمبر، 2018

ڈائریکٹرز کی رپورٹ

اینگروپولیمرا اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کے طور پر ہم 30 ستمبر 2018 کو ختم شدہ نو ماہہ کی مدت کے لیے کمپنی کے غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔

کاروباری جائزہ

EPCL نے HSE کے اعلیٰ ترین اسٹینڈرڈز کی بحالی کو یقینی بنانے کے لیے اپنے سسٹمز اور پالیسیز پر سختی سے عملدرآمد جاری رکھا اور اس کی بدولت 15.67 بلین مین آؤرز کا ہدف کسی بھی رخصتہ کارچوٹ کے بغیر حاصل کر لیا۔ سفٹی اینڈ ہیلتھ کی مستقل بنیادوں پر مانیٹرنگ کی بدولت پراسیسز میں بہتری آئی، جس کے نتیجے میں قابل گریز حادثات سے بچاؤ کے اقدامات پر عملدرآمد ممکن بنایا گیا۔

عملی جائزہ کمپنی نے سال کے ابتدائی نو ماہہ کے لیے تاریخ کے بلند ترین PVC کاسٹنگ میل عبور کیا، جس سے گزشتہ 178 ہزار ٹن کے بجائے 195 ہزار ٹن کا ہدف کامیابی سے حاصل ہوا۔ اعتماد اور استعداد پر مسلسل توجہ نے بہترین سروس کی فراہمی اور اعلیٰ ترین خام مال کی کھیت یقینی بنائی۔

سال 2018 کے ابتدائی 9 ماہہ کے دوران کمپنی 25,524 ملین روپے کی آمدن ریکارڈ کی گئی جو کہ گزشتہ سال اسی مدت کے دوران 20,390 ملین روپے تھی، اور اس کے ساتھ ہی 3,865 ملین روپے کے بعد از ٹیکس منافع (PAT) سے 5.03 روپے فی شیئر آمدن (EPS) ہوئی جو کہ گزشتہ سال اسی مدت کے دوران 1,947 ملین روپے کے بعد از ٹیکس منافع (PAT) پر 2.7 روپے (اڈسرنو بیان کردہ) فی شیئر تھی۔ زیادہ منافع کے حصول کا کریڈٹ مضبوط عملی کارکردگی اور مقامی مارکیٹ میں بینائل اور کاسٹنگ سوڈ اسٹیٹ کے خد خد کو دیا جاسکتا ہے۔

سال 2018 کے ابتدائی 9 ماہہ کے دوران بین الاقوامی PVC کے نرخ، گزشتہ سال کی اسی مدت کے مقابلے میں ذرا زیادہ رہے۔ تاہم خام مال کی بڑھتی ہوئی قیمتوں کی وجہ سے برقرار رہی۔ مجموعی طور پر مقامی مارکیٹ میں ڈیمانڈ بہت بہتر رہی اور غیر روایتی ڈاؤن اسٹریم گیگمنٹس نے بھی مجموعی طور پر مثبت انداز میں سپورٹ کیا۔ کاسٹنگ سوڈ مارکیٹ، سال بھر کے دوران مستحکم رہی۔

سہ ماہی کے دوران EPCL نے رائٹ شیئرز کا میانی سے جاری کیے اور اپنی بیلنس شیٹ کو مستحکم کیا، معاشی استحکام کی بدولت کمپنی اپنے پروجیکٹس پر کام مکمل کر سکے گی، کاروباری مواقع سے استفادہ حاصل کر سکے گی اور بینائل چین ڈائنامکس کا ڈٹ کر مقابلہ کر سکے گی۔ سہ ماہی کے دوران، JCR VIS، +A1/-AA ریٹنگ تفویض کی اور PACRA نے انٹینیٹی ریٹنگ کو اپ گریڈ کرتے ہوئے +A1/-AA تفویض کی۔ یہ اپ گریڈیشن، EPCL کے مضبوط کاروباری ماڈل اور مستحکم فنانشل پروفائل کی گواہی دیتی ہے۔

کمپنی نے حال ہی میں اسٹاک ایکچینج کے اپنے ہائیڈروجن پراجیکٹ پر آکسائیڈ پراجیکٹ کے بارے میں آگاہ کیا۔ ہائیڈروجن پراجیکٹ میں آکسائیڈ سٹیٹ میں انٹری کی بدولت EPCL، جو اسے اپنے موجودہ پرائسز سے ملنے والی ہائی پراڈکٹ، ہائیڈروجن کے ذریعے سرمایہ کاری کر سکے گی اور شیر ہولڈرز کے منافع میں اضافہ کر سکے گی۔ EPCL اپنے وٹن کو حاصل کرنے کے لیے مسلسل مصروف عمل رہتی ہے اور کیمیکل انڈسٹری میں مشترکہ مواقع کی تلاش جاری رکھے گی۔

مستقبل کا منظر نامہ

مستقبل قریب میں، سال کی آخری سہ ماہی میں PVC کی مقامی سطح پر ڈیمانڈ مستحکم رہنے کی توقع ہے، جبکہ انٹرنیشنل بینائل ڈائنامکس، ریجنل ڈیمانڈ پلانٹی ڈائنامکس کا ایک فنکشن بن جائیں گے۔ ایکسپورٹ ڈائنامکس کو بہتر بنانے کے لیے ٹیکنالوجی کے شعبہ میں معمولی اضافے سے کاسٹنگ سوڈ اسٹیٹ مستحکم رہے گا۔ کمپنی، آپریشنل اصلاحات پر مسلسل توجہ مرکوز رکھے گی اور بحالی کے پراجیکٹس کو محفوظ طریقے سے وقت مقررہ پر مکمل کرے گی۔



فیروز رضوی

ڈائریکٹر



عمران انور

پریزڈنٹ اور چیف ایگزیکٹو

اکتوبر 12، 2018





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