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Annual Report 2018

POWER OF PERSPECTIVE

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RG-BLUE COMMUNICATIONS

Annual Report 2018

Engro Polymer & Chemicals is proud to present its Annual Report for the year 2018.
This report focuses on Stakeholder Information, Corporate Governance,
the Directors' Report and Financial Statements for the year ended December 31, 2018.

For any feedbacks, suggestions or queries kindly contact the following:

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This report is also available on our website:
www.engropolymer.com

POWER OF PERSPECTIVE

Success is defined in a million different ways, with endless perspectives. At Engro Polymer, we are in a state of constant transformation as we believe we only go as far as our perspective allows us to. Since nothing limits our perspective the impossible is possible. The Power of Perspective is the starting point of all things at EPCL. We believe in the Power of Perspective as we move forward in our journey.

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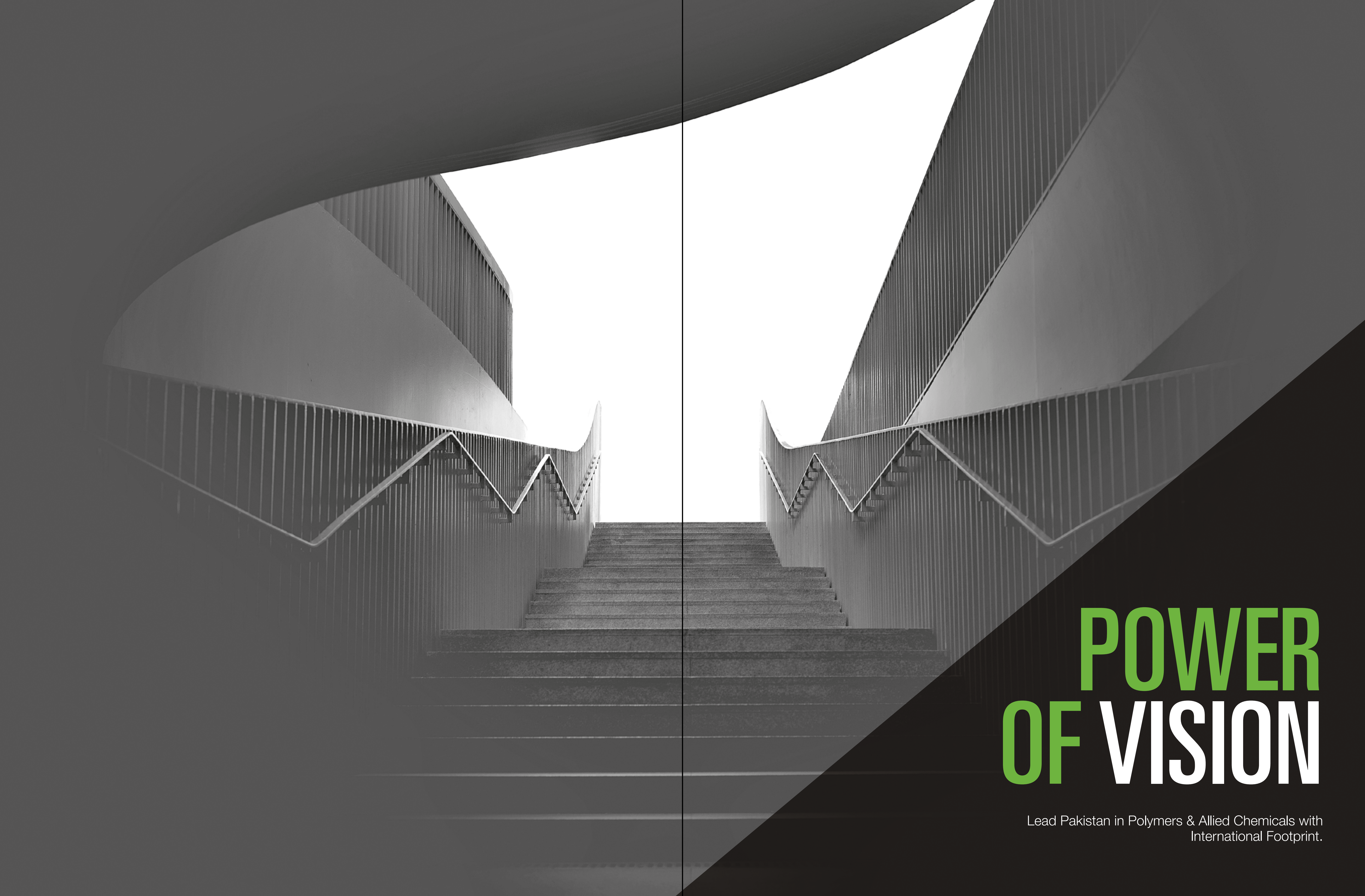
Directors' Report (In Urdu)

POWER OF MISSION

To achieve innovative growth which creates value for our stakeholders, customers and employees. Our commitment is to maintain the highest standards of ethics, safety and environmental responsibility.



POWER OF VISION

Lead Pakistan in Polymers & Allied Chemicals with International Footprint.

Objective and Strategy:

At EPCL, we believe that strategy is the core of any business. In this regard, extensive deliberations are done at management and board levels. In line with the strategy, objectives are developed and cascaded down to divisions.

Corporate Objectives:

1- Manage and utilize resources and operations in such a way that ensures health and safety of our people, neighbors, customers and visitors.

2- Enhance site reliability and ensure product availability

3- Execute Board approved capital structure

4- Execute expansion projects successfully and within Board's approved timelines

5- Execute sustainability and operational efficiency projects successfully

6- Create value for Pakistan by increasing import substitution effect

7- Ensure availability of talent base and motivated employees for achieving the organizational objectives

8- Deliver a common set of business processes, standard master data and quality information in a timely fashion, all of which will improve the speed of decision making. Specifically

   a. Execute digitization strategy with the objective to make EPCL a model and agile organization with digitized and automated business processes leveraging latest technologies.
   b. Implementation of state of the art end to end ERP "SAP S4 HANA", including FIORI, Business Planning & Consolidation and Success Factors.

Functional Objectives and Strategies:

Based on the corporate objectives, functional objectives are set for all divisions and strategy is crafted.

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Health, Safety and Environment

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Ensure safe work enviornment	Reduced Total Recordable Incident Rate (TRIR) and Fleet Accident Frequency Rate (FAFR)	The CPIs shall remain relevant in the future	Implementation of best practices as prescribed by DuPont Framework and regular monitoring of numbers on management's / BoD levels.
Carry out External Independent assesments about Health, Safety and Environment	DuPont Ratings		Carry out DuPont Audits Close inspection and implementation of DuPont audit reports
Ensure HSE standards are maintained for expansion and operational efficiency projects	Keeping all safety ratios intact during the course of completion of expansion projects		A new team has been assigned responsibility for maintaining high safety standards in all activities pertaining to execution of expansion plans with tangible KPIs and regular reporting to the management
Minimize environmental impact	Performance is measured against several international benchmarks and is also verified by external authorities		Environmental impact studied for all projects and implementation is carefully planned to ensure compliance to stringent environmental benchmarks

Manufacturing

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Maintained and enhance plant reliability	Number of unplanned shutdowns, production loss and tasks completed	The CPIs shall remain relevant in the future	Conduct plant turnaround within time frames and allocated resources. Preventive maintenace is done and critical equipments are tested for reliability regularly
Maintain optimal production levels	Production targets are set for all products		Monitoring the production facility / processes closely to identify and eliminate bottle-necks, if any, on timely basis
Maintain and optimize raw material / energy consumption ratios	Raw material and energy consumption ratios have been set for all products against which performance would be compared		Regular monitoring of production / consumption ratios is done at all levels and action plan is devised in case of concern for immediate rectification
Satisfactory completion of growth, efficiency and reliability projects	Progress report / status is monitored by senior management and BoD regularly		Strategy milestones are established and performance is measured aganst them to ensure satisfactory completion of projects within prescribed time and resources. Post completion analysis is also conducted and reported

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Marketing

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Optimize sales mix and development of domestic market	Volumetric targets are set and monitored on a monthly level	The plans for market development and enhancing sales are analyzed on an annual basis and will remain key to future growth of the Company	Detailed analysis of sales mix is conducted to monitor geographic productwise, applicationwise sales mix. Business development team work closely with downstream customers and provide technical services for existing products and help them with new product formulation and recipies
Develop and execute marketing strategies for caustic flakers being newly added in product portfolio of the Company	Volumetric targets are set and will be monitored on a monthly level once the production comes online		Market surveys and analysis have started and channels for distributions are being developed to ensure sales operations go smooth as the capacity comes online

Human Resources

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Develop & retain talent, and increase workforce diversity	Attrition ratios and diversity ratio	Talent development and retention shall remain the core focus area in the future	Attrition rates and diversity ratios are monitored and reported regularly. Job rotations / enrichment is planned to ensure retention of talent and to ensure diversity, work place environement is made conducive
Improve employee engagement	Employee Engagement Survey		Implement action items from previous employee surveys to ensure better employee engagement.CEO conducts regular open house sessions with employees to discuss potential concerns and to encourage conducive work place enviorment
Availability of requisite human resources in all aspects of operations	Uninturruped operations in all departments		Development of a succession plan for all key positions within the organization

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Finance

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Execute Approved Capital structure	Capital structure and financial ratios targets	The CPIs shall remain relevant in the future	Robust cash flow projections resulting in a financing plan to meet cash requirements and re-profiling of balance sheet by paying existing long-term loans through proceeds from a SUKUK payable over 7.5 years with a 5.5 year grace thereby creating sufficient fiscal space for the Company to undertake on-going projects
Automation and digitization of business processes	Automation of major processes and significant reduction in paper usage		Detailed strategy with 5 aspects (i.e. paperless, wireless systems upgrade, workplace agility enhancement and automation of sales operations and development of business information dashboards). Milestones for execution and go live have been set and are being monitored on a regular basis to ensure timely and successful completion
Focus on overheads and cost efficiencies	Cost optimization and reduction		Reviewing fixed costs for each division and identify areas of improvement to ensure reduction in fixed cost

Significant Changes in entity's Objectives from Previous Periods:

To keep the departmental objectives aligned with the strategic vision of the Company, the departmental objectives are consistently reviewed. Since the Company has announced expansion plans, all departmental objectives are aligned accordingly to ensure timely and satisfactory completion of the projects to achieve desired result and value creation for shareholders.

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Our Core Values

Our core values define every aspect of our way of doing busines

Ethics & Integrity:

We do care how results are achieved and will demonstrate honest and ethical behaviour in all of our activities. Choosing the course of highest integrity is our intent and we will establish and maintain the highest professional and personal standards. A well founded reputation for scrupulous dealing is itself a priceless asset.

Community & Society:

We believe that a successful business creates much bigger economic impact and value in the community, which dwarfs any philanthropic contribution. Hence, at Engro, sustainable business development is to be anchored in the commitment to engage with key stakeholders in the community and society.

Health, Safety & Environment:

We will manage and utilise resources and operations in such a way that the safety and health of our people, neighbours, customers and visitors are ensured. We believe our safety, health and environmental responsibilities extend beyond protection and enhancement of our own facilities.

Innovation & Risk Taking:

Success requires us to continually strive to produce breakthrough ideas that result in improved solutions and services. We encourage challenges to the status quo and seek organisational environments in which ideas are generated, nurtured and developed. Engro appreciates employees for well thought out risks taken in all realms of business and for the results achieved due to them, acknowledging the fact that not all risks will result in success.

Our People:

We strongly believe in the dignity and value of people. We must consistently treat each other with respect and strive to create an organisational environment in which individuals are fairly treated, encouraged and empowered to contribute, and can grow and develop themselves and help to develop each other. We do not tolerate any form of harassment or discrimination.

Our Statement of Best Practices:

- Overall, work towards creating an environment which promotes the realisation of our Vision and Values, by focusing on behavioural modification and systematic changes.
- Challenge the status quo by, experimenting and taking reasonable and calculated risk.
- Think EPCL, by placing Company interest above individual, sectional, departmental and achieving these before implementing.
- Collectively develop clear, concise and realistic goals, also agreeing on the process of achieving these before implementing.
- Balance task, team and individual needs, by keeping the helicopter view.
- Work through teams, by valuing all ideas and effectively committing people through consensus building and active involvement.
- Remind each other on the importance of using participatory processes, just as much as emphasising attention on safety, quality and continuous improvement.
- Recognise individual needs and help fulfill them.
- Trust each other by delegating authority and decision making to the lowest possible level.
- Encourage sharing a clear, consistent and timely feedback for learning and growth.
- Give everyone a chance by listening patiently and thinking before speaking.
- Recognise team and individual efforts to change by celebrating both lessons and successes.

Our Statement of Business Ethics:

The policy of EPCL is one of the strict observance of all laws applicable to its business. Our policy does not stop there. Even where the law is permissive, EPCL chooses the course of highest integrity. Local customs, traditions and moores differ from place to place, and this must be recognised. But honesty is not subject to criticism in any culture. Shades of dishonesty simply invite demoralising and reprehensible judgments. A well-founded reputation for scrupulous dealing is itself a priceless Company asset.

An overly-ambitious employee might have the mistaken idea that we do not care how results are obtained, as long as they get results. They might think it best not to tell higher management all that they are doing, not to record all transactions accurately in their books and records, and to deceive the Company's internal and external auditors. They would be wrong on all counts.

We do care how we get results. We expect compliance with our standards of integrity throughout the organisation. We will not tolerate an employee who achieves results at the cost of violation of laws or unscrupulous dealing. By the same token, we support and we expect you to support, an employee who passes up an opportunity or advantage which can only be secured at the sacrifice of principle.

Equally important, we expect candor from managers at all levels and compliance with accounting rules and controls. We don't want employees to misrepresent facts, whether they are misrepresenting in a mistaken effort to protect us or to make themselves look good.

One of the kinds of harm which result when a manager conceals information from higher management and the auditors is that subordinates within his organisation think they are being given a signal that Company policies and rules, including accounting and control rules, can be ignored whenever inconvenient. This can result in corruption and demoralisation of an organisation. Our system of management will not work without honesty, including honest book-keeping, honest budget proposals and honest economic evaluation of projects.

It has been and continues to be EPCL's policy that all transactions shall be accurately reflected in its books and records. This, of course, means that falsification of its books and records and any off-the-record bank accounts are strictly prohibited.

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Our Approach Towards Creating Meaningful Value:

Our Board of Directors is representative of our shareholders' interests and works with the President & CEO in deciding the overall strategic vision and direction of the Company.

Two principal Board Committees assist the Board in making decisions related to business management and compensation. Furthermore, there are numerous Functional Committees acting at the operational level in an advisory capacity to the President & CEO, providing suggestions and recommendations related to business, environment and employee matters.

Functional Heads provide advice and recommendations in their own capacities and concerning their respective business areas. These include Health and Safety, Technical Matters Relating to the Plants, Marketing and Sales, Finance, Employee Matters, Supply Chain, Information Technology and Logistics.

The Senior Management of the Company considers feedback a significant contributor for the review of objectives and for the development of future plans and strategies. The Company gathers information through various stakeholders, including the government, shareholders and community, which ensures an efficient flow of information, both in and out of the Company.

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Engaging Stakeholders:

Engro Polymer & Chemicals Limited understands the importance of stakeholder engagement and recognises that there is no better way to ensure that our Company remains a responsible corporate citizen, having a positive impact on all of our stakeholders. We engage with our stakeholders both formally and informally, periodically and regularly.

EPCL's stakeholders include:

Media

Our engagement with print & visual media takes place through regular press releases on key achievements and activities as well as through informal conversations on Company news and updates throughout the year.

Investors, Lenders and Shareholders

Investors and shareholders look forward to our Annual General Meeting as well as Corporate Reports (Annual and Sustainability Reports), which include comprehensive information on both financial and non-financial matters related to the organisation. Furthermore, analyst briefings are conducted on quarterly basis, while disclosures to the stock exchanges on strategic events are made as and when required.

Suppliers and Customers

Our suppliers and customers are engaged through periodic formal and informal meetings / conferences. We regularly provide them with technical assistance related to their businesses, to benefit both the industry and the economy in which we operate.

Host Communities (local to our facilities and throughout Pakistan)

We consider ourselves responsible for our host communities and hold regular interactions in order to understand how we can improve our relationships. The Company is extremely active in health, education, livelihood and environmental projects for the betterment of these communities.

Employees

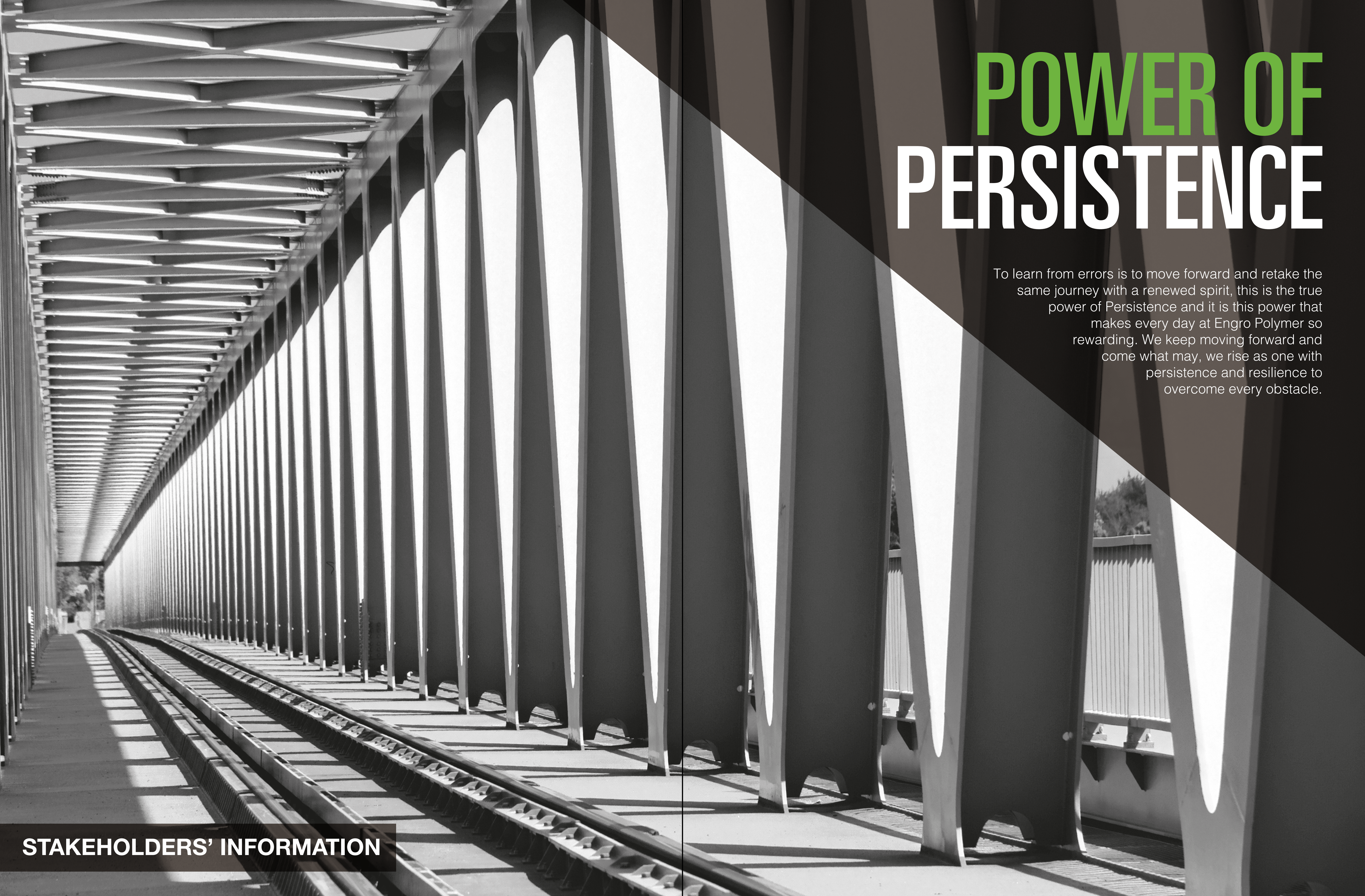
EPCL concentrates on employee engagement as it is key to performance. A survey is carried out every year to assess the levels of engagement and motivation at the workplace and based on feedback, areas of weakness are improved and strengths held stable.

Regulators

The Company complies with all regulatory requirements and in this regard maintains close coordination with relevant regulators including the Pakistan Stock Exchange, Securities and Exchange Commission of Pakistan (SECP), tax authorities .

Analyst:

EPCL engages analysts from security markets by conducting analyst briefings at the end of each quarter at least. For further assistance, EPCL also coordinates with the analysts as and when needed through formal meetings and discussions."



POWER OF PERSISTENCE

To learn from errors is to move forward and retake the same journey with a renewed spirit, this is the true power of Persistence and it is this power that makes every day at Engro Polymer so rewarding. We keep moving forward and come what may, we rise as one with persistence and resilience to overcome every obstacle.

STAKEHOLDERS’ INFORMATION

Company Information

Board of Directors:

Mr. Ghias Uddin Khan
Mr. Imran Anwer
Mr. Feroz Rizvi
Mr. Noriyuki Koga
Mr. Mohammad Asif Sultan Tajik
Mr. Nadir Salar
Mr. Hasnain Moochhala

Company Secretary:

Ms. Mehreen Ibrahim

Bankers:

Allied Bank Ltd
Askari Bank Ltd
Bank Alfalah Ltd
Bank Al Habib Ltd
Bank Islami Pakistan Ltd
Burj Bank Ltd
Citi N.A
Deutsche Bank AG
Faysal Bank Ltd
Habib Bank Ltd
Industrial & Commercial Bank of China Ltd
MCB Bank Ltd
Meezan Bank Ltd
National Bank of Pakistan
NIB Bank Ltd
Standard Chartered Bank Ltd
Summit Bank Ltd
The Bank of Punjab
United Bank Ltd

Auditors:

A.F. Ferguson & Company Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road Karachi-74000, Pakistan.
Tel: +92(21) 32426682-6 / 32426711-5
Fax: +92(21) 32415007 / 32427938

Registered Office:

12th Floor, Ocean Tower, G-3, Block 9,
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PABX: +92-21-35166863-64
FAX: +92-21-35166865
UAN: 111 411 411
E-mail: epcl-info@engro.com

Share Registrar:

M/s. FAMCO Associates (Pvt) Limited
8-F, Next to Hotel Faran, Block-6, PECHS,
Shahrah-e-Faisal Karachi-Pakistan.
Tel: +92(21) 34380104-5, 34384621-3
Fax: +92(21) 34380106

Plant:

EZ/1/P-ii-1, Eastern Zone, Bin Qasim, Karachi
Website: www.engropolymer.com

CEO's Message:

https://engropolymer.com/corporate_highlights/ceo-message.php

STAKEHOLDERS' INFORMATION

BUSINESS AT A GLANCE:

Engro Polymer & Chemicals Limited (EPCL) was incorporated in 1997 and is the only fully integrated Chlor-Vinyl Chemical Complex in Pakistan. It is involved in the manufacturing, marketing and distribution of PVC and Chlor-Vinyl Allied Products.

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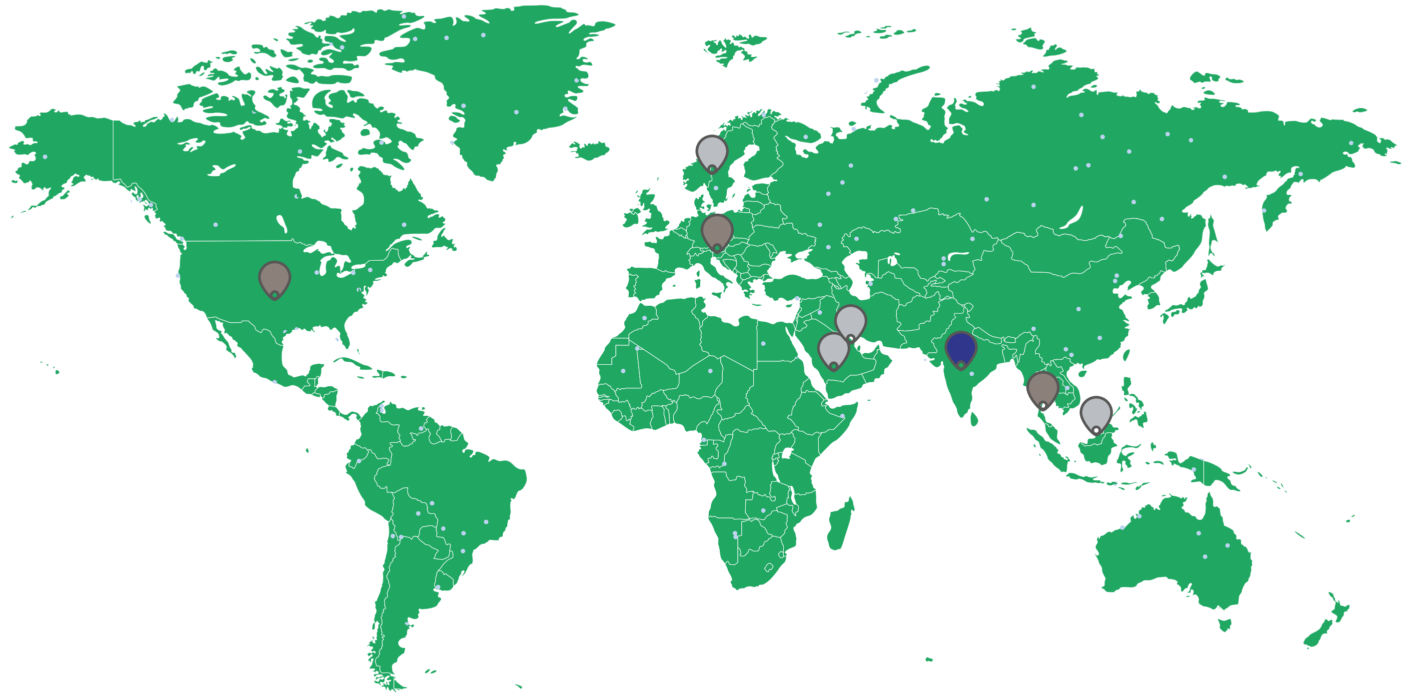


Exporting Countries

- Ethylene: Middle East, Europe, USA, South East Asia and Singapore
- Ethylene Di Chloride (EDC): Middle East, USA and Europe

Importing Country

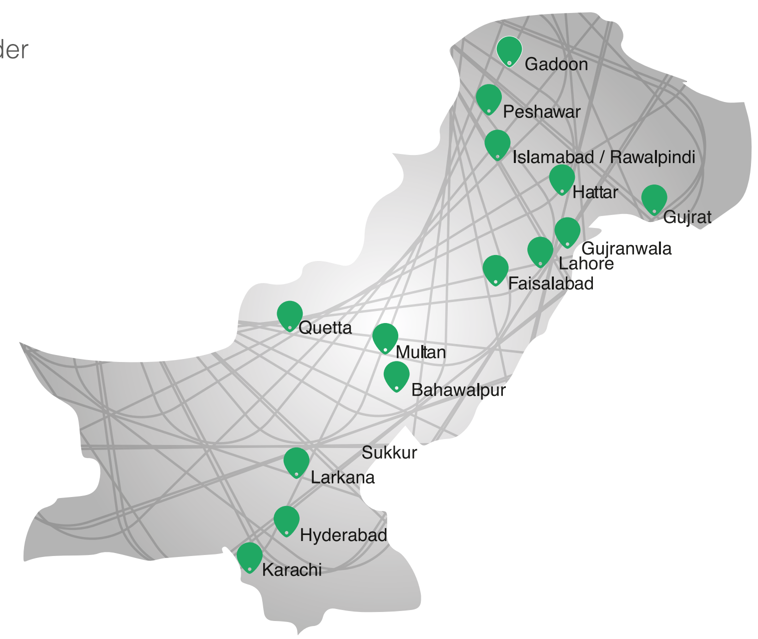
- Poly Vinyl Chloride : India

PVC Products

The Company manufactures and markets five grades (AU 58, AU 60, AU 67 R, AU 67 S, AU 72) of PVC under the brand name 'SABZ' echoing its commitment to environment and in line with its core values.

PVC Regions

- Karachi
- Faisalabad
- Bahawalpur
- Islamabad
- Rawalpindi
- Gujrat
- Larkana
- Lahore
- Gujranwala
- Peshawar
- Hyderabad
- Multan
- Sukkur
- Hattar
- Gadoon
- Quetta



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PVC PLANT INFORMATION

Capacities:

- PVC – 195 KTA
- EDC – 127 KTA
- VCM – 204 KTA

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Caustic & Allied Chemicals

Raw Material

Salt is our primary raw material for Caustic and Allied Chemicals

Production Design Capacities

- Caustic: 106 KTA
- Hypo: 30 KTA
- HCL: 60 KTA
- Hydrogen: 3 KTA

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Domestic Market

Caustic Soda

- Karachi
- Hub
- Hyderabad
- Multan
- Rahim Yar Khan
- Faisalabad
- Lahore
- Daharki
- Gujranwala
- Quetta
- Rawalpindi

Sodium Hypochlorite

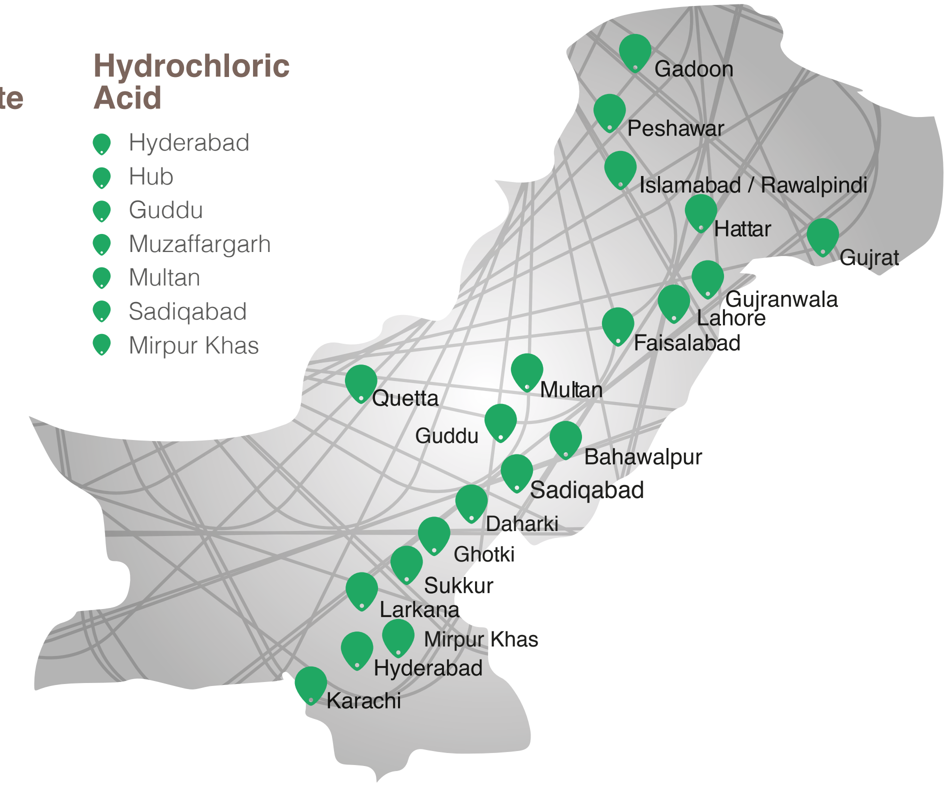
- Karachi
- Hyderabad
- Hub
- Ghotki
- Sadiqabad
- Daharki

Hydrochloric Acid

- Hyderabad
- Hub
- Guddu
- Muzaffargarh
- Multan
- Sadiqabad
- Mirpur Khas

Hydrogen

- Karachi



Caustic & Allied Chemical

Caustic Soda:
Dyeing and mercerizing in textile, FFA removal from edible oil & ghee, soap and water purification

Hydrogen:
Used in the manufacturing of terephthalic acid

Hydrochloric Acid:
Pickling, oil well acidizing, water treatment, cleaning, food processing and medicine

Sodium Hypochlorite:
Water treatment, detergents, denim bleaching and paper bleaching

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SWOT Analysis

Strengths

- Integrated production facility capable of operating at high capacity utlization
- Established brand name and diversified product portfolio
- Strong human resource base and unique technical expertise in Chlor-Vinyls
- Established domestic presence and access to global export markets
- Strong credit ratings reflecting financial strength and management depth

Weakness

- Increased exposure due to volatility in international commodity prices limiting pricing power
- Dependence on specialised raw material, which is subject to erratic supply
- Over supplied caustic market
- Increase in gas prices resulting in reduced margins

Opportunities

- Lower per capita PVC consumption in the country
- Uptick in PVC demand with further growth potential
- Diversified downstream integration and new market segments development
- Alternate energy and operational efficiency projects

Threats

- Changes in tariff and duty structures
- Rise in gas prices in Pakistan
- Dumped imports of PVC from regions where Anti-Dumping duty has not been imposed

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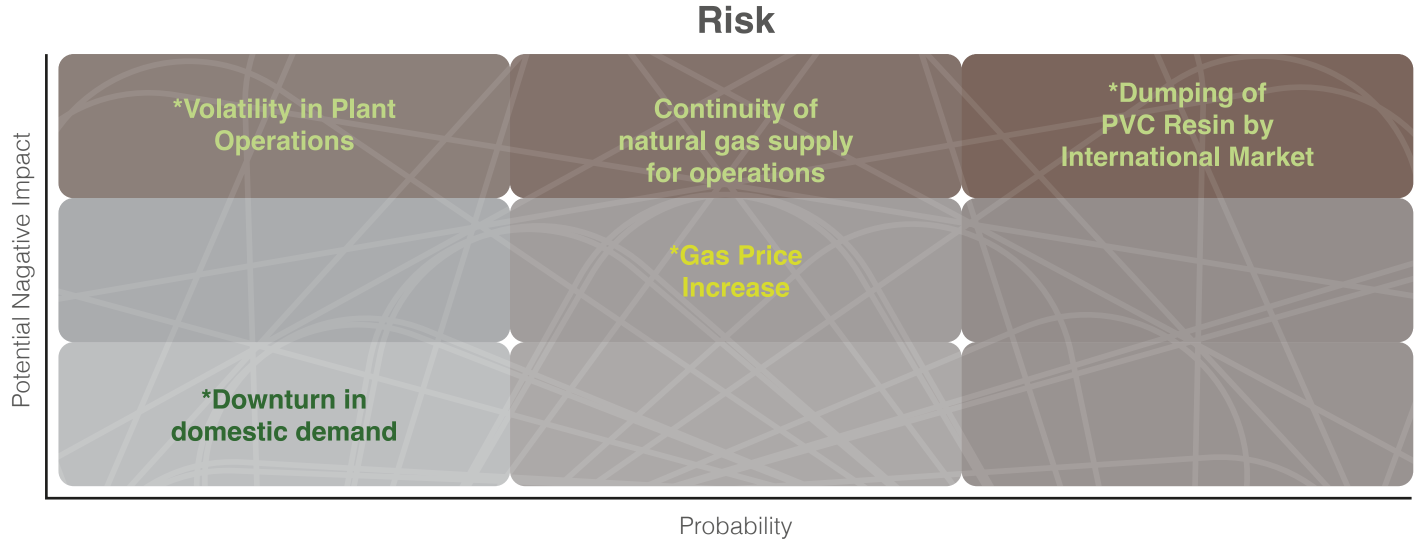
Risk and Opportunity Report



Dumping of PVC Resin by International Market

Risk - The continued flow of dumped products curtails EPCL's ability to operate in a level playing field and impairs value creation.

Mitigating Risk - EPCL has been presenting its case to National Tariff Commission, because of which final Anti-Dumping Duty has been imposed on China, Taiwan, South Korea and Thailand during 2018. However, dumping has started from other regions for which NTC is being approached and case is being presented

Continuity of natural gas supply for operations

Risk – Discontinuity of gas supply would result in curtailment of operations and PVC as well as Chlor Alkali products would not be available for downstream consumers, specifically the textile industry.

Mitigating Risk - EPCL has contacted relevant authorities and has explained the catastrophic impact of curtailment of natural gas supply on downstream industry in general and textile industry in particular. Further, it has also been explained that curtailment of textile industry production due to non-availability of EPCL's product would also have an adverse impact on exports

Gas Price Increase

Risk – Gas is essential to plant operations. Increase in gas prices can have substantial adverse impact to the Company.

Mitigating Risk – EPCL has implemented several energy conservation projects and has tested planned several other energy efficiency projects which would partially insulate the bottom line from the impact of increasing natural gas prices.

Volatility in Plant Operations

Risk – Disruption in plant operations can severely hamper production, the probability of which is low.

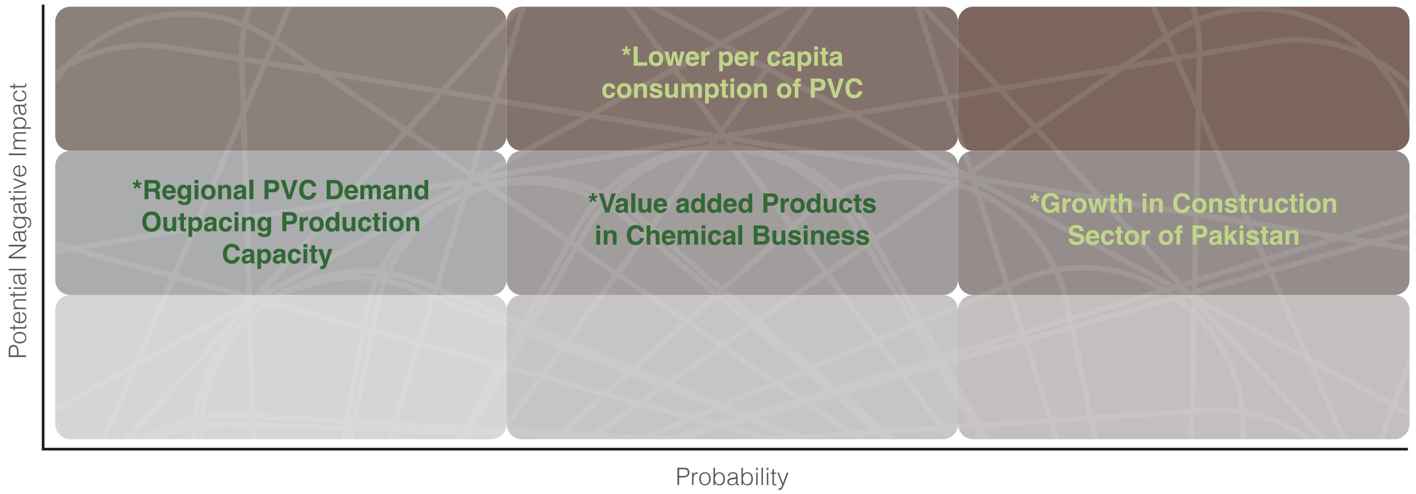
Mitigating Risk – EPCL is continuously investing in plant infrastructure and benchmarking with acclaimed global players to ensure best practices are followed not only within the ambit of plant operations but also in the areas of Health, Safety and Environment. In addition, we also have Business Interruption Insurance policy to neutralize the adverse impacts of unanticipated disruptions.

Unfavourable change in duty structures of Final Product and Raw materials

Risk – Duty provides an incentive to local manufacturers, absence of duty on final product and/or increase of duty on imported raw material would make domestic players vulnerable to unfair competition with international players on domestic front

Mitigating Risk – EPCL has been proactively working with regulatory bodies and has presented its case for protection of domestic industry to the government. as it establishes the foothold in local market. The company produces products of highest quality at market competitive rates that will need duty protection, as is a practice in most other developing countries.

Opportunity



Lower per capita consumption of PVC

Opportunity – The per capita consumption of PVC for Pakistan is the lowest in South Asian region standing at ~1.2KG/capita compared to ~2.3KG/capita for India. This phenomenon exists primarily because Pakistan uses PVC in conventional applications. For this, EPCL is focusing on new PVC products including PVC Foam Board, PVC Wood Plastic and PVC Wall Panels to increase the size of the market.

Regional PVC Demand Outpacing Production Capacity

Opportunity – The demand has outpaced production capacities providing with an opportunity to export in the regional market. With India being one of the large importers in the region where demand is significantly higher than production, EPCL is at benefit due to availability of export market next door.

Value added Products in Chemical Business

Opportunity – EPCL is focusing and investing in increasing the portfolio of products in its chemical business. These include introduction of Caustic Flakes and Hydrogen peroxide along with investing in Sodium Hypochlorite and Hydrochloric Acid to reap higher margins and diversify the risk.

Growth in Construction Sector of Pakistan

Opportunity – The construction sector of Pakistan has grown by significantly, strong sector growth bodes well for our primary segment, pipes and fittings.

Key Sources of Uncertainty:

Following are some of the areas in the business model causing potential uncertainties:

1- Vinyl chain dynamics
2- Supply of natural gas
3- Changes in natural gas prices

In order to mitigate the risks arising therefrom, several strategies have been executed as explained in Risks and Opportunity Section above and the management is committed to monitor any opportunity that might arise in the future that could help in further neutralizing any adverse impacts that might arise due to the aforementioned uncertainties.

Key Figures

	2017	2018
Sales Revenue (Rs. in thousand)	27,730,736	35,271,635
Earnings Per Share (In Rs.)	2.93	6.22
Profit after tax (Rs. in thousand)	2,053,016	4,930,171
Capital Expenditure (Rs. in thousand)	1,092,858	4,259,715

Total Assets (Rs. in thousand)
2017 | 24,364,326
2018 | 36,023,287

Market Capitalization (Rs. in thousand)
2017 | 18,948,668
2018 | 33,757,413

Share Price (In Rs.)
2017 | 28.56
2018 | 37.14

Total Equity (Rs. in thousand)
2017 | 7,760,109
2018 | 16,796,184

Key Highlights & Major Achievements 2018

- SATISFACTORY SAFETY PERFORMANCE
- HIGH LI SCORES
- OHIH EXTERNAL AUDIT RATING 3.5
- CO-HOSTED 1ST REGIONAL CCPS CONFERENCE IN PAKISTAN

Epex195

- EPEX 195 TARGETS ACHIEVED

- STRONG CREDIT RATING REFLECTS INVESTORS' CONFIDENCE IN THE COMPANY

- EPC CONTRACT FOR PVC III SIGNED WITH TCC
- BASIC DESIGN OF PVC III FINALIZED WITH LICENSOR JNC
- 60% DESIGN REVIEW AND HAZOP OF PVC III CONCLUDED
- EIA APPROVAL RECEIVED

- HARVARD MANAGE MENTOR LAUNCH
- LEARNING FRAMEWORK
- 16 K HRS TECHNICAL TRAINING

- ENTRY IN HYDROGEN PER OXIDE BUSINESS AND OPERATIONAL EFFICIENCY OVR PROJECT APPROVED BY BOD

SERVING COMMUNITY THROUGH:
- 2 NEW TCF SCHOOLS
- SINA CLINIC
- 5 WATER FILTRATION PLANS

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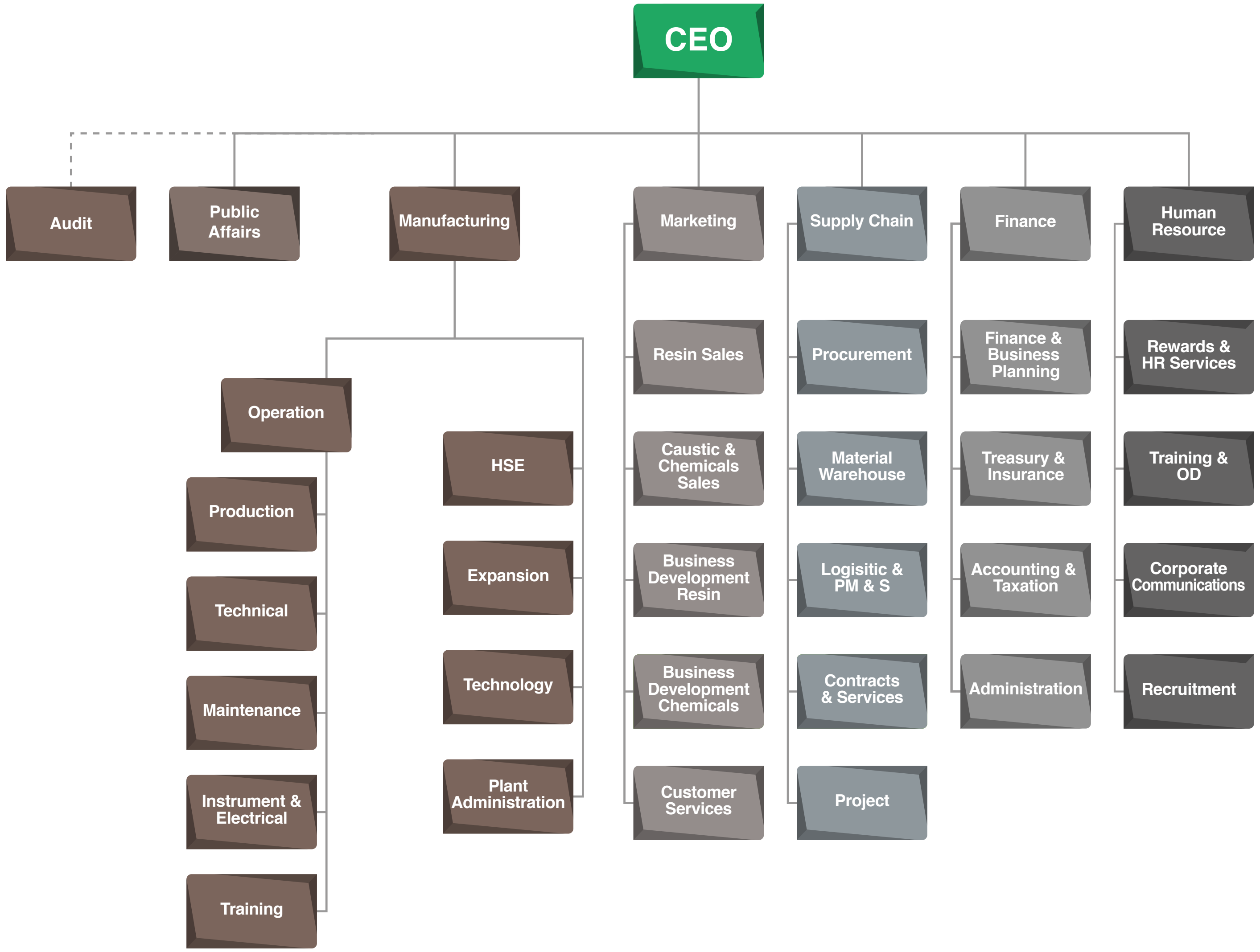
Organisational Structure



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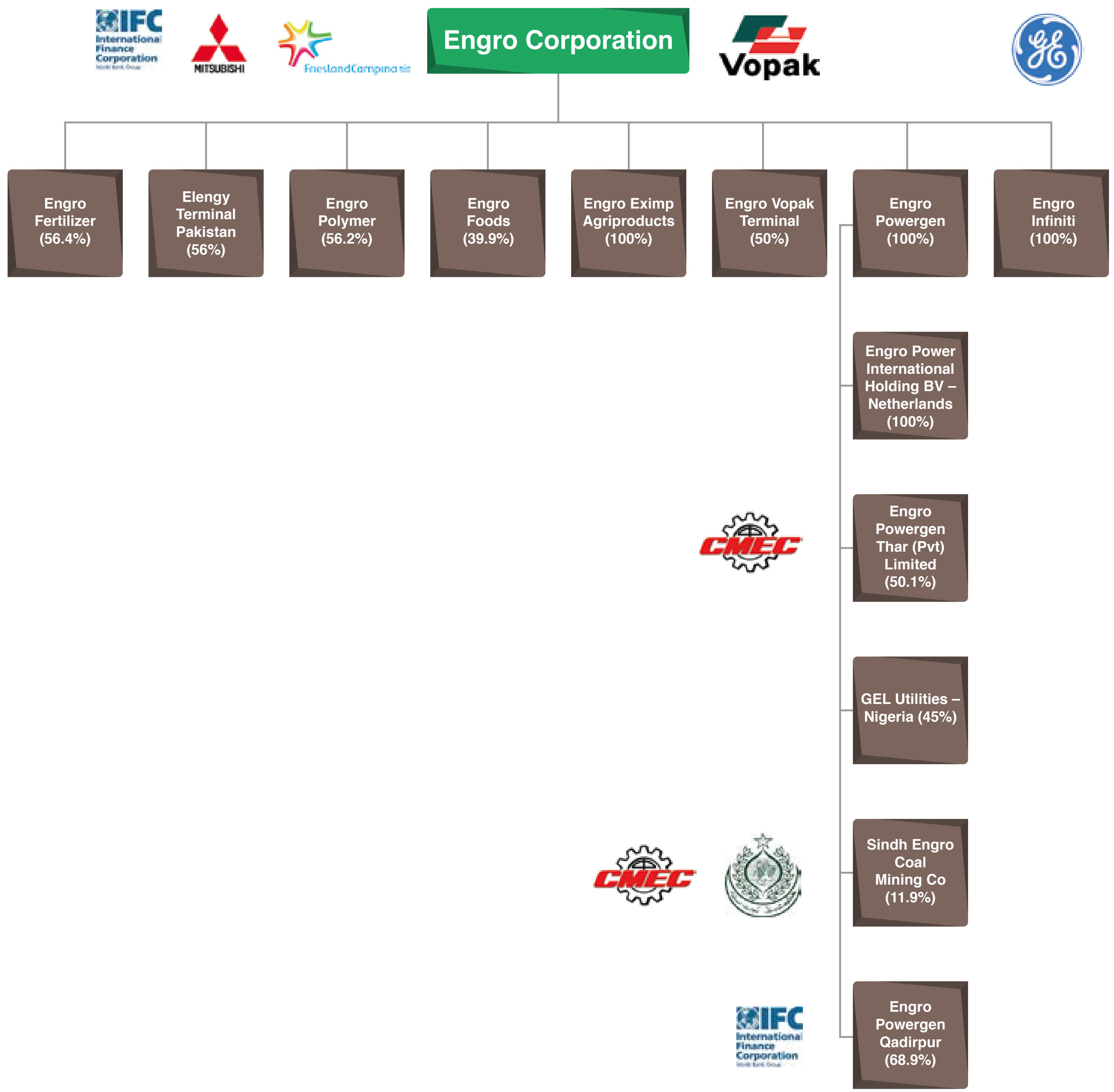
Engro Corporation – Conglomerate Overview and main Venture Partners



Awards, Achievements and Accreditations

DuPont Certification
DuPont analyzed Occupational Health and Industrial Hygiene (OHIH) Systems at EPCL Site.

DuPont assesses various safety and OHIH system of an organisation on a scale of '1' (basic systems in place) to '5' (sustained world class performance). In 2018, 3rd party audit was done for OHIH in which EPCL secured an above satisfactory rating.

QMS – ISO 9001 Certification
The Company has been ISO-9001 (Quality Management System) certified since 1999, which meant increased customer satisfaction via documented systems and procedures. The company continues to remain ISO9001 certified for Manufacturing and Sales of PVC Resin and Allied Chlor Vinyl Products vide the certification audit carried out by URS in 2018 according to latest standard (ISO 9001:2015), during which no non-compliances were reported.

EMS – ISO 14001 Certification
The Company is ISO-14001 (Environment Management System) certified by a credible third party (URS). Accordingly, the organization has amplified its focus on Health, Safety and Environmental Policies through re-certification. The company was audited in 2018 according to latest standard (ISO 14001:2015), during which no non-compliances were reported.

OHSAS – ISO 18001 Certification (Revised to ISO 45001)
The Company implemented OHSAS ISO-18001 (Occupational Health & Safety Administrative Series) in 2013. The company was audited in 2018 according to latest standard (ISO 45001:2015), during which no non-compliances were reported.

Green Office Certification
After moving to new Head Office, Initiative on Green Office Certification by WWF for Head office was taken. An audit was carried out in December 2018 for Paper Reduction, Energy Conservation and Waste Reduction, which were all found to be satisfactory by WWF and Head office has been Green office certified by WWF.

BSC Five Star
In 2018, EPCL was audited by consultant for BSC Five Star Environment in which EPCL secured a score of 89% and "Four Star" rating. It is a jump from the previous rating of "Three Star".

ISO/IEC 17025:2005
In 2018 EPCL Laboratory was granted ISO/IEC 17025 Accredition by Pakistan National Accredition Council (PNAC) ,which comes under Ministry Of Science & Technology. ISO/IEC 17025 is used by laboratories to develop & implement a quality management system which aims at improving their ability to consistently produce valid results by well-defined administrative and technical operations.

Unilever Responsible Sourcing Audit (URSA)
Unilever Responsible Sourcing Audit (URSA), a prerequisite for continuation of business with Unilever, consisting of major customers for the caustic product, was conducted in January, 2018 and was successfully concluded with an incompliance score of "10" (Critical Incompliances: ZERO, Minor Incompliances: ONE-10 points, Observations: ZERO) resulting in accreditation for "3 years". This year's 4 man-day audit tested us in the areas of Business Practices & Controls, Worker Remuneration, Rights, & Law Compliances, General Legal and Social Compliance, Health, Safety, and Environment – Practices, Compliances, and Controls. This incompliance score speaks volumes about our organization's practices, manufacturing division in particular, and validates our alignment with best international practices in all facets.

EPCL has obtained & maintained memberships of the following world renowned organizations as well to keep it aligned and updated on the best practices in all areas of Process and personnel safety:
- Center of Chemical Process Safety (CCPS)
- DuPont
- National Safety Council (NSC)

Credibility

PACRA Credit Ratings

During 2018, the credit rating of EPCL was upgraded twice. In January, PACRA upgraded the Long-term / Short-term rating of Company from "A / A1" to "A+ / A1+". Owing to the Company's promising fundamentals and strong liquidity, the PACRA upgraded and JCR-VIS assigned "AA- / A1+" credit rating to EPCL which is highest ever in the history of the Company.

Strong rating is a testimony to the fact that the Company has achieved operational consolidation and has promising fundamentals. The upgradation of credit rating has been helpful in gaining investors' trust in the Company during major financial re-structuring exercise undertaken by the Company during the year

Best Corporate Report Awards

The Joint Evaluation Committee of ICAP-ICMAP awards 'Best Corporate Report' in different sectors. The Annual Report for 2017 was awarded second place by the committee.

Earlier, the Annual Report for 2013 was awarded first prize by the committee and then subsequently second prize on annual reports for 2009, 2010, 2014, 2015 and 2016 in chemical sector.

AGM Issues & Responses

The Annual General Meeting of the Company was held on March 29, 2018. During the meeting, several questions pertaining to the Company's business were asked by the shareholders which were answered satisfactorily by the CEO. Thereupon, the meeting was concluded without any pending query on unresolved issue.

POWER OF DETERMINATION

Greatness is not easily achieved; it takes determination, will power and eagerness to prove to oneself that yes nothing is beyond the power of determination. It is with this spirit that Engro Polymer undertakes each endeavor and challenge that comes its way.

CORPORATE GOVERNANCE

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Governance Framework

Our Governance Framework is designed to ensure that the Company embodies its Core Values and Principles, institutionalising excellence in everything that we do. Driven by the highest standards of integrity, transparency and zeal to protect stakeholders' value, EPCL has ordinated it's Governance Framework on the industry's best practices. The Board of Directors and Senior Management place a significant emphasis on internal controls, which trickles down to each and every employee in the Company.

Our Corporate Governance is grounded on the basis of proper Management policies and the Organisation conforms to accepted guidelines of Pakistan Stock Exchange Limited as well as the Securities and Exchange Commission of Pakistan (SECP). The Board of Directors is committed to honest, ethical, knowledgeable and comprehensive management and to implement good Corporate Governance as a means of accomplishing maximum success and effectiveness for the Company, Corporate Governance is a tool for enhancing and reinforcing our values and sustainable growth. Developing good Corporate Governance is an iterative process and aims to incorporate standards that are universally practiced and appreciated.

The Internal Environment

The Organisation is structured in a way that corresponds well to its business plan and responsibilities are clearly assigned to each department. High quality personnel are hired and given continuous opportunities to develop knowledge and competencies, and represent the Company's commitment to ethical and professional business standards. The Organisation also encourages employees to participate as well as understand their work, while instilling in them the responsibility of reducing risk. Work is consistently being upgraded, improved and fashioned in such a way that internal controls form an integral part of operations. Operating manuals of key functions have been produced to ensure effciency of operations and avoid the duplication of effort.

Internal Control Framework

Responsibility

The Board is ultimately responsible for EPCL's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure in achieving Business Objectives and provides reasonable assurance against material misstatements or losses that the Company could possibly face.

The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive Officer.

Framework

An established control framework is maintained by the Organisation, constituting clear structures, authority limits and accountabilities. All Policies and Standard Operating Procedures are properly documented in operating manuals. Both Corporate Strategy and the Company's Business Objectives are established by the Board, after which they are integrated by Divisional Management into business strategies with supporting Financial Objectives.

Risk Assessment

EPCL conducts its operations keeping in view of the risks involved and has instituted measures to control risk and ensure that it remains manageable. In this way, damage due to risk is minimised and stability is ensured. Long-term and annual plans are designed ensuring that concrete measures of success can be obtained. Auditing operations and insurance measures are also continuously improved with the help of various tools in the effort to reduce risk.

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Control Activities

The Company has determined a number of control activities that are in accordance with the nature of business operations and has assigned responsibilities in such a way that mutual supervision is in effect.

Information Systems' Governance Framework and Safety of Accounting Records

EPCL information systems from 1st of Jan 2018 are being driven by ECORP IS laying down a Digitization Strategy 2020 for EPCL with the vision of 'Digitization' of processes & Information to make the organization Paperless & Wireless thereby, enabling the employees to Work from anywhere, anytime & from any device. It will also harness on automation to deliver 'Sales Operations without Human Intervention'. This is a 3 year program in which major applications will be going live by Q3' 2019.

The driving force of the Digitization IT Strategy 2020 is to improve the business end to end, be it operations, manufacturing, supply chain or engaging with customers to generate a value that creates a sustainable impact in the growth of EPCL. The Information Systems, Governance Framework sets minimum control requirements for Information Systems that must be met by all businesses across EPCL. It also lays down the various policies related to the Management, usage and protection of EPCL's Information Systems provisions.

The framework is aligned to the industry's standard Control Objectives for Information and Related Technology (COBIT) ISO 27001 and ITIL v3. EPCL maintains a robust system for the maintenance of its books of accounts, including detailed contingency plans for their safekeeping and recovery in the event of a disaster. The Company fully complies with the regulatory requirements envisaged in the Companies Act 2017 the listing regulations and the relevant pronouncements thereunder.

Conflict of Interest Policy

At Engro Polymer & Chemicals Limited, every employee, director and executive are required to avoid any direct or indirect interests, which might conflict with the interests of the Company when dealing with customers, suppliers, contractors, competitors or any other person or organisation doing or seeking to do business with the Company or any affiliate.

Additionally, in the event of such conflicts arising in the conduct of employees', executives' or directors' personal affairs, including transactions in securities of the Company, of any affiliate, or of any unaffiliated company having a business relationship with Company interests, full compliance to the restrictions and set of disclosures requirements laid down by the Management should be ensured. A robust mechanism to report exceptions, if any, has been established within the Company.

Investor Relations Policy

Engro Polymer & Chemicals Limited strives to develop and maintain trustworthy relations with its stakeholders, including shareholders and investors. It recognises the importance of timely and fair disclosure of all material information to them, without advantage to any particular investor, group or investment advisor / analyst, in order to enable them to make informed decisions about investing in the Company's equity and other debt instruments.

- The Company will ensure that Shareholders are able to contact the shares Registrar of the company for shareholders matters and investors complaints.
- The Company will disclose all material information in a fair and transparent manner in compliance with legal requirements and listing regulations of the stock exchanges where it is listed.
- It may also disclose, through designated spokespersons, other financial or non-financial information that it considers useful for enhancing stakeholders understanding. This may be done through analyst briefings, press releases, television programs or postings on the Company's website.
- Where it makes any forward-looking statements / projections based upon information available at the time of disclosure or assumptions of future events. It will qualify such statements by disclosing the factors that could cause actual results to materially differ from those being implied in such statements.
- To prevent information leaks and maintain fairness in disclosure the Company will observe a "quiet period" prior to the announcement of quarterly / annual results, during which it will decline to respond to inquiries about its business performance and related matters.

HSE Performance 2018

Safety is top of the core values of the company. Management commitment and employees' adherence to the rules and procedures led to another safe year. The company met all its Safety KPIs defined for 2018. With only one medical treatment case, Total Recordable Injury Rate (TRIR) closed at 0.05 way below the target of 0.17, setting new heights and higher benchmarks for the years to come. Fleet Accident Frequency Rate (FAFR) closed at 0.994. Process Safety Total Incident Rate (PSTIR) for 2018 was 1.60.

As part of the Road map for audits, the company went through multiple 2nd and 3rd party surveillance audits:

- DuPont OHIH Audit rating was satisfactory in 2018
- IMS Audit of EPCL was successfully conducted on new standards of ISO 9001, ISO 14001 and OHSAS 45001 without any non-conformance
- Insurer Risk Survey by Marsh & McLennan
- BSC Five Star Environment Standard achieving 4 stars in 2nd Party Audit

Several other key activities took place which helped in effective management of already robust and time-tested systems that include:

- Environment Impact Assessment (EIA) NOC for Expansion of EPCL PVC and VCM DBN was approved from Sindh EPA.
- Process Hazard Analysis (PHA) exercise conducted as per plan in addition to PVC-III Pre-authorization and design PHA along with Baseline PHA of Caustic Flaker Project.
- 1st ever CCPS Conference in Pakistan was hosted by EPCL on 22nd Nov'18 that hosted multiple nation-wide industries and institutes along with representatives from Middle East, South-Africa and Japan.

HSE Policy

"To be recognized as a world class performer in the field of Health, Safety & Environmental Management"

Engro Polymer will:

- Conduct its business in a manner that protects the health and safety of employees, contractors, others involved in our operations and the community in which we operate.
- Continuously improve environmental performance to achieve sustainable development.
- Strengthen its business by making Health, Safety & Environment (HSE) considerations an integral part of all business activities.
- Comply with all laws & regulations.
- Practice transparent public reporting of the HSE performance.
- Ensure that HSE is a major responsibility of appropriately trained, empowered & accountable employees & management.
- Promote a culture of learning & practicing HSE management among employees and contractors.
- Encourage off the Job HSE awareness among employees and families.

To achieve these objectives, Engro Polymer Shall:

Health

- Identify and evaluate health risks related to its operations that potentially affect its employees, contractors or the public.
- Provide structured, risk based occupational health and industrial hygiene program, with a focus on health promotion and prevention, reporting and investigation of Occupational illnesses.
- Implement programs and appropriate protective measures to control such risks, including appropriate monitoring of its potentially affected employees. Carry out pre-employment and periodic medical check-up of its employees.
- Provide or arrange for medical services necessary for the treatment of employee occupational illness or injuries and for handling medical emergencies.

Safety

- Implement a rigorous system of Process Safety Risk Management.
- Institutionalize behavioral safety practices using the Personnel Safety Management System.
- Keep abreast of the latest international codes, standards and practices and adopting the same where applicable.

Environment

- Comply with all applicable environmental laws, regulations and apply responsible standards where laws and regulations do not exist.
- Conserve natural resources & energy by continuously improving our processes and measuring performance.
- Continuously improve our processes to minimise pollution and waste.

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Cardinal Rules

- Mandatory to report all "On the job" unsafe act / condition, near miss and incident.
- Mandatory to follow Company Policies, Safety Rules and Laws.
- Work with a valid work permit.
- Wear mandatory PPEs in designated areas
- Bypassing Safety Critical device without authorisation is prohibited
- Lighting a flame without authorisation is prohibited
- Walking under a suspended load is prohibited
- Engaging in or provoking horseplay or fighting within Company premises is prohibited
- Damaging Company property intentionally is prohibited
- Sleeping & carrying mobile phones in Plant operating areas is prohibited
- Bringing weapon or intoxicant on site is prohibited
- Making video / picture of plant site areas is not allowed

Not following the above rules will be treated as Misconduct.

Jahangir Waheed
Vice President Manufacturing
Engro Polymer and Chemicals Limited

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Driving Safety Policy

The safety and wellbeing of our employees & contractors is of foremost importance to the Organisation. We, therefore, have a responsibility of not only safeguarding ourselves when on the road, but also to play our part to protect those around us.

It is incumbent on all company employees, whether permanent or on contract, when driving or being driven, on company business, to consistently apply & follow driving safety rules as below:

- Be in possession of valid driving license while driving.
- Wear seat belts on front seats in cars and on designated seats in other vehicles being used for company business.
- Wearing of crash helmets for both motor cycle drivers and pillion riders. Texting or using cell phone while driving is illegal in Pakistan. In case of dire need, stop the vehicle in a safe area to text or use the cell phone, or have a passenger operate it.
- Use of alcohol and drugs is prohibited. Use of other substances, including certain cold or allergy medications which may cause drowsiness and impair driving ability, should be used with caution.
- Follow driving laws and regulations for road safety such as adherence to posted speed limits, directional signs, use of turn of signals and adopt defensive driving techniques.
- Promptly report any road accident to his / her supervisor in accordance with established procedures of incident reporting.

Imran Anwer
President and CEO
Engro Polymer and Chemicals Limited

Succession Planning

Every year at Engro Polymer & Chemicals Limited "Talent Review Sessions' are conducted. Main objective of talent review process is to map the succession plan of a department with the capacity, potential and career development needs of employees in order to develop a comprehensive Talent Management Plan. Talent review process is a series of structured, facilitated process where employees (direct reports) are reviewed in terms of their key strengths, career goals, stage of readiness, and areas for development and action plans. Outcome of these sessions has helped the Company in increasing the rate of internal moves as well as replacements.

Review

The Board meets at least once every quarter to consider the Organisation's financial performance, financial and operating budgets and forecasts, business growth and development plans, investment plans and other Key Performance Indicators. Post completion reviews are performed on all material investment expenditures.

Responsibilities of the Chairman

At EPCL, as per Code of Corporate Governance, Chairman along with other Board members play a major role in ensuring that the statutory and fiduciary duties of Directors are properly carried out and the Board, as a whole, functions effectively in deciding the Corporate Policy, while CEO and his Senior Executives devise the long-term and short-term operational plans for the Company.

Formal Orientation

The Human Resource department chalks out a formal orientation plan, which is followed at the induction of a new Board member. The orientation plan is devised to familiarise the new member with the business. Each Divisional Head of the Company takes them through a presentation pertaining to their own divisions and macro-level policies are discussed. Plant site and Head office visits are a part of this orientation plan.

Training Program for Directors

The Directors Training program has been completed by Mr.Ghias Uddin Khan, Mr.Imran Anwer and Mr.Feroz Rizvi during the preceding years and by Mr. Nadir Salar Qureshi and Mr. Hasnain Moochhala in the current year, from recognised institutions of Pakistan, approved by the SECP.

Whistleblower Policy

Speak out – the Whistleblowing system has been established by the Board as an integral part of governance at EPCL and it acts as an additional measure to promote and strengthen high standards of governance and business conduct.

EPCL expects all employees, suppliers and contractors to not only abide by the Company's Code of Business Conduct but also encourages all to speak out about any concerns they have regarding business ethics including corruption, frauds, incorrect financial reporting, violation of applicable Health, Safety & Environmental standards, harassment, discrimination, other unfair employment practices or other possible breaches of applicable laws and corporate policies.

All complaints and concerns can be reported directly or via divisional and department heads to the Corporate Audit Department and Chairman Audit Committee. EPCL provides opportunity for open and candid communication. All complaints and concerns are investigated confidentially. No cases of whistle blower reported in 2018.

Internal Audit

At EPCL, Internal Audit is an independent department functionally reporting to the Board Audit Committee and administratively to the CEO.

The Internal Audit department is responsible for impartially assessing the key risks of the Organisation appraising and reporting on the adequacy and effectiveness of EPCL's Risk Management and Internal Controls in financial, information systems and other business and operational areas. Internal Audit at EPCL provides recommendations which are taken up by Management to remediate control lapses. The observations are shared on a quarterly basis with Board Audit Committee, Chief Executive Officer and the concerned Divisional Management.

Internal Audit is also responsible for monitoring and reporting of ethical issues. All allegations in relation to breach of the Company's Code of Business Conduct are thoroughly investigated by Internal Audit in cooperation with management and subsequently reported to the Audit Committee.

It works in collaboration with the Business by taking up coaching responsibilities, driving performance improvement initiatives and closing internal control gaps. The role of Internal Audit Function continues to change in reaction to events, risk & regulation affecting the Company whilst ensuring that its mandate is aligned with the organizational objectives and risks.

Being integrated with the business – while maintaining strict independence – is very important at EPCL.

Salient features of Internal Audit Charter

Internal Audit provides independent, objective assurance and advisory services to evaluate and improve the effectiveness of the control environment, risk management and compliance processes and assesses whether these are adequate and functioning appropriately as intended to ensure:

- Significant financial, managerial and operating information is accurate, reliable and timely;
- Significant statutory or regulatory issues impacting the Company are recognised and addressed appropriately;
- Resources are acquired economically, used efficiently and protected adequately;
- Quality and continuous improvement are fostered in the Company's control process;
- Risks are appropriately identified and managed; and
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.

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Report of the Audit Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended 31st December 2018.Our key focus was to assist the Board of Directors in fulfilling their governance and stewardship responsibilities ensuring integrity of financial reporting and robustness of internal controls and risk management process at Engro Polymer & Chemicals Limited.

Audit Committee meetings take place ahead of Board meetings and the Audit Committee Chairman provides an update of the key issues discussed to the Board at each meeting. Minutes of Audit Committee meetings are provided to the Board and the External Auditors.

The terms of the Audit Committee's mandate are governed by the Board of Directors and the Code of Corporate Governance. The Head of Internal Audit acts as the Secretary of the committee. The Audit Committee met four times during the year 2018. The CFO and other departmental Heads were invited on a need basis for matters pertaining to their areas. As required by the Code, the Committee also independently met external and internal auditors during the year.

The Internal Audit plan was approved by the committee at the start of the year and was constantly evaluated to ensured that all major critical areas were covered in the plan. The relationship with the External Auditor worked well and the Audit Committee remained satisfied with its independence and effectiveness.

During 2018, the following key responsibilities were satisfactorily carried out by the Audit Committee:

- Ensuring compliance with the listed Companies (Code of Corporate Governance) Regulations 2017;
- Review of quarterly, half-yearly and annual financial statements of the Company prior to their approval by the Board of Directors, focusing on major judgmental areas, financial estimates, going concern assumption, compliance of accounting standards, local regulations and other statutory / regulatory requirements;
- Review of Related Party Transactions, ensuring that the pricing methods used were on terms equivalent to those that prevail on arm's length basis;
- Ensuring that proper, accurate and adequate accounting records have been maintained by the Company;
- Recommend on the appointment of the external auditors to the Board to be confirmed by the Company shareholders in the Annual General Meeting; and
- Review of Management Letter issued by external auditors and Management's response / actions plans.
- Over and above its core responsibilities, the Committee performed the following activities during 2018:
- Review of new policies / modifications to existing policies and Management's compliance with all Company's policies, procedures and guidelines;
- Review of the Enterprise Risk Management (ERM), register to ascertain that business risks are well identified and adequate action plans for mitigating risks are developed and implemented; and
- Review the Learn Share Improve (LSI) Reports raised during the year related to issues involving ethical, legal, policy & procedural violations;

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- Review of Internal audit reports and mitigation plans to improve controls as suggested by the internal audit team; and
- Whistleblower complaints lodged during the year were reviewed and appropriately investigated.

The Committee members possess extensive experience of Finance, Accounting, commercial and engineering and I am grateful for their contribution throughout the year. The Committee also appreciated the enthusiastic support of Management. The Committee will continue over the coming year to support and work with the Board to identify, monitor and mitigate potential risks through robust and appropriate control procedures and best practices of Corporate Governance.

The Committee assessed the 2018 Financial Statements as fair balanced and understandable and that it provided sufficient information to enable the shareholders to assess the performance.

Mr. Feroz Rizvi
Chairman of the Audit Committee
Engro Polymer and Chemicals Limited

Directors

As at December 31, 2018 the Board comprises of one Executive Director, one Independent Director, five Non-Executive Directors, four of whom are executives in other Engro Group companies, who have the collective responsibility for ensuring that the affairs of the Company are managed competently and with integrity.

A Non-Executive Director, Mr. Ghias Khan, Chairs the Board and the Chief Executive Officer is Mr. Imran Anwer. Biographical details of the Directors are given later in this section.

A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval. The full Board met 9 times this year and discussed matters relating to inter alia long term planning, giving consideration both to the opportunities and risks of future strategy.

All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on businesses and full papers on matters where the Board will be required to make a decision or give its approval.

Board Evaluation

The Listed Companies (Code of Corporate Governance) Regulations 2017, mandatorily requires evaluation of the Board of Directors as a whole, its Committees and the contribution of each Director to the strategic direction and steerage of the Company. In this regard, a comprehensive range of self-evaluation surveys were conducted in the Company with respect to the performance of its Board of Directors and Board Committees. Purposive feedback from all Board members was solicited on areas of strategic clarity & beliefs, direction of business plan and functional adequacy of its role.

Equally emphasised, the individual contribution of each Director was assessed and evaluated during the year by the Chairman of the Board highlighting significant areas of development for them.

Evaluation Criteria of Board Performance:

- Has clarity on Company beliefs, values and strategic / business plans
- Board meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues
- Quality material is received by Directors for Board meetings
- Board Members receive timely meeting notices along with advance written agendas
- Clear and concise background material for the meetings is provided
- Minutes of the Meeting are accurately documented
- Board receives timely reports on finances/budgets/compensation and other important matters
- Board Members respect the difference between the Board's policy making role and CEO's management role.
- Board goals, expectation, and concerns are communicated to the CEO
- Overall rating for the performance of the Board

Board Meetings and Attendance:

In 2018, the Board of Directors held 9 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Director's Name	Meetings Attended
Mr. Ghias Uddin Khan	7/9
Mr. Imran Anwer	9/9
Mr. Hasnain Moochhala	8/9
Mr. Noriyuki Koga	7/9
Mr. Nadir Salar Qureshi	6/9
Mr. Feroz Rizvi	8/9
Mr. Muhammad Asif Sultan Tajik	8/9

None of the Board meetings were conducted outside Pakistan

Board Audit Committee (BAC):

Four meetings were conducted during 2018.

Director's Name	Meetings Attended
Mr. Feroz Rizvi	4/4
Mr. Hasnain Moochhala	4/4
Mr. Noriyuki Koga*	3/4

** One of the meetings was attended by Mr. Noriyuki Koga through proxy.*

Board Compensation Committee (BCC):

Three BCC meetings during the year 2018.

Director's Name	Meetings Attended
Mr. Ghias Uddin Khan	3/3
Mr. Feroz Rizvi	3/3
Mr. Noriyuki Koga*	1/3
Mr. Nadir S Qureshi	1/3

** One of the meetings was attended by Mr. Noriyuki Koga through proxy.*

Enterprise Risk Management

EPCL launched the Lean Enterprise Risk Management (ERM) in 2011. It is the policy of EPCL to view Risk Management as integral to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives.

Operating in a highly dynamic environment mandates assessment of organization strategy and quantum of risks that the entity is willing to accept by adequately assigning responsibilities throughout the organization. It is a continuous cycle led by the Chief Risk Officer (CRO), endorsed by the Board of Directors and Management, with the objective of proactively managing risks across the company over the years.

Business Risk and Challenges

Risk 1 - Reduction of duty protection on PVC and Caustic Soda

Impact - Duty provides an incentive to local manufacturers, absence of Duty would make domestic players vulnerable to unfair competition.

Strategy - EPCL has been proactively working with regulatory bodies and has presented its case for protection of domestic industry to the government. The company produces quality products at market competitive rates that will need duty protection, as is a practice in most other countries.

Risk 2 - Continuity of natural gas supply for operations

Impact - Operations would have to be curtailed and product would not be available for sale to customers

Strategy - EPCL has contacted relevant authorities and has explained the catastrophic impact of curtailment of natural gas supply on downstream industry in general and textile industry in particular. Further, it has also been explained that curtailment of textile industry production due to non-availability of EPCL's product would also have an adverse impact on exports and precious foreign exchange earnings.

Risk 3 - Increase in Raw Material duty

Impact - Cost of production will go up.

Strategy - EPCL has been proactively working with regulatory bodies and has presented its case for protection of domestic industry to the government. The company produces quality products at market competitive rates that will need duty protection to compete with bigger international competition, as is a practice in most other countries.

Risk 4 - Dumping of PVC products by international market

Impact - Dumped products are available at less than market competitive rates hampering the pricing capability for EPCL.

Strategy - EPCL has been presenting its case to National Tariff Commission (NTC) as a result of which final Anti-Dumping Duty has been imposed on China, Taiwan, South Korea and Thailand during 2018. However, dumping has started from other regions for which NTC is being approached.

Risk 5 - Operational Issues at Plant

Impact - Plant operations are imperative for EPCL to maintain its position as key supplier to domestic market. Disruptions in plant operations compromise the current position of EPCL.

Strategy - Ensure sustainable operations via continuously monitoring plant operations. Identifying potential impediments in plant operations and terminate at initial stages. The company has ensured sustainable operations at VCM and PVC and successfully managed to complete debottlenecking of the plant.

Risk 6 - Increase in Natural Gas Price

Impact - Gas prices have a magnified impact on EPCL's bottom line as processes are energy intensive.

Strategy - EPCL has implemented several energy conservation projects and has tested planned several other energy efficiency projects which would partially insulate the bottom line from the impact of increasing natural gas prices.

Treasury Management

Liquidity Risk Management

Liquidity Management is a crucial aspect of our business owing to a combination of various external factors including volatility in international commodity prices, currency exchange rate and gas prices. The company diligently monitors current and future cash position of the company. Frequent cash forecasting enables the company to determine capital requirements, with a clear distinction between short term and long-term funding. Long term cash requirements are measured in our Corporate Planning Cycle over a 5-year horizon. Peak cash cycles are mitigated using approved lines of credit. Excess cash is placed in various investment instruments to earn the best possible returns which include saving accounts, government securities and mutual fund units. Overall working capital cycle in days of the company, remains positive as our sales are mostly based on cash while we enjoy credit from our raw material suppliers.

Foreign Exchange Risk Management

EPCL's revenues and import liabilities are subject to foreign exchange volatility. PVC revenue is determined in US Dollars with reference to international PVC pricing. However, PVC Revenue determination mechanism provides a natural hedge against foreign exchange fluctuation exposure on USD denominated liabilities. Furthermore, the company frequently monitors its Net Foreign Currency liabilities exposure and takes decisions accordingly to restrict the downside from currency devaluation by booking forward contracts on usance import LCs (in case they are available).

Interest Rate Risk Management

The company's capital structure involves sizeable leverage exposing EPCL to interest rate risk. As of December 31, 2018 outstanding KIBOR based borrowings stood at Rs. 7,500Mn. As part of treasury operations, the company will continue to evaluate various derivative contracts to hedge against interest rate risk (in case they are available).

Credit Risk Management

The company diligently monitors and manages the credit quality of its financial assets. Exposure to credit risk is minimal as unsecured receivables from customers and advances to vendors are restricted. Most of trade debt is secured by bank guarantees and letter of credits, accepted only through financial institutions with credit ratings as approved by the Board. Credit risk with regards to investments is limited, as the Company places its idle funds in government securities and with institutions approved by the Board or with institutions possessing minimum credit ratings as approved by the Board.

Management Approach

Materiality Approach Adopted by Management:

Material levels, other than those provided under regulations, are judgmental and may vary substantially from scenario to scenario. Matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company.

Procedures Adopted for Quality Assurance of Products / Services:

We benchmark the quality of our product with international players to ensure provision of optimum value for money to our customers. Therefore, the Company's flagship brand 'SABZ' has become synonymous to quality PVC in the country.

Shariah Advisor

During the capital raising/re-profiling exercise, the Company appointed Ehsan Shariah Advisor And Consultants for shariah advisory in respect of agreement and term sheets pertaining to IFC agreement signed during the year and SUKUK instrument issued post balance sheet date.

BOARD OF DIRECTORS

Profile of Directors

Ghias Uddin Khan
Chairman

Ghias Uddin Khan is the President and Chief Executive Officer of Engro Corporation Limited. Before being appointed President and CEO on December 1st 2016 he had held several executive and board roles across Dawood Hercules Group companies.

Joining Dawood group via acquisition in 2005, Ghias was the CEO of Inbox Business Technologies one of Pakistan's largest technology companies. During his 15 years at Inbox Ghias grew the employees to over 1900, and pivoted the company from a computer manufacturer to a systems integrator, and then again to a technology enabled digital services company.

Most recently Ghias was the Executive Director & Head of the Chairman's Corporate Office at Dawood Hercules. He was the principal aide of the Chairman of the Group on a range of matters of institutional importance including but not limited to board governance, communications, external relationships and special projects. Ghias also served as Chairman of Elixir Securities from 2011-2014. Ghias is a strong believer in the social enterprise and the responsibility of businesses to environmental and human wellbeing. Ghias holds an MBA from the Institute of Business Administration in Karachi.

Imran Anwer
Chief Executive Officer

Imran is a Chartered Accountant with over 20 years of experience. Before becoming the CEO of Engro Polymer in 2015, he was VP Business Development and Finance at Engro Foods since 2005, prior to which he worked for PwC Karachi and Deloitte & Touche Jeddah.

Profile of Directors

Feroz Rizvi
Director

Mr. Rizvi qualified as a Chartered Accountant from England and Wales. On return to Pakistan he joined ICI Pakistan Ltd and moved through various business on function including a period of secondment to ICI Head Office in London, retired from the company as Finance Director. Mr. Rizvi has vast experience in the field of Corporate Finance, Strategy Corporate Restructuring merger and acquisition. He has worked in Pakistan, UK and Saudi Arabia.

Noriyuki Koga
Director

Mr. Noriyuki Koga joined Mitsubishi Corporation in 1992 and has held several positions during this time. He is currently the General Manager of Mitsubishi Corporation's Chlor-Alkali Department and has a degree in Law from Keio University in Japan. He joined the EPCL Board in 2017.

Profile of Directors

Nadir Salar
Director

Nadir joined Engro Corporation in March 2017 as Chief Strategy Officer. He is responsible for leading the deployment of the Rs. 60 billion in cash on Engro's balance sheet and devising optimal strategies for Engro's existing $1.3 billion portfolio of diverse businesses. In December of 2018 he assumed the additional responsibility of Chief Executive Officer of Engro Fertilizers Ltd, the groups largest and also separately listed entity

He brings with him expertise in multiple sectors across the GCC, Turkey, Australia, ASEAN and the EU. He has extensive experience in consulting, private equity and finance. Nadir began his career with Engro Chemical Pakistan Ltd as a Business Analyst and then moved on to organizations such as Hub Power Company, Bain & Company (Singapore), Carrier Corporation (Singapore and Australia) and Abraaj Capital (Dubai), leading up to his most recent role for the last half decade as Chief Investment Officer at Makara Capital in Singapore. Nadir is currently a director on the boards of Engro Fertilizers Limited, Engro Powergen Limited, Engro Polymer Limited and Engro Vopak Terminal Limited.

He completed his MBA from Harvard Business School, and his Bachelors & Masters degrees in Nuclear Engineering from MIT.

Mohammad Asif Sultan Tajik
Director

Asif holds a degree in mechanical Engineer from NED University and in addition has a post graduate degree in Business Administration from IBA. He has over 33 years of service of which the last 27 years have been with Exxon/Engro Fertilizers. He started his career with the armed forces of Pakistan and served as a captain in EME for 4 years His last three executive positions in Engro have been as GM Manufacturing Engro Fert Daharki, VP Manufacturing Engro Polymers & Chemicals and VP HR Engro Fertilizers before taking up the position of Sr VP Manufacturing Engro Fertilizers Daharki

Profile of Directors

Hasnain Moochhala
Director

Hasnain Moochhala joined Engro Corporation Limited as Chief Financial Officer in June 2017. Prior to that he has had career in Commercial Finance, M&A, Corporate Governance, Treasury and Audit over 30 years across Europe and Asia. The last 20 years of his career has been with Royal Dutch Shell in various roles including Finance Director Shell Pakistan, Head of Finance for Shell Lubricants Asia Pac, Head of Downstream M&A East and Finance Manager Upstream Joint Ventures.

With extensive local and global experience, Hasnain has partnered with businesses of significant size across China, South and East Asia, delivering turnaround business performance whilst ensuring robust business controls and compliance in matrixed and complex environments. His key achievements in his prior roles encompass a strong record in the delivery of material M&A transactions, the formulation of global best practice in Joint Venture Governance, cost leadership and the building and sustaining of strategic partnerships with various stakeholders. Hasnain has also led, coached and mentored local teams in Singapore and Pakistan, as well as virtual teams across Asia Pacific and Europe.

Principal Board Committees

Board Audit Committee (BAC)

The Board Audit Committee meets at minimum once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of Internal Control, Risk Management and the Audit Processes. The BAC has the power to call for information from the Management and to consult directly with external auditors or their advisors as considered appropriate. The Chief Financial officer and the Head of Internal Audit regularly attend BAC meetings by invitation to discuss matters relating to financial statements and audits. The Committee also frequently meets with external auditors independently. The Committee met 4 times during 2018.

Members

Mr. Feroz Rizvi (Chairman)- Independent Director
Mr. Hasnain Moochhala (Director)- Non Executive Director
Mr. Noriyuki Koga (Director)- Non Executive Director

Secretary

Mr. Vijay Kumar

Board Compensation Committee (BCC)

The Board Compensation Committee meets with the aim of reviewing and recommending all elements of the compensation system, as well as the Organisation and employee development policies relating to Senior Executives including Members of the Management Committee. It reviews the key human resource initiatives and the organisational structure of the Company.

The President attends BCC meetings by invitaion, and the Committee met twice during 2017. The Memebers of the Committee are as follows:

Members

Mr. Feroz Rizvi (Director)- Independent Director
Mr. Ghias Uddin Khan (Member)- Non Executive Director
Mr. Noriyuki Koga (Member)- Non Executive Director
Mr. Nadir Salar (Member)- Non Executive Director

Secretary

Mr. Salman Hafeez

Functional Committees

Management Committee

Imran Anwer (Chairman)
Jahangir Waheed (Member)
Syed Abbas Raza (Member)
Syed Ali Akbar (Member)
A. Qayoom Shaikh (Member)
Salman Hafeez (Member)
Aneeq Ahmed (Member & Secretary)

Committee for Organization & Employee Development (COED)

Imran Anwer (Chairman)
Jahangir Waheed (Member)
Syed Abbas Raza (Member)
Syed Ali Akbar (Member)
A. Qayoom Shaikh (Member)
Aneeq Ahmed (Member)
Salman Hafeez (Member & Secretary)

Salary & Compensation Committee (SCC)

Jahangir Waheed (Chairman)
Aneeq Ahmed (Member)
Salman Hafeez (Member)
Asif Rasul Khan (Member)
Rizwan Ahmed Taqi (Member)
Syed Khurram Hussain (Member)
Rahim Virani (Secretary)

Corporate HSE

Imran Anwer (Chairman)
Jahangir Waheed (Member)
Syed Abbas Raza (Member)
Syed Ali Akbar (Member)
A. Qayoom Shaikh (Member)
Salman Hafeez (Member)
Aneeq Ahmed (Member)
Mati-ur-Rab Siddiqui (Secretary)

Inquiry Committee
(Harassment of Women at the Workplace Act 2010)

Jahangir Waheed (Chairman)
Vijay Kumar (Secretary)
Aneeq Ahmed (Member & Secretary)
Aliya Asad (Member)

MANAGEMENT COMMITTEE

Management Committee

Imran Anwer
Chairman

Imran is a Chartered Accountant with over 20 years of experience. Before becoming the CEO of Engro Polymers in 2015, he was VP Business Development and Finance at Engro Foods since 2005, prior to which he worked for PwC Karachi and Deloitte & Touche Jeddah.

Jahangir Waheed
Member

Jahangir is Vice President Manufacturing at Engro Polymer & Chemicals. He brings with him almost 30 years of manufacturing experience, and has held key positions at Engro Fertilizer, Engro Powergen and SAFCO KSA. Jahangir completed his Masters in Chemical Engineering with specialization in Research in Industrial Computerized Control from King Fahad University KSA in 1987.

Syed Abbas Raza
Member

Abbas is an experienced professional with degrees in Management Accounting, Business Administration and Electrical Engineering. Prior to joining EPCL, he was working for General Mills, a US multinational, as Finance Director for their South East Asia business, based out of Singapore. Before General Mills, he had a distinguished career with Procter & Gamble spanning almost 2 decades during which he worked in various senior positions in Pakistan, Middle East, Europe and Africa. His last position was CFO, Procter & Gamble, Pakistan.

Syed Ali Akbar
Member

Ali has been associated with EPCL since 1998, he has held several positions in the Company including Services and Training Manager, Operations Manager and Commissioning and Startup Manager. He has a Bachelors in Chemical Engineering from Dawood College of Engineering and Technology.

Salman Hafeez
Member

Salman has over 15 years of experience in Human Resources, Organization Development and HR Business Partner. He has been associated with top MNCs in his career in different roles in FMCG, Banking as well as Telecommunication Industry. Prior to joining EPCL, he was associated with Jazz (Mobilink) as Regional Head HR (South). He has also worked at Standard Chartered Bank as Senior Talent Acquisition Manager and for Philip Morris Pakistan as an HR Business Partner, Management & Organization Development Manager as well as National Training Manager. He holds a Master's degree from Iqra University.

Abdul Qayoom Shaikh
Member

Abdul Qayoom Shaikh started his career at Engro Polymer and Chemicals as a graduate trainee engineer in 2001. He has spent the last fifteen years in different key positions at EPCL. He was previously heading the Operations department and took over as Technical Manager in 2015. Currently he has been rotated to the position of Marketing Manager. He has a bachelor's degree in Chemical Engineering from NED University.

Aneeq Ahmed
Member & Secretary

Aneeq Ahmed started his career at Engro Polymer & Chemicals as graduate trainee engineer and is currently heading Company's Supply Chain Division. In his illustrious career spanning over 16 years, he has held several key positions and roles in the Company including Unit Manager Stationary and Rotary Equipment Maintenance, Maintenance Department Head, and PVC / VCM Plants' Debottlenecking and Capacity Enhancement Project Lead. Aneeq has a bachelor's degree in Mechanical Engineering from NED University of Engineering and Technology and master's degree in Business Administration from Institute of Business Administration.

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Chairman's Review

Dear Shareholders,

On the macroeconomic front, 2018, remained a challenging year. The year started off on a high note particularly due to high government spending which stimulated the construction related sectors. However, dynamic political landscape started to take its toll on the domestic economy resulting in steep currency devaluation and weakening domestic consumption. We are hopeful that strong conviction on part of government to reform the economy will translate into tangible actions and result in improvement in the overall economic sentiment.

For Engro Polymer & Chemicals Limited, the year 2018 proved to be a year of economic consolidation. The Company performed well on health, safety & environment standards, completed debottlenecking of PVC and VCM while maintaining smooth Plant operations, completed initial ground work for capacity expansions, achieved strong operational performance, maintained market share in PVC and Chlor Alkali segments and most importantly developed a strong balance sheet by shifting repayments of long-term loans to 2024, enabling the Company to capitalize on the opportunities that will come our way and are aligned with our vision. We strongly believe that now Engro Polymer & Chemicals is well positioned to capitalize on the promising potential presented by the polymers and allied chemicals space in Pakistan. In this regard, we have announced several projects in 2018 and continue to explore other business options to maximize shareholder value.

I feel it is important to reiterate that our PVC expansion project is progressing well as we have completed the initial ground work. Post expansion, we will not only be able to fulfil the growing domestic demand of PVC but will also earn foreign exchange by means of exports.

While we remain steadfast towards creating value for our stakeholders, there are some challenges that pose threat to business and can also be addressed through government support. They are, curtailment of gas supply and dumping of PVC post anti-dumping duty. I would like to take this opportunity to highlight that recent talks of gas supply curtailment to EPCL will be detrimental for business, our Chlor Alkali products are fundamental feedstock to textile sector and any production loss on Chlor Alkali translates into loss of textile production and hence loss of export revenue. In the same way, any curtailment on PVC means higher import of PVC in the country and drain of precious foreign exchange. We therefore urge the government to exempt EPCL from gas load shedding and ensure continuous gas supply. Second major challenge pertains to dumping of PVC in Pakistan, in 2018, anti-dumping duty was imposed on PVC, this was expected to stop dumping however, it only changed the source of dumping. Subsequent to imposition of anti-dumping duty on Asian countries, the country started to witness dumping of PVC from North America and Europe which is hindering our potential economic value creation. It is important that government provides conducive environment to local players particularly those who are contributing to save foreign exchange and have committed capital towards expansion.

I am pleased to inform that EPCL board has played a pivotal role in steering the Company during this year of growth and expansion. In addition, Board has played an active role via Board Audit Committee (BAC) and Board Compensation Committee (BCC) to oversee critical aspects from governance perspective.
Moving forward, the Company aims to create value by investing in promising business ventures, technological advancement & cost management initiatives while adhering to strict protocols of safety and business ethics.

Mr. Ghias Uddin Khan
Chairman-Board of Director

Year 2018 was a historic year for Engro Polymer & Chemicals Limited. The Company posted highest ever profit after tax of Rs. 4,390 Mn against profit after tax of Rs. 2,053 posted last year. It delivered these stellar business results while maintaining high standards of operational safety and achieved 16.73 Mn man-hours without Lost Work-time Injury. This outstanding performance in the critical area of operational safety was made possible by continuous and unrelenting focus in the areas of Health, Safety and Environment.

The international PVC market remained robust in 2018, driven particularly by demand in Asia. Asian markets demand currently drives ~ 66% of the global PVC appetite. South Asia remains a PVC starved region with demand continuing to exceed supply. This makes South Asia one of the biggest global importers of PVC. Domestic PVC market posted a growth of 8% against last year. Despite strong growth, Pakistan's per capita PVC consumption remains much lower than regional averages. Currently, EPCL fulfills bulk of the domestic market demand, while remaining gap is fulfilled through imports. Major concern with regards to imports remains dumping of PVC material through various import channels. Some respite has been provided on this front by imposition of Anti-Dumping Duty on imports from four distinct geographical regions, however, new dumping channels from other regions have emerged. This is an area of concern for the company and for which support from National Tariff Commission will be sought.

President's Review

On Chlor-Alkali front, the domestic market remained competitive, however, growing domestic demand dynamics provided much needed breather to business. During the last quarter of the year, margins came under pressure due to increase in natural gas prices by 30% which were offset to an extent by increased prices. Adverse impact of natural gas price will be partially offset due to membrane replacement project completed during the year. Going forward, continuous supply of natural gas and natural gas prices would remain a challenge for the sector. It is also important to note that any adverse impact on this sector due to non-availability of natural gas would also bear catastrophic impact on exports driving, foreign exchange earning textile sector for which caustic soda is a critical input material.

On operational front, completion of PVC/VCM de-bottlenecking resulted in highest ever production of both PVC and VCM in 2018. Higher PVC/VCM production at EPCL helped in meeting domestic demand, saving precious foreign exchange for the country and helping company improve its profitability. With the spirit "to lead Pakistan in Polymers and allied chemicals with International Footprint", EPCL had announced a CAPEX plan of Rs. 10.3B towards the end of 2017. This capital expenditure included the mega expansion projects of PVC by an incremental 100KT and VCM by 50KT. Significant progress has already been made on this front as kick-off meetings with contractors in China have been conducted, Letter of Credit in favor of contractor has been established with detailed engineering work in progress. In addition, procurement for VCM debottlenecking equipment is also progressing well.

Improved business performance and strong growth prospects helped EPCL achieve credit ratings of AA-/A1+ from PACRA and JCR-VIS in 2018. During the year, EPCL also completed IFC financing for expansion projects and also raised equity through issuance of right shares. Further, the Company has also completed issuance of SUKUK worth 8.75B post year-end balance sheet date which has a grace period of 5.5 years and a principal repayment period of 2 years post the grace period. The proceeds will be used to retire the existing long term debt.

EPCL remained cognizant about organizational development needs and in this regard, several initiatives were initiated during the year for example Harvard Manage Mentor program, bite sized learning programs, supervisory and leadership skills training, etc. At EPCL, creating a strong business and building a better world are not conflicting goals but are both essential ingredients for long-term business success. Keeping that in view, EPCL undertook several initiatives worth Rs. 85 Mn within the ambit of Corporate social responsibility for the development and emancipation of the underprivileged. In this regard, collaboration with Citizens Foundation continued to establish two new purpose-built schools with the aim to provide quality education to 1,200 children. Moreover, an agreement has been signed with SINA to establish health care unit for nearby community residents.

Value creation for our shareholders has been our key objective. In this regard, the Company also announced product portfolio diversification plans via entering into production of Hydrogen Per Oxide. Primary raw material for production of Hydrogen Per Oxide is Hydrogen which is derived by EPCL as part of caustic manufacturing process. Currently, Hydrogen is largely being used as fuel which is not the best value creation for Hydrogen. Hence, to unlock greater value of Hydrogen already in the system, EPCL will enter into the business through a green field manufacturing facility. Going forward, domestic demand, energy dynamics and the international vinyl chain prices will continue to play a vital role in Company's profitability. This, in addition to support from the regulatory bodies on Anti-Dumping Duty will be key to ensuring continued value creation in the future.

EPCL will continue striving to serve the domestic market by delivering volumes and quality to create a sustainable value chain for each stakeholder. We are consistently sharpening our strategy to better create economic value for our shareholders. I would like to express my gratitude to our employees, customers, suppliers, business partners and stakeholders for believing in the management and the organization and look forward to a stronger relationship in the coming years.

Mr. Imran Anwer
President and Chief Executive Officer
Engro Polymer and Chemicals Limited

DIRECTORS' REPORT

The directors of Engro Polymer & Chemicals Limited are pleased to submit the annual report and audited accounts for the year ended December 31, 2018.

During the year, the Company posted Revenue of Rs. 35,272 Mn as against Rs. 27,731 Mn and Profit After Tax of Rs. 4,930 Mn as compared to Rs. 2,053 Mn last year resulting into earning per share of Rs. 6.22 per share as compared to Rs. 2.93 per share last year. The Board of Directors also approved interim cash dividend of Rs. 0.8 per share and final cash dividend of Rs. 0.3 per share for 2018, making it a total of Rs.1.1 per share for the year 2018.

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Principal Activities

Engro Polymer & Chemicals Limited ("EPCL" or "The Company") is a subsidiary of Engro Corporation Limited ("ECL" or "The Holding Company of EPCL"), which is a subsidiary of Dawood Hercules Corporation Limited ("DH Corp" or "The Holding Company of ECL"). EPCL was incorporated in 1997 as a Public Limited Company under the Companies' Ordinance 1984 and commenced commercial operations in 1997. Shares of the Company are listed on Pakistan Stock Exchange. The principal activity of the Company is to produce and market Chlor-Vinyl products which include Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic Soda, Hydrochloric Acid and Sodium Hypochlorite. The Company's flagship brand 'SABZ' has become synonymous to quality PVC in the country. EPCL strongly endorses its triple bottom line philosophy – People, Planet and Profit.

Nature of Business & Business Model

Engro Polymer & Chemicals Limited operates in the Chlor-Vinyl segment and its profitability is a function of business context within which it operates.

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Macro-Economic Scenario

On the macroeconomic front, 2018, remained a year of swings and challenges. The year started off on a high note with strong project spending driving domestic sectors. However, with dynamic political landscape took its toll on the economy which witnessed pressures particularly on account of exchange rate and weakness in domestic demand. It is pertinent to highlight that if domestic players are provided conducive environment, they can contribute towards foreign exchange crisis by means of import substitution and eventually developing an export base.

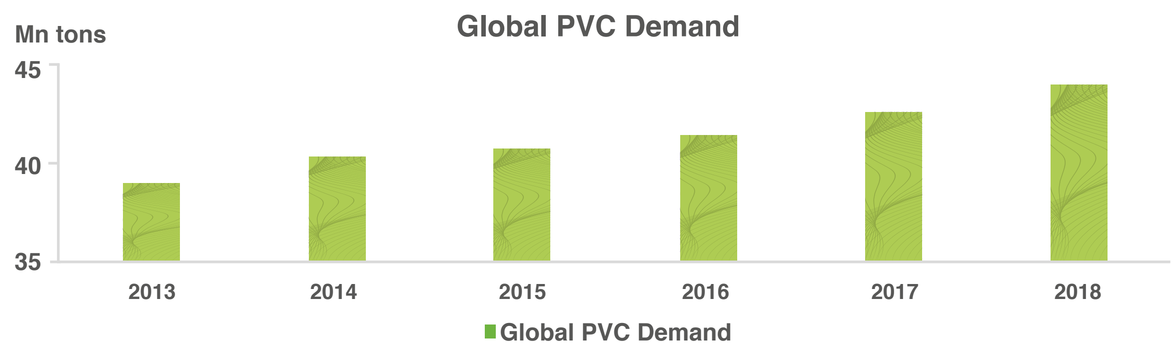
We are hopeful that strong conviction on part of government to reform the economy will translate into tangible actions and result in improvement in the overall economic landscape of Pakistan. We would like to highlight that during last quarter of 2018, the government raised gas prices sharply by 30%, increasing our costs.

In addition, the current talks of curtailment of gas supply pose a threat to business. It is critical to understand that in case gas supply to EPCL is curtailed, the textile sector of Pakistan will be adversely impacted because Caustic Soda is a foundational feedstock for the textile sector and cannot be stored for a longer duration. As we strive to complement efforts of the government in ramping up the country's textile exports, we feel it's our responsibility to highlight this critical issue facing the industry. We urge the government to extend maximum support to not just the textile sector but also its suppliers.

While we are concerned about the gas supply issues mentioned above, we have taken deliberate and tangible steps to increase our operational efficiencies and reduce our gas consumption per unit of output so that gas-supply volatility has minimal leverage on our business.

Vinyl market

Global PVC demand remained stood at ~ 44 Mn tons for the year 2018, posting a growth of 3% against 2017. Softer growth as against previous years can be attributed to macroeconomic concerns, which include major devaluation of local currencies against USD in many developing economies, rising interest rates globally & trade restrictions introduced towards the second half of the year. On the supply side, the overall capacity remained constant.



North America

North America remained a key supply zone in the year 2018. Indigenous North American demand was stimulated by reconstruction of homes effected by natural catastrophes. North America also played a key role in exporting PVC to the global economy mainly driven by the USA.

Asia

Asia continues to remain an important market for PVC. With developing economies like China and India contributing most to the growth of PVC on a global scale. This growth can be attributed to focus on construction sector, increasing housing demand and urbanization.

Asia remained PVC starved for the year 2018. The Asian market remained lucrative throughout the year for major PVC exporters with material flowing in from the North America and Europe. Supply situation in Asia is likely to remain similar going forward with a few capacity additions.

PVC prices continue to remain a function of global economic dynamics. PVC prices during the year were primarily driven by supply constraints, US-China trade war situation & growth in other developing countries. Demand from Asia was mainly led by growth in China & India. The growth prospects of China remain under pressure due to trade restrictions imposed by the USA. However, Indian demand is anticipated to remain strong in the coming years.

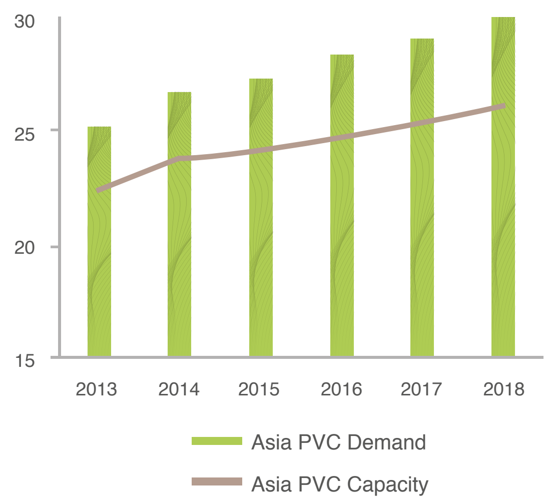
South-Asia

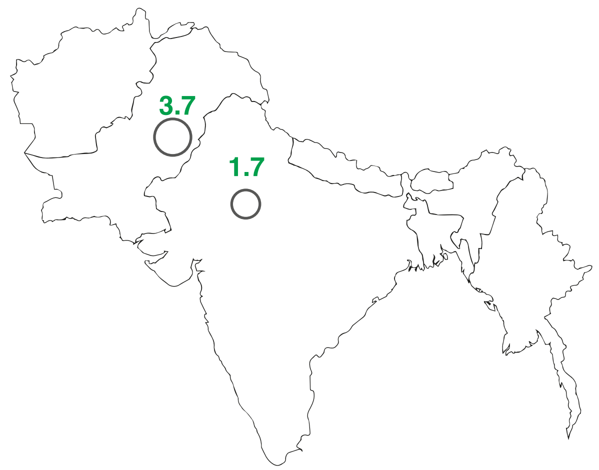
Delving into South Asia, the market posted a strong growth of ~ 8%. A region with an indigenous demand of ~ 4Mn tons stands only at a production capability of ~ 2Mn tons. South Asia is one of the fastest growing regions for PVC with a continued strong growth forecast.

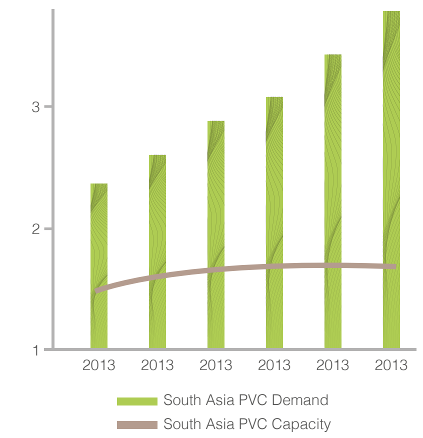
With a population base of ~ 1.8 Bn people and a significantly low consumption of PVC, rapid growth continues to be forecasted for the region. Major share of the South Asian demand is driven by India, where focused spending on agricultural and rural infrastructural development has led to demand for PVC.

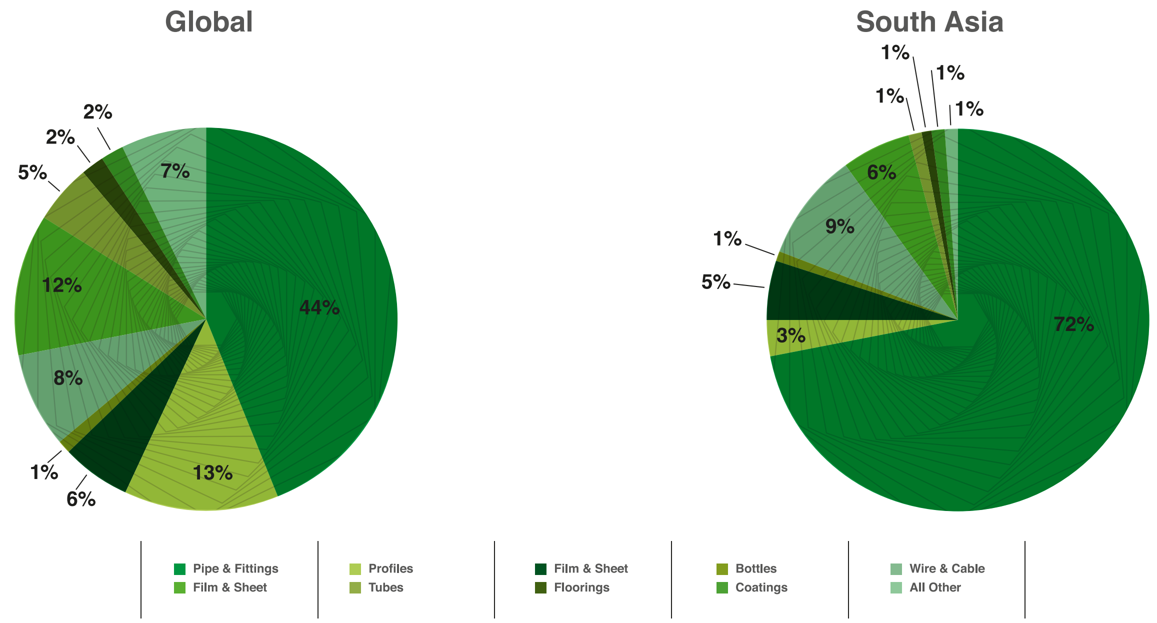
Looking forward, PVC demand growth in the region will be dictated by infrastructure spending, political stability, and introduction of relatively newer applications of PVC which are gaining widespread acceptance in the region.

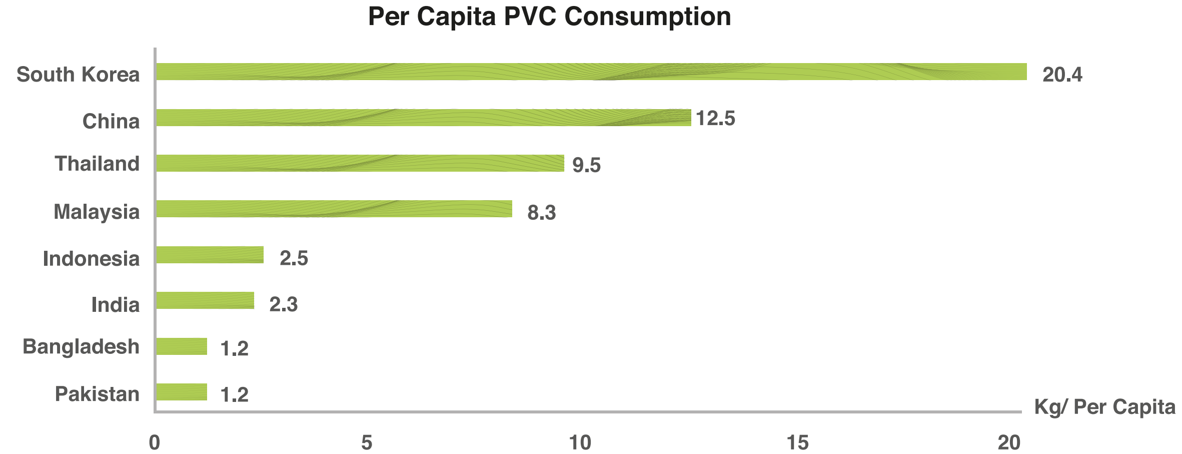
In South Asia, 2018 saw continued growth primarily due to strong demand from the construction sector. South Asian demand for PVC was around 3.7 Mn tons while supply was only 1.7 Mn tons, the demand outstripping supply by more than 100%. This made maintained the region's status as a major PVC importer. A growing population and low per capita consumption have translated into an increased appetite for PVC in the region and demand is expected to further grow in the future. Our conviction is further endorsed by the fact that currently, application of PVC in South Asia is limited to conventional segments like pipes & fitting while on a global level, applications such as plastic bottles and packaging contribute significant share in sales mix.











Pakistan

PVC is a material of choice when it comes to plastics in Pakistan, initially PVC market in Pakistan was restricted to Pipes & Fittings, however, in recent years several new applications have demonstrated promising potential and this phenomena has enabled EPCL to diversify its sales mix. The star products for 2018 would be PVC foam board and PVC wall panel, both of which posted double digit growth and have received very strong market acceptance.

Considering the overall dynamics of the economy, government intention to improve housing infrastructure in the country and ongoing downstream expansions in PVC downstream sector we are hopeful that per capita PVC consumption will maintain its upward trajectory, resulting in improved PVC offtake.

Anti-Dumping Duty

Recognizing the need to curtail dumping, the National Tariff Commission has imposed final Anti-Dumping Duties on imports from China (3.44% - 20.47%), Taiwan (16.68%), South Korea (4% - 14.97%) and Thailand (13.98%). Although this step has supported the domestic market, however, importers have ventured into other regions such as North America, Europe and other Asian PVC producing countries from which dumping phenomenon has already started. Government's support in this regard is being sought so that EPCL could continue to serve the domestic market with upcoming capacity for which heavy CAPEX is being incurred and to enable EPCL to serve the country with foreign currency reserves crisis through import substitution in PVC industry.

Market Development Activities

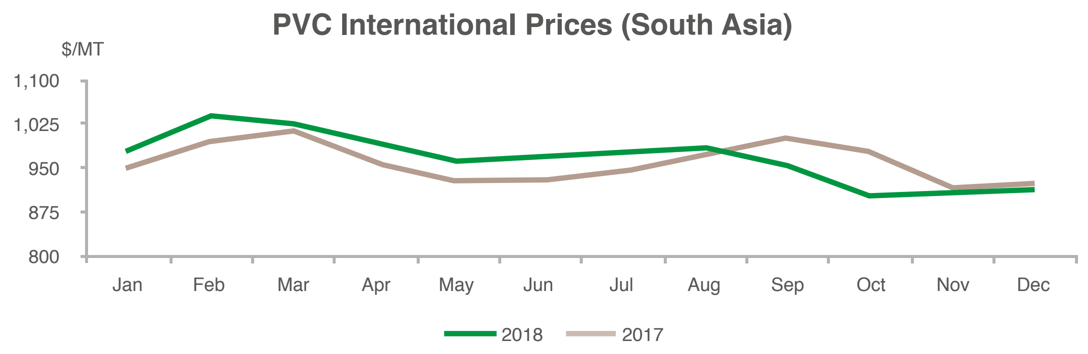
Being the largest PVC producer in Pakistan, we constantly strive for the development and promotion of the industry. To this end, we continually participate in numerous trade exhibitions, industry fairs and conferences to educate potential customers and showcase our products' features.

Keeping to our tradition, we participated in the Build Asia Conference followed by ABAD International Expo. These exhibitions showcased quality PVC products like doors & windows, pipes & fittings, garden hose, Roofing, wall panels, geo-membranes, flooring, cables, PVC mats, Spiro pipes, PVC foam board doors/cabinets, etc. In these exhibitions, EPCL acted as a mediator between PVC product manufacturers and end consumers like Architects, builders, contractors, etc.

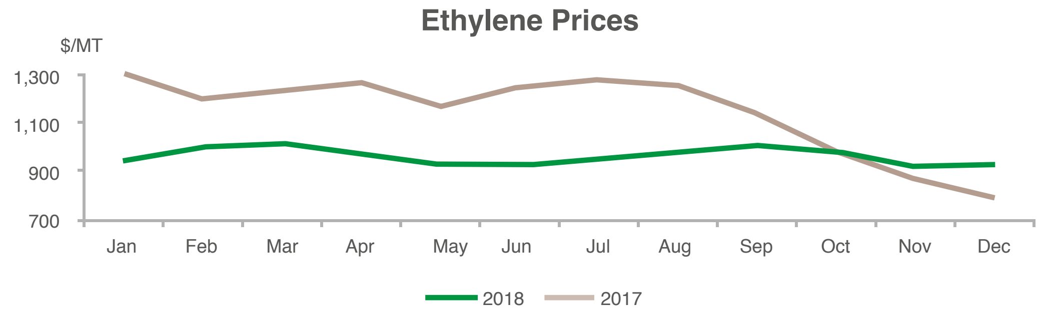
To create awareness regarding the innovations and advancements in PVC products and to enable our customers to create linkages with global manufacturers behind these technologies, EPCL took a delegation of its customers to visit Chinaplas Exhibition held in in Shanghai. The idea behind this initiative was to introduce new and innovative products and upgrades within existing products through leveraging of modern technology which is inevitable for growth of the industry.

International Vinyl chain prices

PVC is a globally traded commodity with prices varying from region to region. Price relevant for Pakistan is the South Asian Price (applicable to India / Pakistan / Bangladesh / Sri Lanka). In 2018, PVC demand was strong but continuous influx of material from North America and Europe kept the regional prices in check. The domestic operators in Asia particularly in Pakistan lost potential economic value due to dumping from North America and Europe.



The primary raw material for PVC is Ethylene, global Ethylene market saw its fair share of volatility in 2018. It started the year on a strong note and prices remain firm until third quarter of the year on account supply tightness in the region and cracker turnarounds, the overall supply situation improved significantly in fourth quarter and subsequently easing the overall pressure on prices.



Chlor Alkali Market

The global Chlor Alkali market is one of the biggest chemical industries both by value and volume. The prices of caustic soda in global market remained volatile during the year.

In Asia, much of the pressure on demand was attributable to the recent introduction of new import regulations on caustic soda by Indian authorities, requiring certification from Bureau of Indian Standards (BIS). The new regulation caused northeast Asian producers to put on hold much of the shipments destined for India. As a result, the inventory level for Japanese producers increased, resulting in availability of export cargoes and decline in prices. Going forward, strong downstream expansion is expected to come online in South Korea which will support Caustic Soda demand in the region.

The domestic landscape of caustic soda industry remained strong particularly due to improving dynamics of textile sector. However, since the segment is largely dependent on natural gas, supply issues and rising gas prices pose a major concern. Any discontinuity in caustic soda sector will directly impact the textile sector adversely and impair the government's vision to increase exports.

Other products in Chlor-Alkali segment namely Sodium Hypochlorite (used as bleaching agent mainly by textile industry, as disinfectant and as water treatment agent) and Hydrochloric Acid (used in power plants, gelatin segment, steel galvanizing industry, water waste treatment, rice glucose industry, etc.) performed well during the year. Going forward we expect Sodium Hypochlorite to replace chlorine gas for water purification while HCL consumption will improve as new power plants become operational in the country.

Operational Efficiencies

Operational efficiency remained under key focus throughout the year. Key measures taken resulted in plant utilization of over 100% as the Company achieved highest ever PVC and VCM production with commendable operational performance. During the year several projects related to plant reliability and efficiency were executed including replacement of membranes of five electrolyzers leading to significant efficiencies and conservation of natural gas. In order to maintain and preserve reliability of the plant, annual turnaround was performed on site to improve efficiencies of all major equipment which will help us in achieving operational excellence in years to come.

Energy management and conservation

Energy prices constitute a sizeable share of production expenses for the chemical sector. EPCL continues to strive for energy management and conservation as part of achieving operational efficiencies. In this regard, we have replaced our membranes in 2018, as aforementioned. However, our struggle towards energy conservation doesn't end here. EPCL has also planned several interventions such as installation of Transfer Line Exchangers (TLEx), rehabilitation of hydrogen venting, etc. These steps will not only help the country with energy conservation process but will partially mitigate the adverse impact on profitability arising from gas prices which have been increased by 30% during the year, coupled with continued impact of Gas Infrastructure Development Cess (GIDC) which is being fully provided in the financial statements. GIDC was imposed in 2015 and has been challenged by the Company in Sindh High Court and we are hopeful for a positive result.

We carry our WWF Green Office certification as a badge of honour and are committed to reducing our environmental footprint. We believe that being green is also both an ethical and a business responsibility as it results in lower costs and better environment for all.

Financial Overview & Management

During 2018, the Company achieved highest ever profit after tax of Rs. 4,930 Mn as compared to profit after tax of Rs. 2,053 Mn in 2017. The dynamics of vinyl segment turned favorable due to improving international dynamics coupled with strong demand offtake in the country. Since EPCL had diversified its supplier base, it was able to procure ethylene from international market and run smooth plant operations. Over the years, reliable plant operations along with efficient production ratios supported the bottom line and shareholder value.

Profitability

Stronger demand backed by better capacity utilization resulted in a higher profitability. The Company continually achieved record PVC production levels throughout the year, made possible by the successful de-bottlenecking from 178 kT to 195 kT. This coupled with an enduring focus on reliability and efficiency resulted in ensuring a high service factor and minimized production waste.

Impairment of Buildings

During 2017, the Company had planned to demolish an administrative building situated at plant in connection to its expansion plan. Accordingly, the Company recorded an impairment loss against this building for Rs. 108 Mn in financial statements for the year ended December 31, 2017.

However, in 2018 the Company entered into an agreement with Engro Fertilizers Limited (EFL) for the purchase of land which it intends to use for its PVC expansion projects and other business activities. Hence, the aforementioned building has not been demolished. Based on the development, the Company has recorded a reversal of impairment loss previously recorded amounting to Rs. 104 Mn in the financial statements.

Liquidity & Cash flows

The financial performance of the Company resulted in healthy cash generation from operations. Coupled, with the cash generation of Rs. 5.4 Bn from right shares issuance, significant cash was available to the Company. Availability of cash helped the Company to keep its foreign currency liability on the lower end which helped in avoiding significant forex loss that could have incurred during the year due to local currency devaluation. Further, excess cash was reinvested in T-Bills and PIBs, which added positive value to the bottom line

Financing

During 2017, the Company had announced major expansion and several reliability / efficiency projects is 2017, requiring a funding of Rs. 10.3 Bn. Out of the said amount, Rs. 7.6 Bn pertained to PVC expansion and VCM De-bottlenecking project of which Rs. 5.4 Bn were to be generated through issuance of right shares. The remaining CAPEX was to be funded through a mix of debt and internally generated cash. During the year, the Company completed the issue of right shares. For CAPEX portion that was to be funded through debt, a long-term financing agreement with IFC for USD 35 Mn has been signed, with a grace period of 2 years.

Post Balance sheet date, the Company has completed successfully completed the SUKUK issue of Rs. 8.75 Bn, payable over a tenor of 7.5 years with 5.5 years of grace period. The purpose of this Sukuk issue was to re-profile existing long-term loans of the Company appearing on its books. Post issue of SUKUK, long-term funding of the Company is now entirely shariah-compliant.

Credit Ratings

It gives us great pleasure to announce that the Company's credit rating was upgraded twice during the year. In January, PACRA upgraded the Long-term / Short-term rating of Company from "A / A1" to "A+ / A1+". Owing to the Company's promising fundamentals and strong liquidity, the PACRA upgraded and JCR-VIS assigned "AA- / A1+" credit rating to EPCL which is highest ever in the history of the Company.

The highest ever credit rating is an endorsement of strong financial position, management strength and credibility of the Company and has been helpful in gaining investors' trust in the Company during the process of major financial transactions that happened during the year. The benefits of the strong rating have already started flowing the Company in the form of final issue of SUKUK at competitive rates for re-profiling of long-term debts after balance sheet date.

Capital Structure

The assets of the Company are financed by debt and equity in the ratio of 21:79 as compared to 36:64 in 2017.

Risk Management Framework

Engro Polymer and Chemicals Limited launched its Lean Enterprise Risk Management framework in 2011. It is the policy of EPCL to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives.

We recognize that we are operating in a complex business context and the Company mandates assessment of the organization's risk strategy and quantum of risk that the entity is willing to accept by adequately assigning responsibilities throughout the organization. EPCL entrusts accountability at all levels and requires monitoring, communicating and reporting changes in the risk environment and the effectiveness of actions taken to manage identified risks is on an ongoing basis.

Risks are identified across the organization and are ranked based on their impact and probability. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the Management Committee. Risk Management process is led by Chief Risk Officer (CRO) and endorsed by the Board Audit Committee (BAC).

The key risks identified are as follows along with the outcome:

Commerical/Operational Risk

International Commodity Prices

Strategy

Developed in-house business intelligence, established network with international olefins analysts to have better insight of international price trend and fundamentals defining market dynamics

Result

Management regularly reviews prices of final products and primary raw materials. Based on analysis they develop pricing / in-house procurement strategies to capitalize on market dynamics

Energy Prices

Strategy

Implemented energy conservation projects and devised a strategy for different price levels of natural gas

Result

The impact of increase in gas price is being managed through efficiency enhancement.

Financial Risk

Liquidity Risk/Balance Sheet Profile

Strategy

Subsequent to the period end, EPCL replaced existing long-term loans with SUKUK having grace period of 5.5 years.

Result

Balance sheet of the Company has been completely re-profiled with no debt obligation coming due for existing long-term loans for next 5.5 years.

Foreign Exchange Risk

Strategy

Closely monitor key economic indicator and we will collaborate with financial institutions to hedge foreign exchange exposure on liabilities, if such instruments are made available.

Result

Reduced impact of PKR devaluation by reducing Dollar based LCs in anticipation of weakening Rupee.

Business Continuity Plan

We recognize our responsibility to operate and ensure protection of business operations from of any potential disruption. With this vision and intent, we initiated our Business Continuity Plan in 2013 and have also upgraded this plan in 2018. The plan ensures smooth functioning of critical business processes in the event of an unforeseen disaster and has the following objectives:

- To provide a framework for building resilience and capability for an effective response that safeguards the interests of key stakeholders, reputation, brand and value creating activities
- To assess the risks to our operations and to understand the impact of the risks if they materialize whilst considering business priorities and organizational inter-dependency
- To manage the response to and aftermath of any potential disruption, in an effective and appropriate manner to minimize any adverse impact
- To recover business operations at an acceptable level as quickly as possible in a pre-determined time window, should an incident result in disruption to our critical business operations or support services
- To test and review at regular intervals and revise as required, the plans supporting the Business Continuity The plan encompasses our response strategy, minimum operating requirements, BCP team organization, damage assessment, and primary site restoration activities. It ensures preservation of critical data by mapping out key elements of the process of disaster recovery. Our management regularly evaluates the threats to its business and infrastructure & has developed a strategy to adequately respond to any unpredictable challenges it might face

Responsible Citizenship & CSR Activities

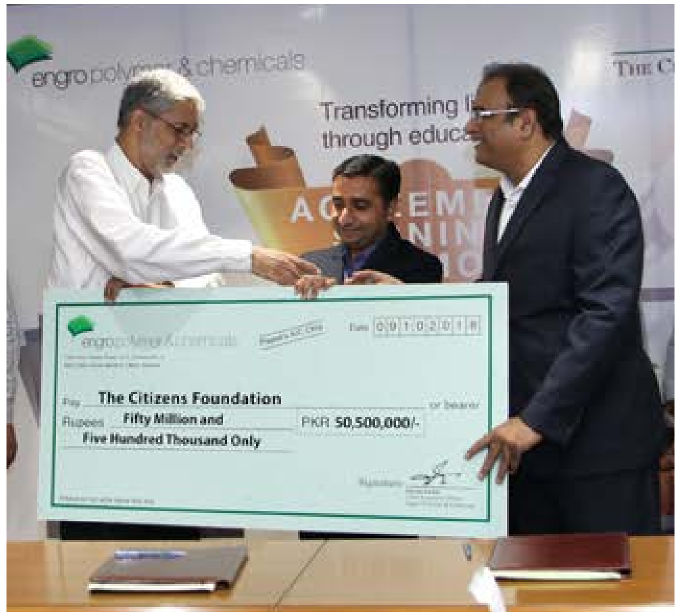
In 2018, The Company undertook several initiatives worth Rs. 85 million for the development and emancipation of the underprivileged.

Education

School Construction Program with TCF

It gives us great pride to announce our collaboration with The Citizens Foundation to establish two new purpose-built schools. The campuses will be built at a cost of PKR 50.5 million to benefit the children of lesser-privileged communities of Ghaggar Phattak villages and adjoining areas. We aim to provide quality education to more than 1,200 children in partnership with TCF.

Additionally, we have also worked with TCF to help start another shift at the Austin Campus school with a capacity of more than 180 students.



Donation Collection and Distribution

Donations were collected from EPCL Head Office, Plant and Ocean Tower Building including school bags, books, shoes and uniform etc. and were distributed to support the education for underprivileged and create a ray of hope among them.

Healthcare

Agreement with SINA

EPCL signs agreement with SINA to establish a primary healthcare unit for nearby community residents of Ghaggar Phattak villages, Bin Qasim Town to improve their health conditions with a capex of approximately PKR. 16 Million. The services that will be provided are 100% free of cost.

Water Purification Plants in partnership with The Water Foundation

Clean drinking water is a luxury for many of our brothers and sisters living in remote villages and far flung areas. We signed an agreement with The Water Foundation this year to help make clean drinking water accessible to people living in such areas. Under the initiative, five water purification plants would be set up for the residents of areas around Ghaggar Phattak, Bin Qasim Town Karachi. More than 6,000 households will benefit from clean water from these water filter plants.

Blood Donation Drives

The Company conducted blood donation drives at the EPCL head office and plant in 2017 and 2018 in collaboration with Indus Hospital. Employees participated and gave donations for this noble cause. We managed to contribute up to 100 blood donations.

Aao TB Mitao

Commemorating the International World Health Day, Engro Polymer and Chemicals Ltd. held a clinic at the Indus Hospital. The clinic educated visitors about the symptoms and cure of Tuberculosis and the factors which put potential patients at risk.

Environment

Green Port Initiative

Port pollution due to vessel movement and cargo transportation is a nuisance which puts unnecessary and unwanted environmental stress on our coastal regions. To make a humble contribution to make our port areas cleaner and greener, The Company conducted a tree plantation drive at its Port Qasim plant.

The trees were planted by TCF school students, Chairman PQA, CEO EPCL and other employees to create a sense of environmental cleanliness and a passion of volunteering amongst the new generation.

Tree Plantation at Urban Forest in Clifton

Earth Day Tree Plantation
100 trees planted at plant vicinity

Business Ethics & Anti-Corruption

Business Ethics is our fundamental value and lies at the heart of what we do. The board of directors of The Company has univocally set down the acceptable business practices and behaviors in the "Code of Conduct" to ensure that all our business dealings are undertaken whilst maintaining highest standards of ethical values. We uphold a "Zero tolerance" policy against all sorts of unethical practices no matter how adverse the outcome. This is ascertained through implementation of effectively designed and executed audit plans and assurance procedures which proscribe all sorts of unethical behaviors and highlight matters causing concerns in respect of business conduct. In addition thereto, multiple channels are available to our Stakeholders to speak-up and identify practices and behaviors that are unacceptable to our fundamental and core values.

Corporate governance affects the way we direct our company and the relationships we have with interested parties. Management has placed due emphasis on transparency and ethical practices which play a fundamental role in developing our employees and those dealing with us in the capacity of vendors and customers as responsible professionals and corporate citizens.

Health Safety & Environment

Safety is top of the core values of the company. Management commitment and employees' adherence to the rules and procedures led to another safe year. The company met all its Safety KPIs defined for 2018. With only one medical treatment case, Total Recordable Injury Rate (TRIR) closed at 0.05 way below the target of 0.17, setting new heights and higher benchmarks for the years to come. Fleet Accident Frequency Rate (FAFR) closed at 0.994. Process Safety Total Incident Rate (PSTIR) for 2018 was 1.60.

As part of the Road map for audits, the company went through multiple 2nd and 3rd party surveillance audits

- DuPont OHIH Audit rating was above satisfactory in 2018
- IMS Audit of EPCL was successfully conducted on new standards of ISO 9001, ISO 14001 and ISO 45001 without any non-conformance

- Insurer Risk Survey by Marsh & McLennan

- BSC Five Star Environment Standard achieving 4 stars in 2nd Party Audit

Several other key activities took place which helped in effective management of already robust and time-tested systems that include:

- Environment Impact Assessment (EIA) NOC for Expansion of EPCL PVC and VCM DBN was approved from Sindh EPA.

- Process Hazard Analysis (PHA) exercise conducted as per plan in addition to PVC-III Pre-authorization and design PHA along with Baseline PHA of Caustic Flaker Project.

- 1st ever CCPS Conference in Pakistan was hosted by EPCL on 22nd Nov'18 that hosted multiple nation-wide industries and institutes along with representatives from Middle East, South-Africa and Japan.

Information Systems

In 2018, the board of directors approved a 3-year Digitization 2020 strategy. EPCL IT Strategy is based on the 'Digitization' of processes & information to make the organization paperless wireless, enabling the employees to work from anywhere, anytime & from any device. It will also harness on automation to deliver 'Sales Operations without Human Intervention'

From 1st January 2018, EPCL IT operation was merged with ECORP IT, bringing a single IT service for all Engro companies. The execution of Digitization Strategy 2020 is being stewarded by ECORP IT along with a steering committee, which comprises members from business (EPCL) and IT, headed by EPCL CFO. The merger of IT brings in experience and technical expertise to standardize the solutions of EPCL with all other ENGRO companies.

Objective of Digitization 2020 is to make EPCL a model digitization company. Solutions implemented here will be implemented in rest of the Engro landscape as well.

Work on all the above mentioned areas is well underway and will be completed during 2019. Additionally, focus is being put to digitize the employee training program and also everyday employee services by creating mobile application based solutions.

Industrial Relations

Human Resources

This year several new business initiatives and projects were approved, so learning initiatives were taken to develop and engage our people for executional excellence, strengthening organization-level communications, and to ultimately achieve business goals.

Learning Framework has been launched in 2018 for all career levels comprising of specific programs not only for people managers and supervisors, but also for individuals contributors. The collaboration with Harvard ManageMentor to provide online digital learning opportunity for people has been appreciated and gives a flexibility to the employees to choose area where they want to develop and learn more from the best in class modules designed by Harvard.

The flagship initiative of EPCL Cares - an initiative which combines experiences & gestures to touch at employees heartstrings and show the organization cares about our employees and their families has been an instant hit among the employees. Employees and their families have been very appreciative when they get variety of gifts to celebrate important moments of their life. HR plans to further build upon the EPCL Cares platform and add more touch points for employees and their families.

HR has continued the tradition of organizing monthly Face2Face with CEO – monthly skip level meetings in order to have free flowing communication across all levels with 91% resolution rate of issues by Dec 2018.

Indoor Gaming and Gymnasium Room was also inaugurated at Plant to help work force relax, unwind and interact with colleagues during their breaks in a healthy manner.

There was continuation of low attrition during the year 2018.

Stakeholder Engagement & Relations

The Company believes in engaging with stake holders at all levels, During the year we used press releases, securities analyst briefings on quarterly and annual results, disclosures to the stock exchanges on strategic events, plant visits and informal conversations with relevant stakeholders.

The Company complies with all regulatory requirements and in this regard and maintains close coordination with relevant regulators including the stock exchanges, tax authorities and Securities and Exchange Commission of Pakistan.

EPCL has hundreds of vendors and customers and we seek to engage them from time to time through formal and informal meetings and conferences. We have engaged with our customers regularly to provide them with technical assistance related to their businesses for the benefit of the industry

The Company considers employees as an integral driver of growth, we measure employee motivation and satisfaction through various benchmarks and findings and results are shared by the respective managers and HR strategy is tailored to address the highlighted areas.

Support Required from Government

One of the major challenges being faced by the Company in which support from government is being sought is rising gas prices. During last quarter of 2018, government increased natural gas prices by 30% resulting in reduced margins for the product.
To support local industry and for making it competitive against international players, it would be essential for the government to keep energy prices in check.

Another challenge being faced by the Company whereby support from government is essential is dumping of PVC in Pakistan. After imposition final of Anti-Dumping Duty on China, Taiwan, South Korea and Thailand, the importers have started venturing into other regions. These regions include North America, Europe and other Asian PVC producing countries. Government's support in this regard would enable EPCL to serve the country with foreign currency reserves crisis through import substitution in PVC industry

Future Outlook

In 2018, EPCL crafted a holistic strategy to achieve its vision to Lead Pakistan in Polymers & Allied Chemicals with International Footprint. In this regard, several projects were successfully executed, new projects were announced, and several studies have been initiated. It is important to note that in 2018, we successfully created a healthy balance sheet of the Company, such that principal repayments for long term debt have been pushed beyond 2024, this will enable us to not only complete announced project but to capitalize on several unique opportunities that align with our vision and aim at maximizing shareholder value.

Update on projects is as follow:

- **PVC / VCM Expansion:** The mega project includes addition of PVC plant with capacity of 100,000 MT (taking total Capacity to 295,000 MT) and VCM Plant De-bottlenecking for additional capacity of 50,000 MT. Kick-off meetings with EPC contractors in China have been conducted and Letter of Credit in favor of the contractor has also been established with detailed engineering in progress. Further, procurement for de-bottlenecking of VCM is also progressing well.

- **Caustic Flakers Plant**: Flakers will be our new product line in chlor alkali segment, the 20,000 MT plan is expected to come online in first half of 2019. The project will enable the Company to capitalize on the inherent proximity advantage for southern domestic market and exports through sea.

- **Oxygen based VCM Production:** EPCL recognizes technological advancement as a key to successful value generation in the future, in this regard, the Board of Directors approved project for shifting from air based traditional process to technologically advanced oxygen-based process for VCM production. This project is expected to reduce raw material consumption by approximately 2% and is expected to come online by the end of 2020 and the CAPEX will be funded through internally generated cash.

- **Hydrogen Per Oxide:** EPCL derives hydrogen as part of its caustic manufacturing process. Currently hydrogen is largely being used as fuel which is not the best value creation for available hydrogen. Therefore, the Board of Directors has decided to enter Hydrogen Per Oxide business through a green field manufacturing facility.

Going forward, these projects will remain under key focus. Further, with membrane replacement and capacity de-bottlenecking of Chlor-Alkali's allied product completed during the year, we expect the benefits through efficiencies in production process to flow. Alongside the on-going projects, the Company is confident to display continued strong operational performance and are hopeful for continued strong growth of PVC market and an overall positive economic sentiment in 2019.

Corporate Review

Shareholding in the Company

The shareholding in the company as at December 31, 2018 is as follow:

Shareholders Category	No. of Shareholders	No. of Shares held	% of holding
Directors, Chief Executive Officer, spouse and minor children	7	7	0.00
Associated Companies, undertaking and related parties	3	611,827,852	67.31
Banks, DFIs, Non-Banking Financial Institutions	5	4,080,696	0.45
Insurance Companies	19	21,480,062	2.36
Modarabas and Mutual Funds	90	130,031,659	14.31
Shareholders holding 10%	2	610,787,012	67.20
General Public (Individuals)			
a. Local	29,064	95,316,858	10.49
b. Foreign	0		
Others	227	46,186,199	5.08

Category of Shareholding

Information of shareholding required under the reporting framework is as follow:

1. Associated Companies, Undertaking and Related Parties

Shareholders' Category	No. of Shares held
Engro Corporation Limited	510,733,450
Mitsubishi Corporation	100,053,562
EPCL Employees' Trust	1,040,840
	611,827,852

2. Modarabas and Mutual Funds

Name of Shareholders	No. of Shares held
CDC - TRUSTEE ABL INCOME FUND - MT	9,500
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	58,699
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	78,699
CDC - TRUSTEE ABL STOCK FUND	1,973,870
CDC - TRUSTEE AKD INDEX TRACKER FUND	103,497
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	7,108,454
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	3,229,041
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	2,129,890
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	5,946,972
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	123,000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1,362,000
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	984,000
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	3,527,500
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	119,000
CDC - TRUSTEE ALFALAH GHP SOVEREIGN FUND - MT	137,500
CDC - TRUSTEE ALFALAH GHP STOCK FUND	2,145,000
CDC - TRUSTEE ALFALAH GHP VALUE FUND	937,500
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	4,671,614
CDC - TRUSTEE APF-EQUITY SUB FUND	150,000
CDC - TRUSTEE APIF - EQUITY SUB FUND	164,500
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	25,000
CDC - TRUSTEE ATLAS INCOME FUND - MT	6,500
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	680,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	2,550,000
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	180,500

Name of Shareholders	No. of Shares held
CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	575,000
CDC - TRUSTEE FAYSAL MTS FUND - MT	38,000
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	2,500
CDC - TRUSTEE FAYSAL STOCK FUND	325,000
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	20,000
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	25,000
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	74,000
CDC - TRUSTEE FIRST HABIB STOCK FUND	80,000
CDC - TRUSTEE HBL - STOCK FUND	2,572,079
CDC - TRUSTEE HBL EQUITY FUND	154,596
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	149,885
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	558,931
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	472,452
CDC - TRUSTEE HBL MULTI - ASSET FUND	55,000
CDC - TRUSTEE HBL PF EQUITY SUB FUND	140,814
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	81,000
CDC - TRUSTEE JS LARGE CAP. FUND	488,500
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	130,000
CDC - TRUSTEE KSE MEEZAN INDEX FUND	879,771
CDC - TRUSTEE LAKSON EQUITY FUND	2,502,080
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	117,616
CDC - TRUSTEE LAKSON TACTICAL FUND	488,778
CDC - TRUSTEE MCB DCF INCOME FUND	3,500
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	2,795,536
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	14,385,155
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1,300,761
CDC - TRUSTEE MEEZAN BALANCED FUND	2,038,954
CDC - TRUSTEE MEEZAN ISLAMIC FUND	18,880,721
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	3,176,709
CDC - TRUSTEE NAFA INCOME FUND - MT	523,500
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	709,000
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	984,916
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	2,813,500
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	16,029
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	3,351,980

Name of Shareholders	No. of Shares held
CDC - TRUSTEE NAFA MULTI ASSET FUND	379,123
CDC - TRUSTEE NAFA STOCK FUND	7,470,069
CDC - TRUSTEE NIT INCOME FUND - MT	8,000
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	632,687
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	96,000
CDC - TRUSTEE PICIC GROWTH FUND	2,443,699
CDC - TRUSTEE PICIC INVESTMENT FUND	1,283,462
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	497,368
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	109,613
CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND - MT	125,500
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	650,372
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	4,292,898
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1,517,644
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1,176,990
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	4,054,248
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	88,000
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1,872,066
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	668,357
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	109,000
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	30,000
MC FSL TRUSTEE JS - INCOME FUND	84,000
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1,397,175
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	503,000
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	5,000
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	105,000
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	707,690
MCBFSL-TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	165,000
TOTAL	**129,785,460**

3. Directors and their spouse and minor children

Shareholders' Category	No. of Shares held
Mr. Ghias Uddin Khan	1
Mr. Imran Anwer	1
Mr. Noriyuki Koga	1
Mr. Hasnain Moochhala	1
Mr. Nadir Salar Qureshi	1
Mr. Mohammad Asif Sultan Tajik	1
Mr. Feroz Rizvi	1

4. Executives

Shareholders' Category	No. of Shares held
Executives (approximately)	829,311

5. Public sector companies and corporations

Shareholders' Category	No. of Shares held
Public sector companies and corporations	250,000

6. Banks, Development Finance Institutions, Insurance, Takaful, Modarabas & Pension Funds

Shareholders' Category	No. of Shares held
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance, Takaful, Modarabas & Pension Funds	28,664,861

7. Shareholding five percent or more voting interest in the Company

Shareholders' Category	No. of Shares held	% of holding
Engro Corporation Limited	510,733,450	56
Mitsubishi Corporation	100,053,562	11

8. Details of purchase/sale of shares by Directors, Executives and their spouse/minor children

Name	Shares Purchased	Shares Sold	Rate	Date of Purchase / Sale
Ahsen Aqeel	2,000	-	38.4	24.4.2018
Syed Muhammad Farooq Ahmed	-	20,000	39.29	25.4.2018
Ibrar ahmed	-	28,000	7.85	5.7.2018
Ibrar ahmed	-	301	7.61	5.7.2018
Hussain Hasanali	110,986	-	22	20.7.2018
Muhammad Bilal Ahmed	135,034	-	22	18.7.2018
Ali Mohsin Bhagat	7,070	-	22	23.7.2018
Afsheen Nouman	235	-	22	16.7.2018
Rizwan Ahmed Taqi	62,892	-	22	23.7.2018

9. Pattern of Shareholding – As At December 31, 2018

No. of Shareholders	Size of Holding		No. of Share
	From	To	
531	1	100	13,719
18,377	101	500	8,709,847
6,076	501	1,000	4,486,094
2,581	1,001	5,000	6,395,776
622	5,001	10,000	4,795,361
265	10,001	15,000	3,428,645
162	15,001	20,000	2,953,733
106	20,001	25,000	2,453,690
95	25,001	30,000	2,661,793
64	30,001	35,000	2,134,220
27	35,001	40,000	1,036,147
35	40,001	45,000	1,487,485
47	45,001	50,000	2,301,231
27	50,001	55,000	1,431,168
18	55,001	60,000	1,046,717
16	60,001	65,000	1,012,573
24	65,001	70,000	1,648,563
13	70,001	75,000	960,174
15	75,001	80,000	1,174,160
9	80,001	85,000	740,649
6	85,001	90,000	524,512
7	90,001	95,000	652,380
27	95,001	100,000	2,669,852
9	100,001	105,000	928,971
9	105,001	110,000	978,502
6	110,001	115,000	683,796
4	115,001	120,000	472,062
8	120,001	125,000	991,353
6	125,001	130,000	762,000
3	130,001	135,000	396,955
13	135,001	140,000	1,789,459
4	140,001	145,000	568,858
9	145,001	150,000	1,341,243
6	150,001	155,000	913,804

No. of Shareholders	Size of Holding		No. of Share
	From	To	
5	155,001	160,000	788,674
6	160,001	165,000	978,217
3	165,001	170,000	501,892
1	175,000	180,000	175,000
2	180,001	185,000	362,000
5	185,001	190,000	937,164
7	195,001	200,000	1,397,948
1	200,001	205,000	200,500
6	205,001	210,000	1,243,219
2	210,001	215,000	429,500
1	215,001	220,000	217,000
3	225,000	230,000	681,042
4	230,001	235,000	930,936
1	235,001	240,000	237,000
1	240,001	245,000	244,512
7	250,000	255,000	1,760,385
6	270,001	275,000	1,645,973
1	285,001	290,000	286,000
5	295,000	300,000	1,495,000
2	300,001	305,000	602,095
2	315,001	320,000	636,134
4	325,000	330,000	1,309,094
2	335,001	340,000	676,995
1	340,001	345,000	344,589
1	360,001	365,000	362,892
1	370,001	375,000	373,991
1	375,001	380,000	379,123
1	380,001	385,000	381,532
2	395,001	400,000	797,999
2	410,000	415,000	820,986
2	430,001	435,000	864,188
1	455,001	460,000	458,147
1	465,001	470,000	465,707
1	470,001	475,000	472,452

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No. of Shareholders	Size of Holding		No. of Share
	From	To	
2	485,001	490,000	977,278
2	495,001	500,000	997,368
2	500,001	505,000	1,003,034
1	505,001	510,000	507,286
1	510,001	515,000	512,500
1	520,001	525,000	523,500
1	530,001	535,000	530,173
1	540,000	545,000	540,000
1	555,001	560,000	558,931
1	575,000	580,000	575,000
1	620,001	625,000	624,500
2	630,001	635,000	1,267,015
1	650,001	655,000	650,372
2	665,000	670,000	1,333,357
3	680,000	685,000	2,049,956
1	685,001	690,000	689,088
3	705,001	710,000	2,125,064
1	730,001	735,000	733,121
1	750,000	755,000	750,000
1	770,001	775,000	772,214
1	775,001	780,000	778,278
1	790,001	795,000	792,041
1	820,001	825,000	821,973
2	845,001	850,000	1,696,905
1	875,001	880,000	879,771
1	910,001	915,000	914,462
1	925,001	930,000	928,000
2	935,001	940,000	1,875,677
3	980,001	985,000	2,953,216
2	1,000,000	1,005,000	2,000,000
1	1,040,001	1,045,000	1,040,840
1	1,065,001	1,070,000	1,067,813
1	1,150,000	1,155,000	1,150,000
1	1,175,001	1,180,000	1,176,990

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No. of Shareholders	Size of Holding		No. of Share
	From	To	
1	1,280,001	1,285,000	1,283,462
1	1,300,001	1,305,000	1,300,761
1	1,360,001	1,365,000	1,362,000
1	1,365,001	1,370,000	1,369,956
1	1,395,001	1,400,000	1,397,175
1	1,475,001	1,480,000	1,475,914
1	1,515,001	1,520,000	1,517,644
1	1,545,001	1,550,000	1,545,118
1	1,575,001	1,580,000	1,576,956
1	1,620,001	1,625,000	1,624,543
1	1,725,001	1,730,000	1,728,199
1	1,765,001	1,770,000	1,765,197
1	1,830,000	1,835,000	1,830,000
1	1,870,001	1,875,000	1,872,066
1	1,945,001	1,950,000	1,947,000
1	1,970,001	1,975,000	1,973,870
1	2,005,001	2,010,000	2,008,500
1	2,035,001	2,040,000	2,038,954
1	2,125,001	2,130,000	2,129,890
1	2,145,000	2,150,000	2,145,000
1	2,300,000	2,305,000	2,300,000
1	2,440,001	2,445,000	2,443,699
1	2,500,001	2,505,000	2,502,080
1	2,550,000	2,555,000	2,550,000
1	2,570,001	2,575,000	2,572,079
1	2,795,001	2,800,000	2,795,536
1	2,810,001	2,815,000	2,813,500
1	3,175,001	3,180,000	3,176,709
1	3,225,001	3,230,000	3,229,041
1	3,350,001	3,355,000	3,351,980
1	3,450,000	3,455,000	3,450,000
1	3,525,001	3,530,000	3,527,500
1	3,730,001	3,735,000	3,732,501
1	4,050,001	4,055,000	4,054,248

No. of Shareholders	Size of Holding		No. of Share
	From	To	
1	4,055,001	4,060,000	4,059,196
1	4,290,001	4,295,000	4,292,898
1	4,670,001	4,675,000	4,671,614
1	4,760,001	4,765,000	4,763,582
1	4,860,001	4,865,000	4,863,345
1	5,945,001	5,950,000	5,946,972
1	7,105,001	7,110,000	7,108,454
1	7,470,001	7,475,000	7,470,069
1	9,025,001	9,030,000	9,027,516
1	12,475,001	12,480,000	12,476,620
1	14,385,001	14,390,000	14,385,155
1	18,880,001	18,885,000	18,880,721
1	100,050,001	100,055,000	100,053,562
1	137,920,001	137,925,000	137,923,461
1	372,805,001	372,810,000	372,809,989
29,415			**908,923,333**

Board Meetings and Attendance

In 2018, the Board of Directors held 9 meetings to cover its complete cycle of activities. The attendance record of the directors is as follows:

Director's Name	Meetings Attended
Mr. Ghias Uddin Khan	7/9
Mr. Imran Anwer	9/9
Mr. Hasnain Moochhala	8/9
Mr. Noriyoki Koga	7/9
Mr. Nadir Salar Qureshi	6/9
Mr. Feroz Rizvi	8/9
Mr. Muhammad Asif Sultan Tajik	8/9

Board Composition

Male	7
Female	None

Categories	Names
Independent	Mr. Feroz Rizvi
Executive – CEO	Mr. Imran Anwer
Non Executive	Mr. Ghias Uddin Khan
	Mr. Noriyoki Koga
	Mr. Hasnain Moochhala
	Mr. Nadir Salar Qureshi
	Mr. Asif Sultan Tajik

Board Audit Committee	
Mr. Feroz Rizvi	Chairman
Mr. Noriyoki Koga	Member
Mr. Hasnain Moochhala	Member

Board Compensation Committee	
Mr. Feroz Rizvi	Chairman
Mr. Ghias Uddin Khan	Member
Mr. Noriyoki Koga	Member
Mr. Nadir Salar Qureshi	Member

Directors' Remuneration

The remuneration paid to the members of the Board for attendance of Board and Committee meetings has been duly approved by the Board of Directors. The details of the aggregate amount of remuneration paid to the directors is disclosed in the Financial Statement.

Major Judgment Areas

Main areas related to Income Taxes, provisions, contingencies / commitments, deferred tax Assets, and other areas involving subjective judgements and having material impact on financial statements are detailed in Notes to the accounts.

Accounting Standards

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Provident Fund

In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Accordingly, the following information is based on the latest audited financial statements of the Fund maintained by the Holding Company as at June 30, 2017 and unaudited financial statements as at June 30, 2018.

Details of the fund are as follows:

Provident - Fund (Rs. 000)	June 30, 2018	June 30, 2017
Size of the fund - Total assets	3,875,500	3,941,927
Cost of the Investment made	3,560,571	2,493,496
Percentage of Investments made	97%	92%
Fair Value of Investments	3,749,409	3,643,638

DIRECTORS' REPORT
engro polymer & chemicals

Compliance with Corporate Governance

The Board of Directors reviews all significant matters of the Company. These include Company's strategic direction, annual business plans and targets, decision on long term investment and borrowings. The Board of Directors is committed to maintain high standards of Corporate Governance.
The Board of Directors is pleased to report that:

- The financial statements prepared by the management present fairly its state of affairs, the results of its operations, cash flows and changes in equity
- Proper books of accounts have been maintained
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored
- There are no significant doubts upon the ability of the Company to continue as a going concern
- There have been no departures from the best practices of corporate governance, as detailed in the listing regulations

Shares traded and average prices

During the year 1,617 Mn shares of the Company were traded on Pakistan Stock Exchange. The average price of the Company's share based on daily closing rates was Rs. 33.14. The 52 week low high during 2018 was Rs. 25.49 – 40.73 per share, respectively.

Dividends

During the period, an interim dividend of Rs. 0.8 per share had been declared. In addition to this an annual dividend of 3% i.e. Rs. 0.3 per share has been declared by the Board of Directors and is to be approved by the shareholders in Annual General Meeting.

Auditors

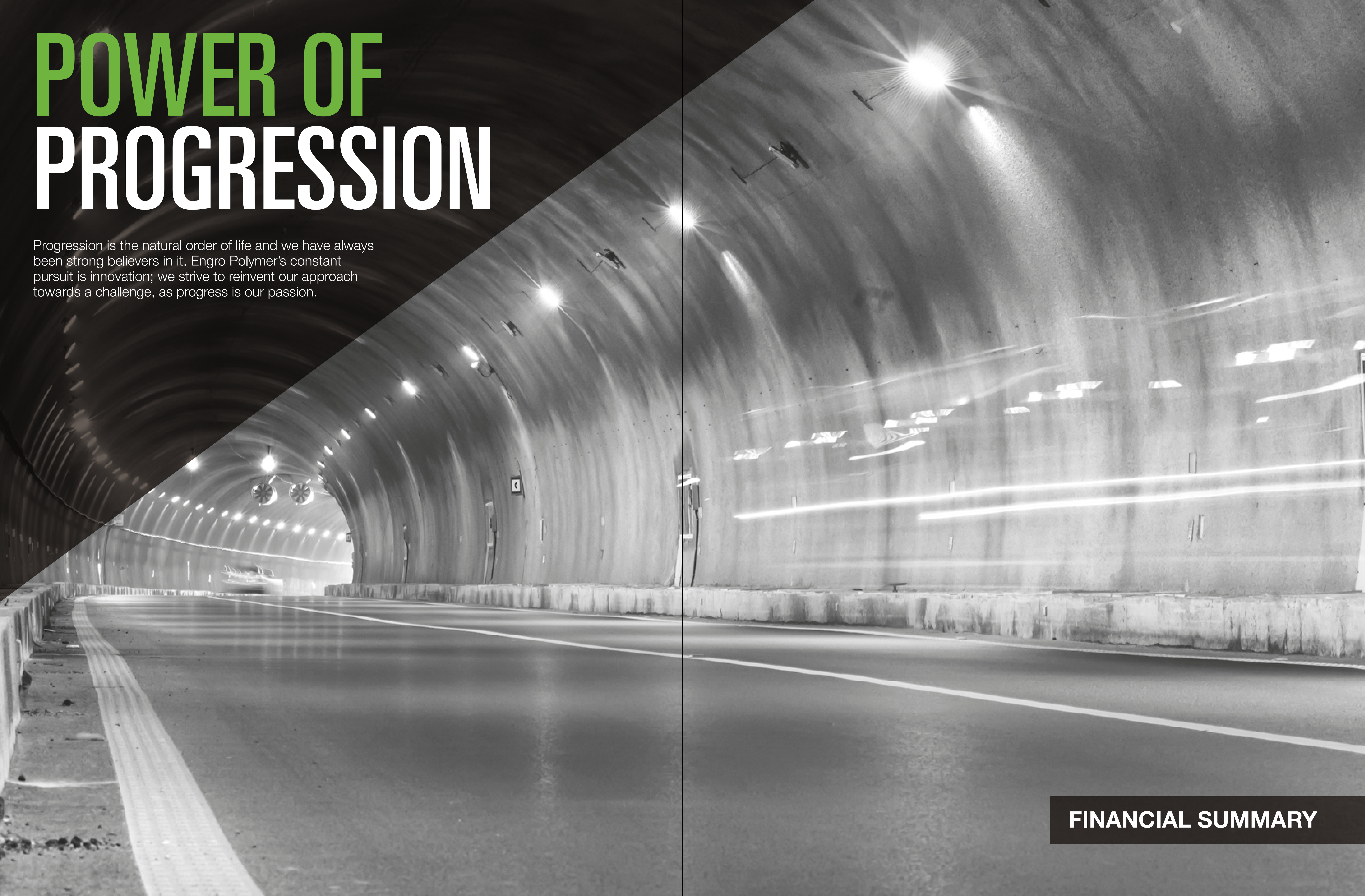
The present auditors, M/s A.F. Ferguson & Co. retire, and offer themselves for reappointment. The Board Audit Committee has recommended the reappointment and the Board of Directors has endorsed the recommendation.

Imran Anwar
Chief Executive Officer

Feroz Rizvi
Director

POWER OF PROGRESSION

Progression is the natural order of life and we have always been strong believers in it. Engro Polymer's constant pursuit is innovation; we strive to reinvent our approach towards a challenge, as progress is our passion.



FINANCIAL SUMMARY

Consolidated Statement of Value Added

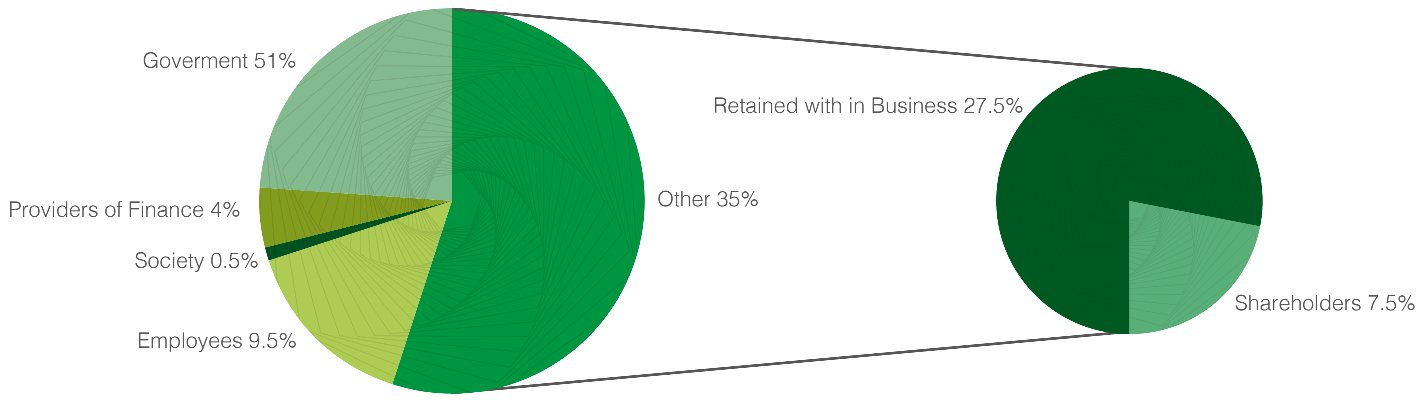
For the year ended December 31, 2018

	2018 Rs in '000	%	2017 Rs in '000	%
Wealth Generated				
Gross Sales and Other Income	42,424,463		32,556,163	
Materials and Services Purchased	(25,669,264)		(20,916,028)	
	16,755,199	100%	11,640,135	100%
Wealth Distributed				
Employees	1,597,058	9.5%	1,392,607	12%
Salaries, wages and other benefits				
Society	89,085	0.5%	3,397	0%
Donations and other CSR activities				
Providers of Finance	606,148	4%	819,775	7%
Finance costs				
Shareholders				
Dividend	1,257,914	7.5%	298,561	3%
Government	8,558,160	51%	6,427,205	55%
Income tax, Sales Tax output, Duties, WWF and WPPF				
Retained within business	4,646,834	27.5%	2,698,590	23%
Retained earnings, Depreciation and amortization.				
	16,755,199	100%	11,640,135	100%

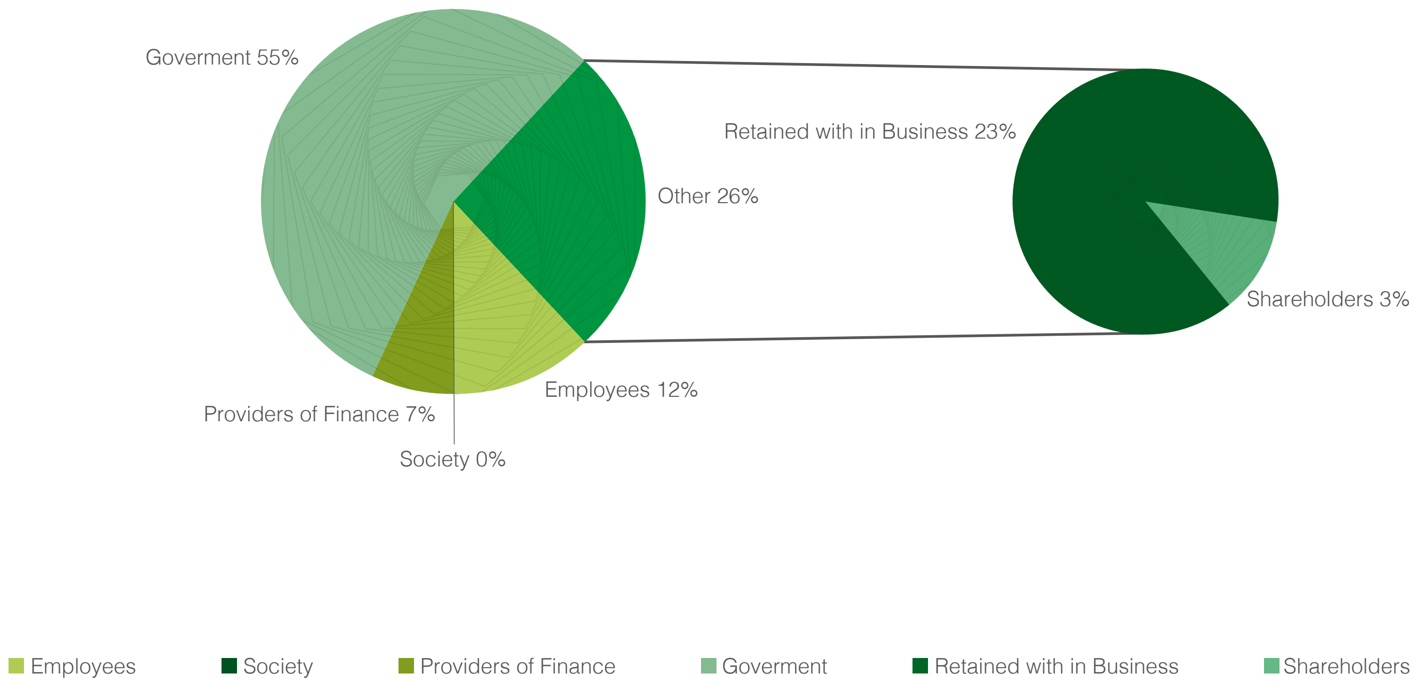
Statetment Of Charity Account

Rs in thousand	2018	2017
Community welfare	5,969	525
Environment	8,837	-
Education	53,140	730
Healthcare	15,700	152
General	5,439	1,990
	89,085	**3,397**

Distribution of value added - 2018



Distribution of value added - 2017



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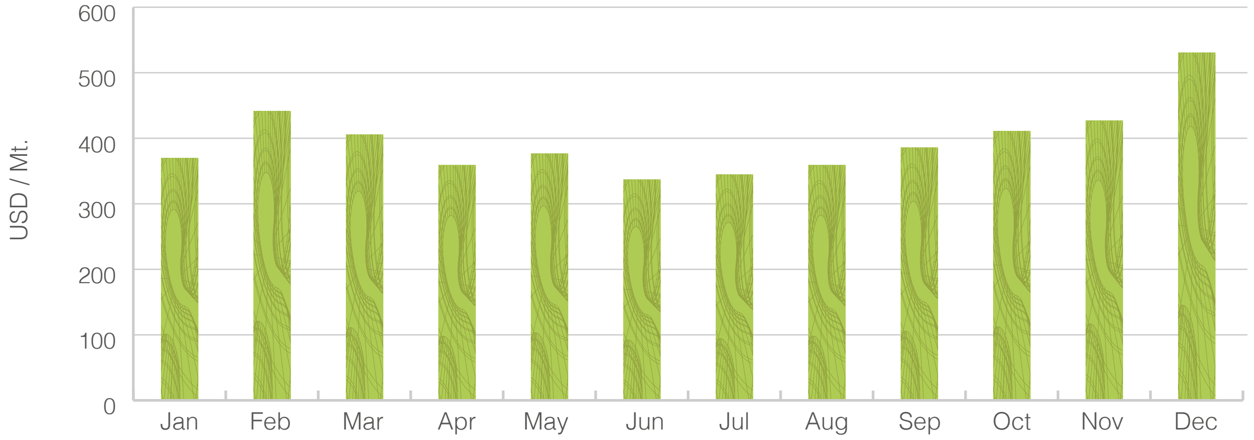
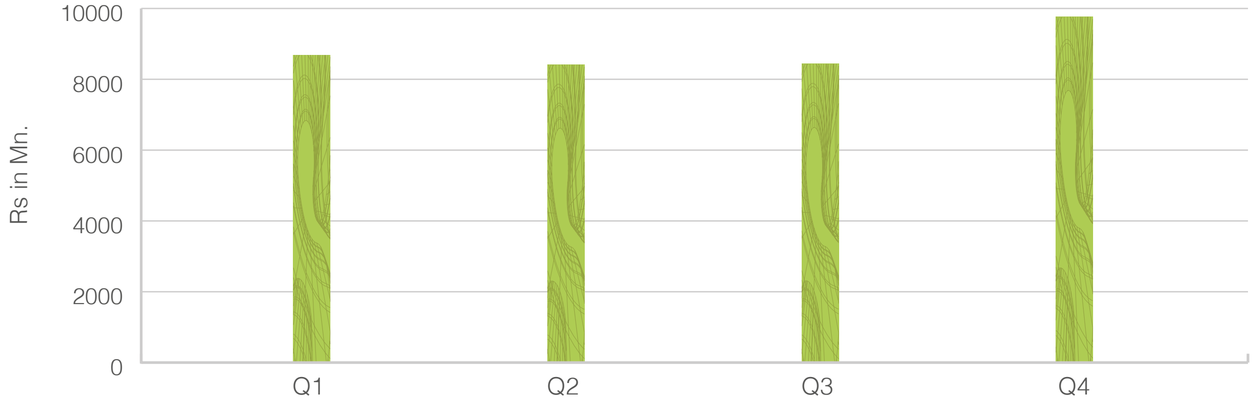
Quarterly Analysis

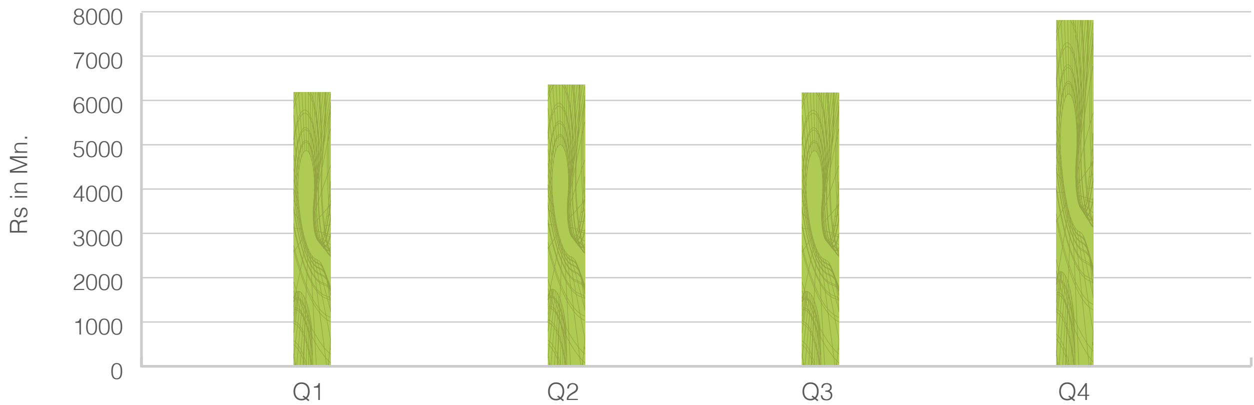
PVC - Ethylene



Net Revenue



Cost of Sale



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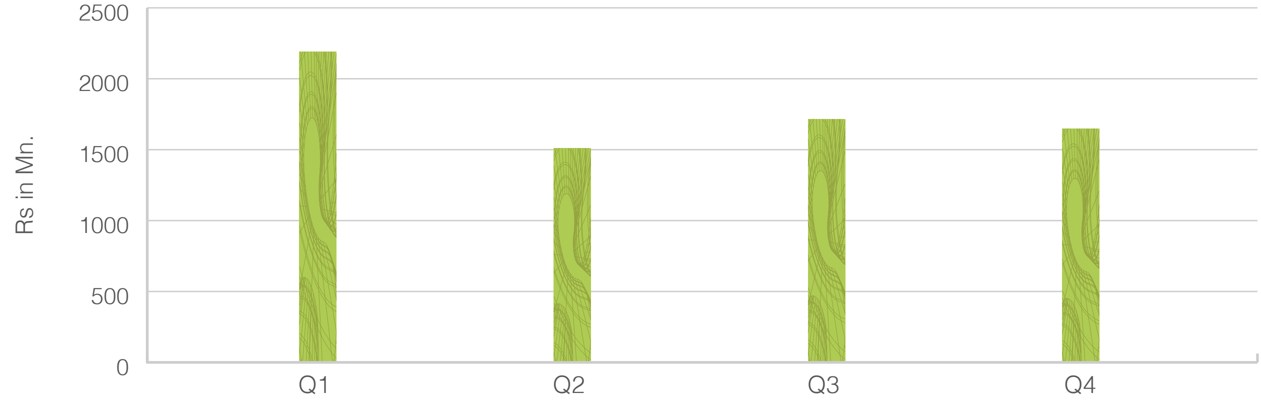
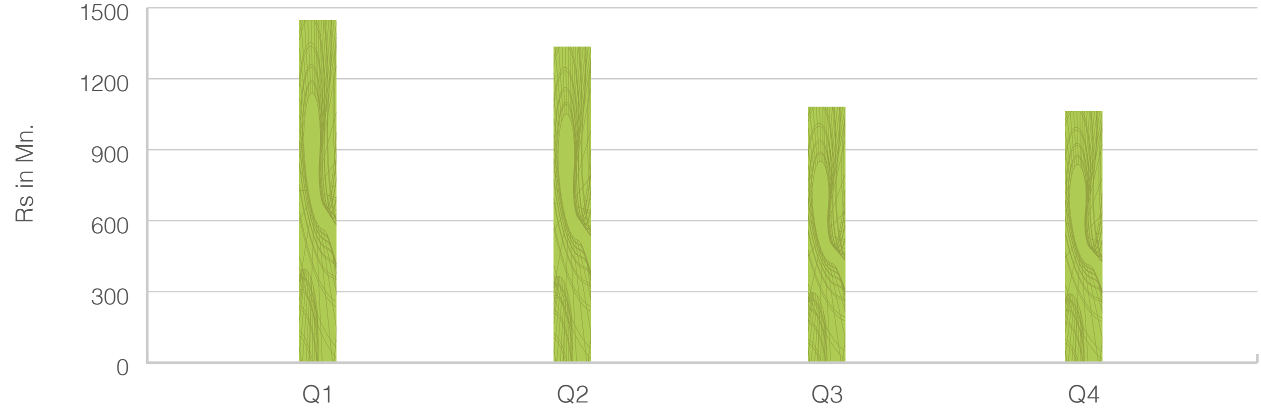
Quarterly Analysis 2018

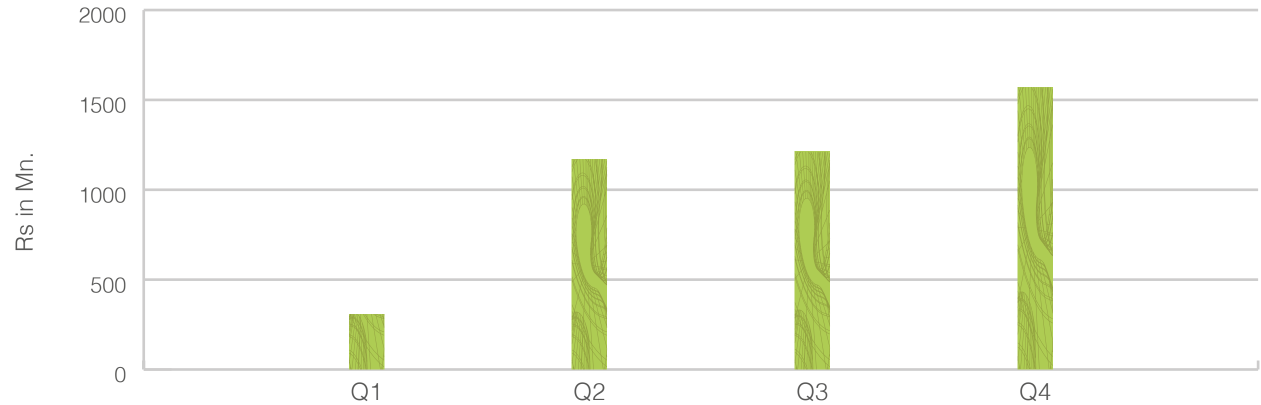
Operating Profit



Net Profit



Capital Expenditure



Q1

- Domestic market witnessed growth in PVC demand in 1Q 2018 due to robust demand from construction sector and infrastructure projects
- International PVC prices remained strong on the back of improving demand situation
- On Chlor-Alkali front, market dynamics remained competitive yet higher sales volume was recorded against same period last year
- Insurance claim for business interuption was recovered

Q2

- PVC prices remained majorly stable, however, Ethylene prices strengthened on the back of cracker turnarounds
- Chlor-Alkali market remained competitive, however, a decline in sales volume was witnessed against previous quarter due to turnaround at plant
- Super tax was made applicable on 2017 and 2018 both, hence a provision of Rs. 215 Mn was recorded
- Final Anti-Dumping Duty was imposed on China, Taiwan, South Korea and Thailand

Q3

- Demand and price dynamics remained fairly stable in PVC segment
- IDue to cost pressure from Ethylene the vinyl chain margins remained under pressure
- Issuance of right shares completed which translated into availability of higher cash Resultantly, income on short term investment increased significantly
- Cummulative impact of stable chlor-alkali market and better domestic market dynamics resulted in better revenues

Q4

- Domestic market maintained the positive trajectory and EPCL closed the year with highest ever PVC sales and production quantities
- Ethylene prices declined during the quarter, due to healthy supply on account of high cracker operation rates & low demand from poly ethylene sector
- On Chlor-Alkali front domestic demand remained stable alongside higher prices which translated in higher margins
- Second and final insurance claim for business interuption was recovered and certain one time provisions were bookedwhich impacted the bottom line
- Long-term financing agreement for PVC III expansion project signed with IFC

Six Years Cash Flow with Direct Method 2018

(Based on standalone financial statements)

Cash Flow Statements - Direct Method	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
(Rs in million)						
Cash flows from customers	35,347	27,671	22,835	22,382	23,789	24,335
Cash payments to suppliers and others	(24,989)	(24,939)	(18,473)	(22,157)	(21,033)	(20,118)
Cash generated from operations	**10,358**	**2,732**	**4,362**	**225**	**2,756**	**4,217**
Finance costs	(638)	(607)	(886)	(995)	(1,026)	(1,412)
Long term loans and advances	(9)	(6)	(4)	-	(14)	(3)
Retirement benefits paid	(155)	(104)	(193)	(162)	(120)	(56)
Income tax paid	(277)	(166)	(179)	(263)	(456)	62
Net cash flow from operating activities	**9,279**	**1,850**	**3,101**	**(1,194)**	**1,140**	**2,808**
Purchase of operating assets and intangibles	(4,260)	(1,093)	(645)	(661)	(1,052)	(640)
Proceeds from disposal of operating assets	-	9	7	11	12	8
Purchase of short term investments	-	-	-	-	-	(924)
Proceeds from the sale of short term investments	-	-	-	-	-	928
Income on investments and bank deposits	340	44	0.92	34	47	26
Net cash flow from investing activities	**(3,920)**	**(1,039)**	**(637)**	**(616)**	**(993)**	**(602)**
Proceeds from long term borrowings	-	3,000	6,600	2,150	1,700	1,956
Proceeds from short term borrowings	-	-	15.91	819	300	620
Repayment of borrowings	(1,250)	(3,802)	(6,845.70)	(2,998)	(2,554)	(2,873)
Issue of share capital	5,365	-	-	-	-	-
Dividend (Paid)/Received	(1,242)	(261)	-	-	100	200
Net cash flow from financing activities	**2,873**	**(1,063)**	**(230)**	**(29)**	**(454)**	**(97)**
Net cash flows	**8,232**	**(252)**	**2,234**	**(1,839)**	**(307)**	**2,109**

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Six Years Summary Standalone Profit and Loss Account and Balance Sheet

Rs. in Million	2018	2017	2016	2015	2014	2013
Profit And Loss						
Net Sales	35,272	27,731	22,854	22,264	23,819	24,592
Gross Profit	8,736	6,065	3,935	2,773	1,821	4,911
Operating Profit / (loss)	7,055	3,930	2,107	778	(370)	2,718
Profit / (loss) before tax	6,449	3,109	1,180	(366)	(1,435)	1,344
Profit / (loss) after tax	4,917	2,049	655	(649)	(1,016)	717
Balance Sheet						
Property, plant and equipment	19,398	16,011	16,008	16,249	16,923	17,133
Intangibles, investments, deferred Taxation and Long term Loans & Advances	241	242	761	1,115	1,134	608
Current assets	16,331	8,062	7,692	6,878	8,244	7,500
Current liabilities	11,337	7,845	9,742	13,659	14,219	10,731
Non Current liabilities	7,890	8,750	8,750	5,280	6,143	7,575
Share capital	9,089	6,635	6,635	6,635	6,635	6,635
Shareholders equity	16,743	7,720	5,968	5,303	5,939	6,934

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Financial Statements Analysis

(Based on Consolidated financial statements)

Shareholders' equity

Share holders' equity showed a positive change of 116% YoY i.e. an increase of Rs. 9,036 Mn. The increase can be attributed to the following events:

1- Highest ever profit after tax for year of Rs. 4,930 Mn due to favorable international vinyl chain dynamics, sustained domestic demand for PVC, insurance recovery for business interruption and write-back of Minimum Turnover Tax. The said increase enabled a final dividend payout of Rs. 531 Mn for 2017 and interim dividend of Rs. 727 Mn for 2018

2- Issuance of Right shares for PVC/VCM Expansion Projects, also added Rs. 5,365 Mn to the equity;

Non-Current Liabilities

Non-Current liabilities include borrowings from financial institutions and deferred taxation. The decline during the year was on account of prepayment of a loan balance amounting to Rs. 1,250 Mn.

Current Liabilities

Current liabilities stood at Rs. 11,337 Mn. as at the balance sheet date against Rs. 7,854 Mn. as at December 31, 2017 i.e. an increase of Rs. 3,483 Mn. The increase can be majorly attributed to provisions pertaining to Gas Infrastructure Development Cess (GIDC) which increased by Rs. 1,009 Mn. and provision for gas price revision in respect of which Rs. 517 Mn have been recorded during the year.

Further, there has been a major increase in goods-in-transit (for both raw materials and capital items), i.e. Rs. 1,231 Mn.

Non-Current Assets

Non-current assets of the Company have increased by Rs. 3,386 Mn against last year i.e. by 21%. The increase is attributable to diversified range of CAPEX incurred by the Company during the year which include PVC/VCM Expansion, Caustic Flakers, Membrane Replacement, HCL/Hypo De-bottlenecking, Recovery of Spent Sulfuric Acid and other operational efficiency and reliability projects.

Moving forward, significant increase in CAPEX incurrence is expected to be witness on the back of on-going expansion and efficiency projects.

Current Assets

The upsurge in current assets amounting to Rs. 8,273 Mn. over last year is majorly due to availability of excess cash owing to higher cash generation from operations and proceeds from issuance of right shares, which is yet to be utilized in PVC/VCM Expansion project. In the mean-while, the cash is being invested in line with Board's approved investment policy to maximize the returns thereby ensuring that the investment venues are secure.

Revenue

The top-line of the Company increased by 27% YoY basis which stems from PVC higher volume being sold as a result of the Company's strong foothold in domestic market and promising growth of the market. The growth in sales volume was also supported by strong international vinyl chain dynamics.

Our Chlor-Alkali segment was also a beneficiary of the export favorable measures taken by the Government. The export intensive textile sector showed an upward trajectory, so did the demand of caustic soda in domestic market, which boded well for the Company's revenue on Chlor-Alkali front.

Cost of sales

Cost of sales have increased by Rs. 4,870 Mn (i.e. 22% YoY basis) owing to increase in production quantities. Another increase in cost of sales can be attributed to the increase in natural gas price by 30% in during last during of 2018.

Gross profit

The gross profit margin relies on many factors such as international PVC and ethylene prices, gas prices and currency fluctuations. With all the aforementioned factors being positive for the Company coupled with higher volumes as mentioned before, the gross profit increased by 44% YoY basis.

Operating profit

The operating profit of the Company has increased by Rs. 3,124 Mn, including a contribution of gross profit by Rs. 2,671 Mn. Additionally, recovery of insurance claim in respect of business interruption and income on short term investment due to availability of surplus cash supported the increase in bottom line by Rs. 842 Mn. and Rs. 346 Mn, respectively.

The increase was netted partially by corresponding increase in WWF and WPPF, which are function of profitability.

Finance Costs

Finance Costs decreased by Rs. 214 Mn during the year on account of improved profitability and cash flows, resulting in lower financial debt during the year.

Taxation

Tax charge, being a function of profitability, increased significantly during the year. Another reason for higher tax expense was continuation of super tax and its applicability on previous period. However, the increase in expense has been compensated to the extent of Rs. 542 Mn by write back of Minimum Turnover Tax which has been recouped in 2018.

Ratio Analysis

Profitability Ratios

Higher gross profit during 2018 has significantly impacted the Company's profitability which depicts a healthier economic picture as compared to last year. Improvement can be witnessed in EBIDTA, which has increased by ~ Rs. 3,139 Mn. Additionally, profit margin ratio has also shown improvement by rising from 7.4% in the previous year to 13.98% in the current year, which measures effectiveness of convertibility of the Company's sales into net income. Gross Profit ratio also improved from 21.9% in 2017 to 24.77% in 2018 due to favorable local and international dynamics.

Liquidity Ratio

Liquidity ratios have been showing significant improvement since 2013 including current ratio for the year which improved to 41 basis points due to availability of excess cash generated from operations and raised through issuance of right shares for funding of expansion project.

Due to better management of working capital cycle, quick ratio has also improved by 63 basis points.

Capital Structure Ratios

The financial gearing of the Company has also shown significant improvement as debt to equity ratio has improved to 45% in 2018 as a result of higher equity balance due to the accumulation of profit and issuance of right shares.

Investment / Market Ratios

EPS for the current year is Rs. 6.22 / share as compared to Rs. 2.93 / share in the previous year. Average market value per shares has also improved from Rs. 25.49 / share to Rs. 33.14 / share whereas the closing price was Rs. 37.14 / share. During the year, the Company made payments of final dividend for 2017 at Rs. 0.8 / share and paid an interim dividend of Rs. 0.8 / share during 2018.

The Company has also declared final dividend of Rs. 0.30 / share (i.e. a cumulative dividend of Rs 1.1 / share) for 2018, leading to a dividend payout ratio of 18%.

Activity/Turnover Ratios

Cash operating cycle of the Company has increased by 32 days as compared to last year due to reduction in supplier's credit.

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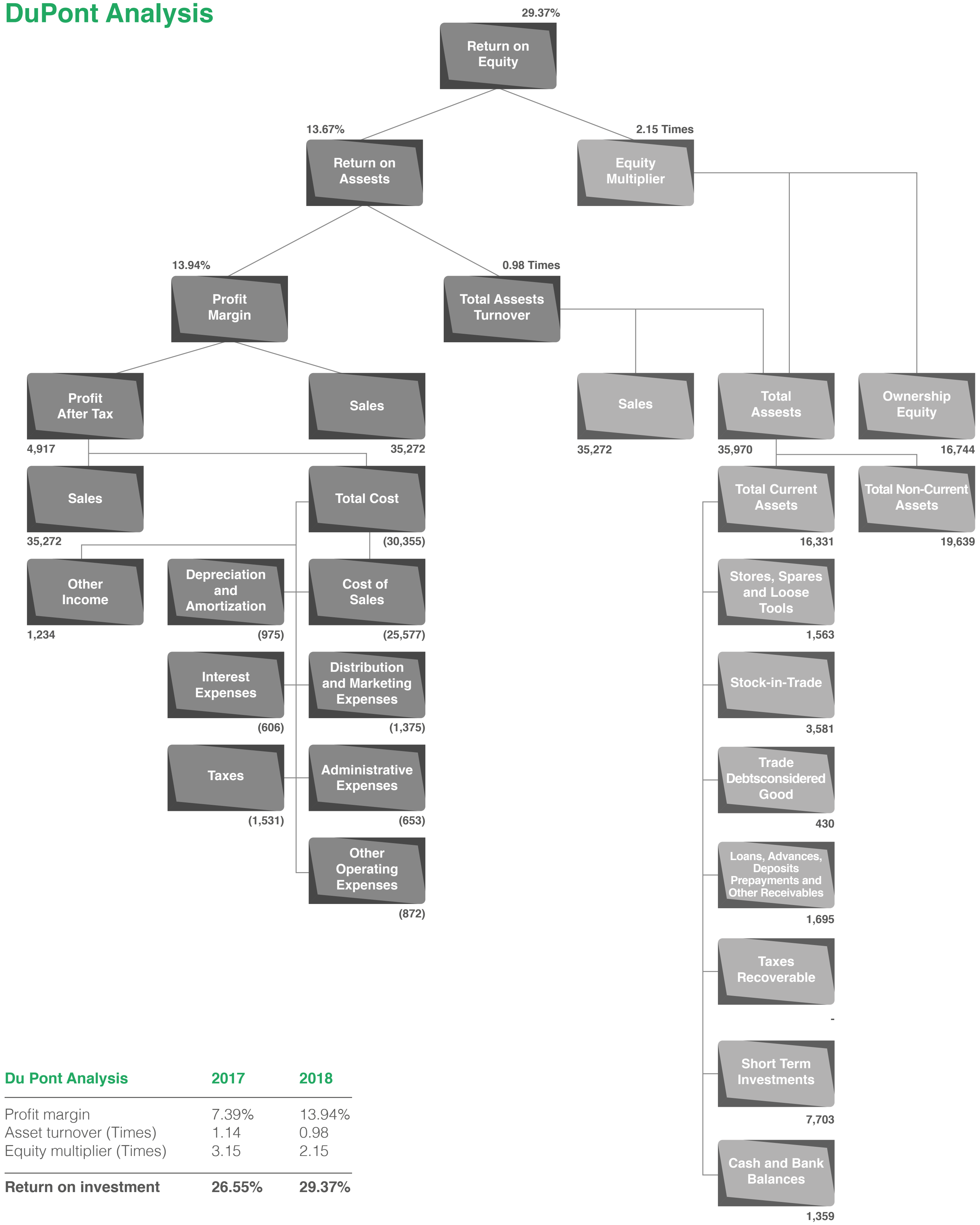
DuPont Analysis



Du Pont Analysis	2017	2018
Profit margin	7.39%	13.94%
Asset turnover (Times)	1.14	0.98
Equity multiplier (Times)	3.15	2.15
Return on investment	**26.55%**	**29.37%**

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Balance Sheet
Vertical And Horizontal Analysis
(Based on standalone financial statements)

	2018	2017	2016	2015	2014	2013
Assets						
Non-Current Assets	19,639	16,253	16,769	17,364	18,057	17,740
Current Assets	16,331	8,062	7,692	6,878	8,244	7,500
Total Assets	35,970	24,315	24,461	24,242	26,301	25,240
Equity And Liabilities						
Equity	16,743	7,720	5,968	5,303	5,939	6,934
Non-Current Liabilities	7,890	8,750	8,750	5,280	6,143	7,575
Current Liabilities	11,337	7,845	9,742	13,659	14,219	10,731
Total Equity & Liabilities	**35,970**	**24,315**	**24,461**	**24,242**	**26,301**	**25,240**
Non-Current Assets	55%	67%	69%	72%	69%	70%
Current Assets	45%	33%	31%	28%	31%	30%
Total Assets	100%	100%	100%	100%	100%	100%
Equity And Liabilities						
Equity	47%	32%	24%	22%	23%	27%
Non-Current Liabilities	21.5%	36%	36%	22%	23%	30%
Current Liabilities	31.5%	32%	40%	56%	54%	43%
Total Equity & Liabilities	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

	2018 over 2017	2017 over 2016	2016 over 2015	2015 over 2014	2014 over 2013	2013 over 2012
Non-Current Assets	21%	-3%	-3%	-4%	2%	-5%
Current Assets	103%	5%	12%	-17%	10%	20%
Total Assets	48%	-1%	1%	-8%	4%	1%
Equity And Liabilities						
Equity	117%	29%	13%	-11%	-14%	12%
Non-Current Liabilities	-10%	0%	66%	-14%	-19%	-2%
Current Liabilities	45%	-19%	-29%	-4%	33%	-3%
Total Equity & Liabilities	**48%**	**-1%**	**1%**	**-8%**	**4%**	**1%**

Profit And Loss Account
Vertical And Horizontal Analysis

(Based on standalone financial statements)

Rs. In Million

	2018	2017	2016	2015	2014	2013
Net sales	35,272	27,731	22,854	22,264	23,819	24,592
Cost of sales	(26,536)	(21,665)	(18,919)	(19,490)	(22,151)	(19,681)
Gross profit	**8,736**	**6,066**	**3,935**	**2,773**	**1,668**	**4,911**
Distribution and marketing expenses	(1,375)	(1,328)	(1,180)	(1,211)	(1,409)	(1,344)
Administrative expenses	(669)	(584)	(519)	(515)	(494)	(606)
Other operating expenses	(872)	(356)	(149)	(325)	(309)	(521)
Other income	1,234	132	20	57	174	278
Operating profit / (loss)	**7,054**	**3,930**	**2,107**	**778**	**(370)**	**2,718**
Finance costs	(606)	(821)	(927)	(1,144)	(1,065)	(1,374)
Profit / (loss) before taxation	**6,448**	**3,109**	**1,180**	**(366)**	**(1,435)**	**1,344**
Taxation	(1,531)	(1,060)	(525)	(283)	419	(627)
Profit / (loss) for the year	**4,917**	**2,049**	**655**	**(649)**	**(1,016)**	**717**

Vertical Analysis **% of Sales**	2018	2017	2016	2015	2014	2013
Net sales	100%	100%	100%	100%	100%	100%
Cost of sales	-75%	-78%	-83%	-88%	-93%	-80%
Gross profit	**25%**	**22%**	**17%**	**12%**	**7%**	**20%**
Distribution and marketing expenses	-4%	-5%	-5%	-5%	-6%	-6%
Administrative expenses	-2%	-2%	-2%	-2%	-2%	-2%
Other operating expenses	-2%	-1%	-1%	-2%	-2%	-2%
Other income	3%	0%	0%	0%	1%	1%
Operating profit / (loss)	**20%**	**14%**	**9%**	**3%**	**-2%**	**11%**
Finance costs	-2%	-3%	-4%	-5%	-4%	-6%
Profit / (loss) before taxation	**18%**	**11%**	**5%**	**-2%**	**-6%**	**5%**
Taxation	-4%	-4%	-2%	-1%	2%	-2%
Profit / (loss) for the year	**14%**	**7%**	**-3%**	**-3%**	**-4%**	**3%**

Horizontal Analysis - Year on Year	2018 over 2017	2017 over 2016	2016 over 2015	2015 over 2014	2014 over 2013	2013 over 2012
Net sale	27%	21%	3%	-7%	-3%	20%
Cost of sales	22%	15%	-3%	-12%	13%	16%
Gross profit	**44%**	**54%**	**42%**	**66%**	**-66%**	**42%**
Distribution and marketing expenses	4%	13%	-3%	-14%	5%	19%
Administrative expenses	15%	13%	1%	4%	-18%	27%
Other operating expenses	146%	144%	-54%	5%	-41%	-1%
Other income	835%	550%	-64%	-67%	-37%	-45%
Operating profit / (loss)	**79%**	**86%**	**171%**	**-310%**	**-114%**	**50%**
Finance costs	-26%	-11%	-19%	7%	-22%	-17%
Profit / (loss) before taxation	**107%**	**163%**	**-423%**	**-74%**	**-207%**	**710%**
Taxation	44%	102%	86%	-168%	-167%	441%
Profit / (loss) for the year	**140%**	**213%**	**-201%**	**-36%**	**-242%**	**1334%**

Key Financial Information

(Based on standalone financial statements)

INVESTOR INFORMATION	Unit	2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross profit ratio	%	24.77	21.90	17.22	12.46	7.65	19.97
Net Profit /(loss) to sales	%	13.94	7.40	2.86	(2.92)	(4.27)	2.92
EBITDA	Rs. in M	8,013	4,874	2,985	2,062	867	3,897
EBITDA to sales	%	22.72	17.60	13.06	9.26	3.64	14.60
Operating leverage ratio	No. of Times	2.92	4.10	64.46	(47.53)	12.05	3.58
Cost / income ratio	%	80.68	85.89	90.79	96.51	101.54	89.07
Return on equity	%	29.37	26.50	10.98	(12.24)	(17.11)	10.34
Return on capital employed	%	20.28	12.40	4.44	(6.14)	(8.44)	4.97
Liquidity Ratios							
Cash flow from operations to sales	No. of Times	0.29	0.10	0.19	0.01	0.12	0.17
Cash to current liabilities	No. of Times	0.80	0.11	0.11	(0.08)	0.05	0.09
Current ratio	No. of Times	1.44	1.03	0.79	0.50	0.58	0.71
Quick ratio	No. of Times	0.99	0.35	0.32	0.18	0.20	0.27
Capital Structure							
Interest cover ratio	No. of Times	11.64	4.79	2.27	0.68	(-0.35)	1.98
Long term debt to equity ratio	No. of Times	0.45	1.13	1.47	0.99	1.03	1.08
Weighted average cost of debt	%	7.57	8.35	9.16	9.09	10.25	11.21
Financial leverage	%	45	113	161	214	163	151
Price to book ratio	Rs. per share	0.94	0.78	0.50	0.29	0.30	0.35
Net assets per share	Rs. per share	18.42	11.64	9.00	8.00	8.96	10.46
Earning assets to total assets	%	76	76	76	76	76	76
Activity/Turnover Ratios							
Fixed assets turnover	No. of Times	1.82	1.73	1.43	1.37	1.41	1.44
Total assets turnover	No. of Times	0.98	1.14	0.93	0.92	0.91	0.97
Inventory turnover days	No. of Days	49.95	56.48	57.54	64.04	58.90	58.45
Inventory turnover	No. of Times	0.14	0.15	0.16	0.18	0.16	0.16
Debtor turnover	No. of Days	4.19	5.41	6.14	7.54	8.18	5.44
Debtor turnover days	No. of Times	0.01	0.01	0.02	0.02	0.02	0.01
Creditor turnover	No. of Days	55.55	95.49	158.4	192.91	165.00	151.35
No. of days in Payables	No. of Days	0.15	0.26	0.43	0.53	0.45	0.41
Operating cycle	No. of Days	(1.41)	(33.59)	(94.72)	(128.62)	(97.92)	(87.47)
Investment/Market Ratios							
Number of outstanding shares at year end	No. in M	909	663	663	663	663	663
Earnings der dhare - dasic and diluted	Rs.	6.21	2.93	0.99	(0.98)	(1.53)	1.08
Price darning ratio	No. of Times	5.98	9.24	18.65	(9.37)	(12.76)	8.05
Market value per share (at the end of the year)	Rs.	37.14	28.56	18.46	10.44	12.00	13.41
Market value per share (highest during the year)	Rs.	40.73	39.71	19.00	14.14	17.25	14.55
Market value per share (lowest during the year)	Rs.	25.49	18.11	8.20	7.91	10.65	8.50
Break up value per share	Rs.	18.42	11.64	9.00	8.00	8.96	10.46
Dividend Per Share	Rs.	1.1	1.25	-	-	-	-
Dividend payout ratio	%	20	40	-	-	-	-
Dividend cover ratio	No. of Times	4.92	2.5	-	-	-	-
Dividend yield ratio	%	2.96	4.38	-	-	-	-

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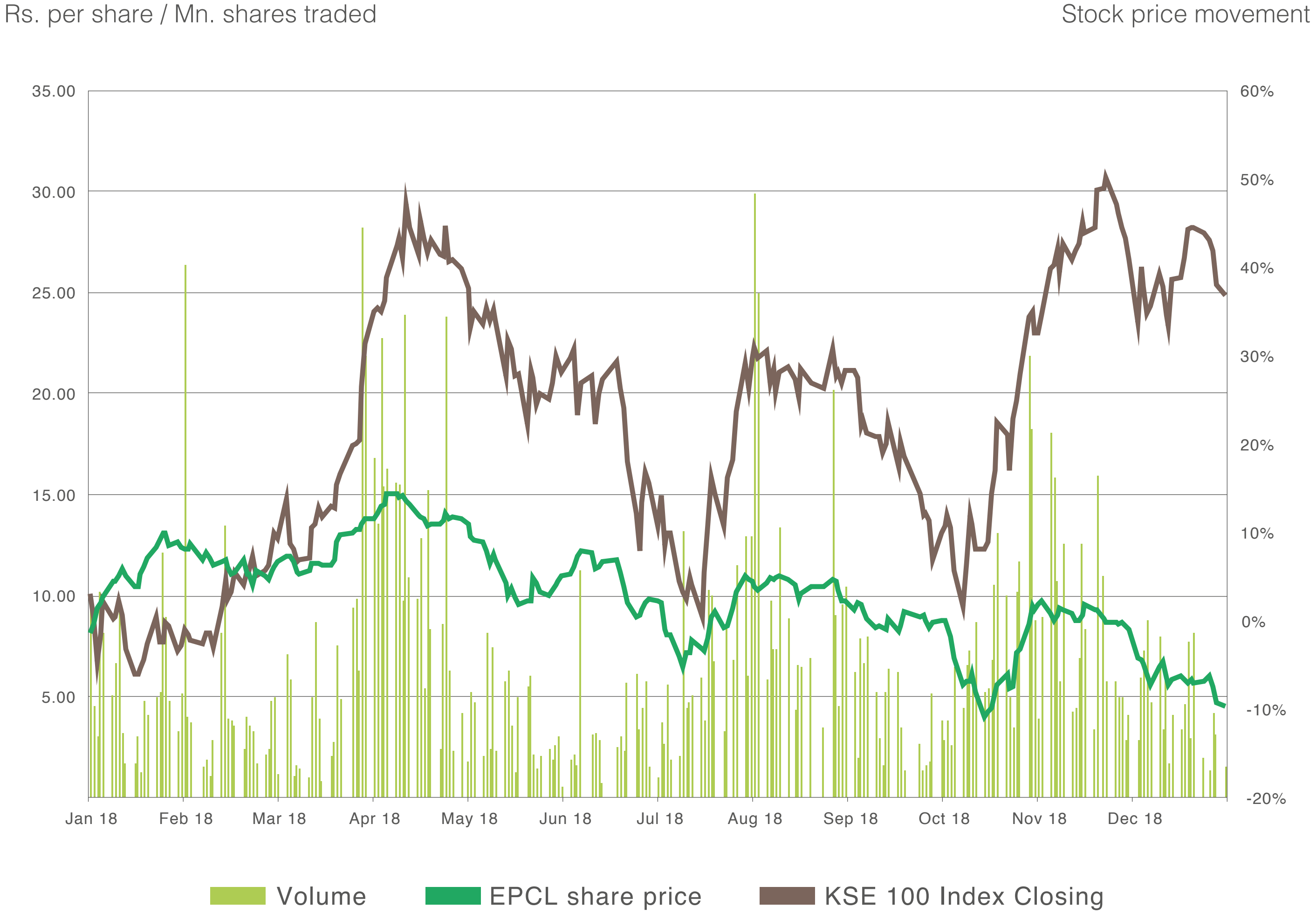
Share Price Sensitivity Analysis

During the year, 1,617 Mn shares were traded at Pakistan Stock Exchange. The share remained an attraction for investors on account of improving profitability attributable to better vinyl chain core margins, operational efficiencies and better profitability prospects. Despite the issuance right shares and dilution of share price therefrom, the share outperformed in the Pakistan Stock Exchange due to improved profitability and topline growth. The average price of the Company's share based on daily closing rates was Rs. 33.14 per share while 52 week low / high during the year was Rs. 25.49 – 40.73 per share, respectively.



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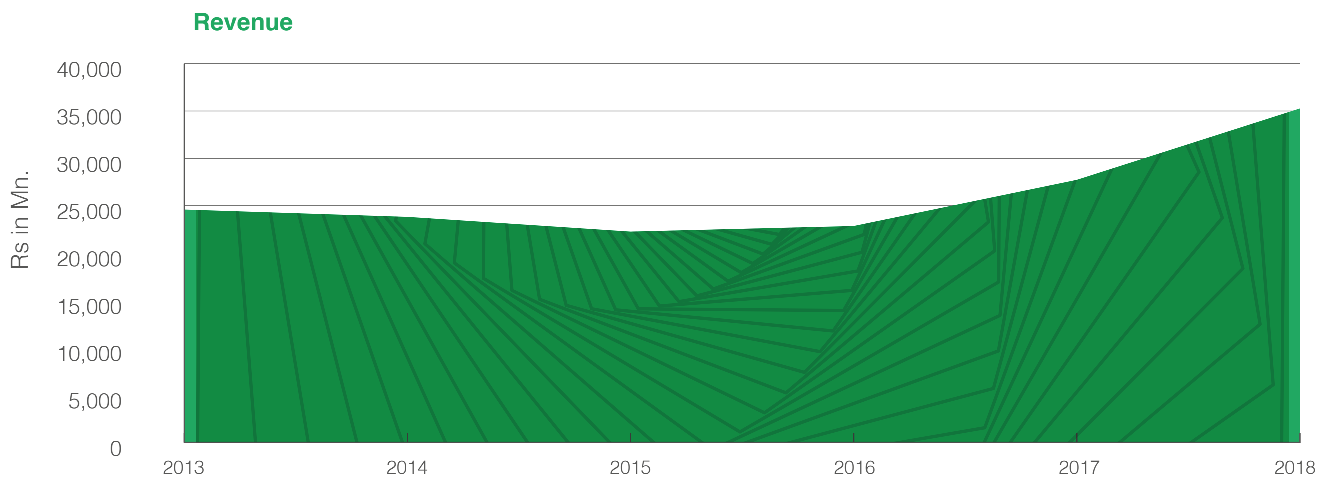
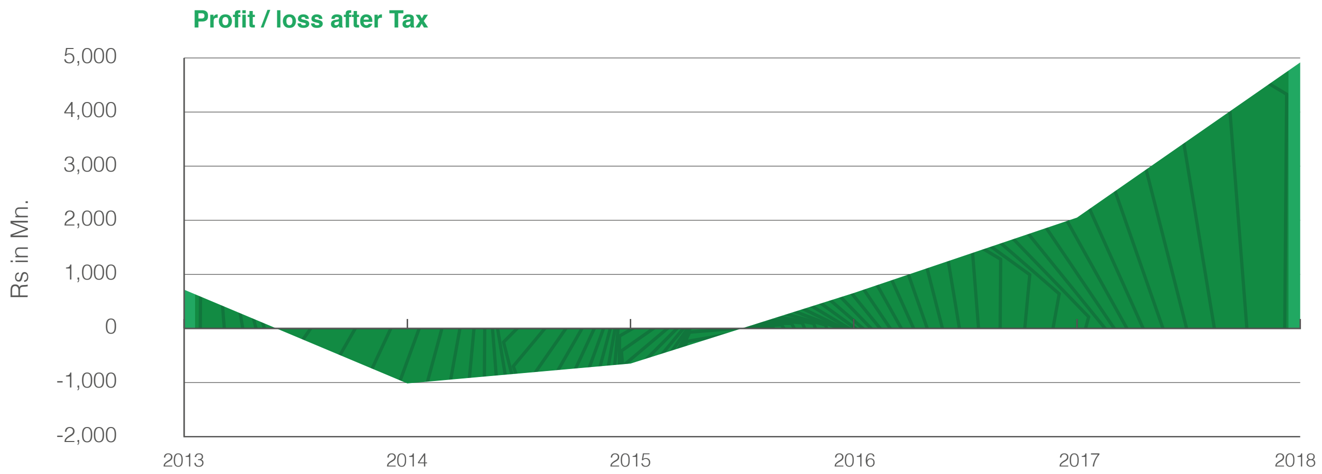
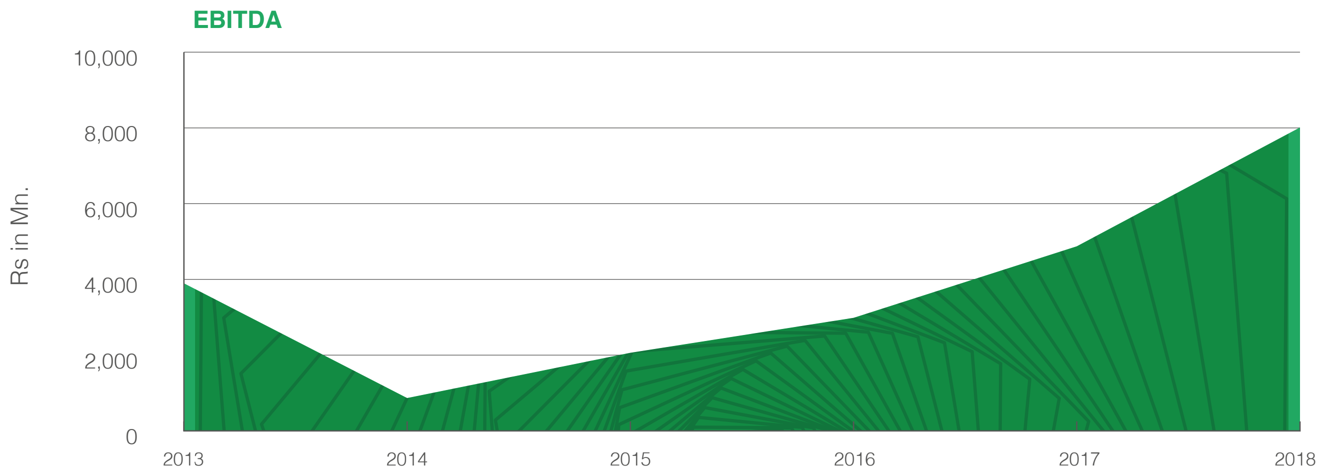
Graphical Presentation







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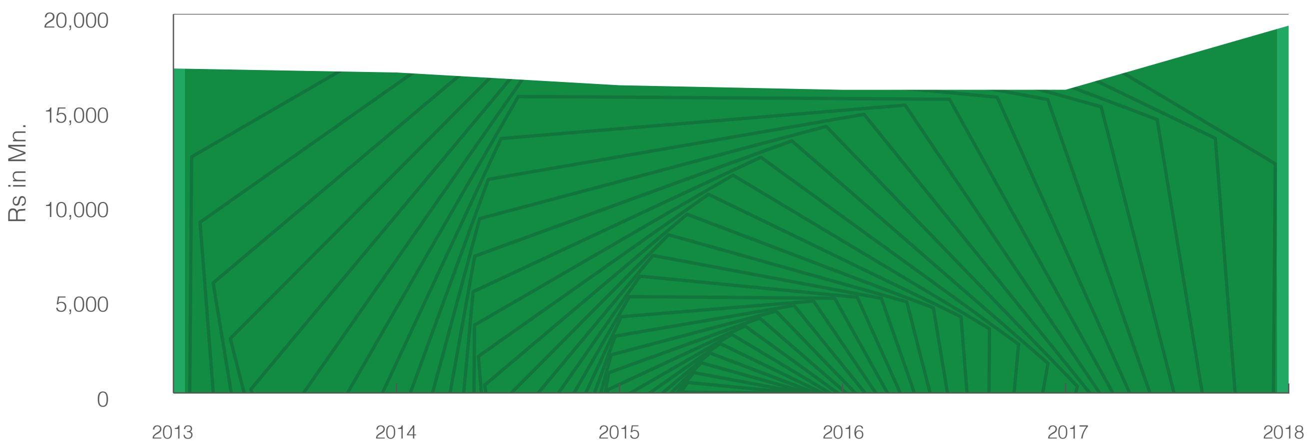
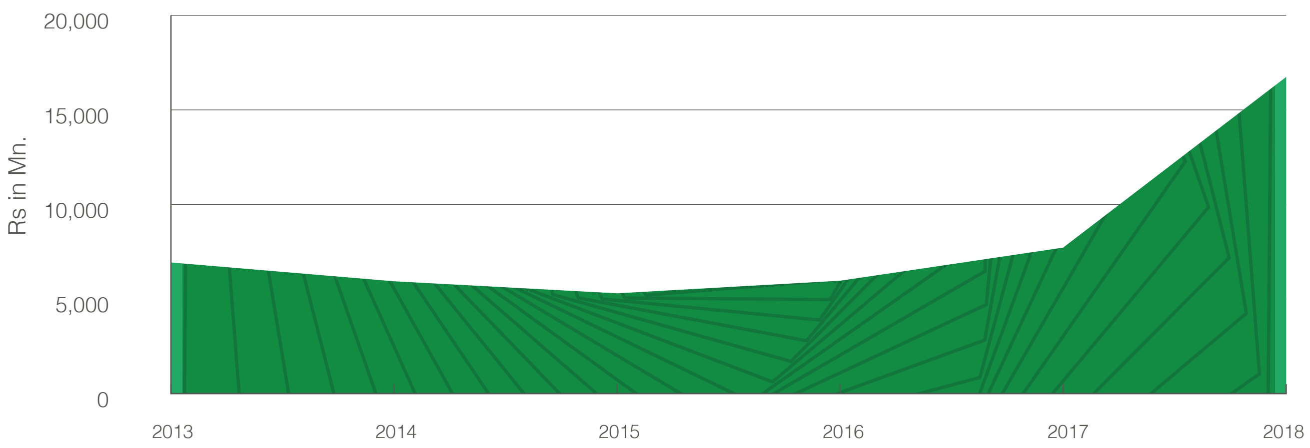
Property, plant and equipment



Shareholder's Value



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FINANCIAL STATEMENTS

statement of compliance with listed companies

(code of corporate governance) regulations, 2017
engro polymer & chemicals limited
year ended december 31, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following structure:

   a. Male: Seven
   b. Female: None

2. The Composition of the Board is as follows:

a. Independent Director	Mr. Feroz Rizvi
b. Executive Director	Mr. Imran Anwer
c. Non-ExecutiveDirectors	Mr. Ghias Khan
	Mr. Hasnain Moochhala
	Mr. Nadir Salar Qureshi
	Mr. Muhammad Asif Sultan Tajik
	Mr. Noriyuki Koga

3. The Directors have confirmed that none of them is serving as a Director on more than fivelisted companies, including this Company (excluding the listed subsidiaries oflisted holding companies where applicable).

4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. All the meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations. Currently, the remuneration of directors for attending meetings is being charged based on the fee approved by the Board in prior years.

9. The Board has arranged Directors' Training program for the following:

   - Mr. Nadir Salar Qureshi (non-executive director)
   - Mr. Hasnain Moochha during the year (non-executive director)

10. The Board has approvedappointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. The Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

    Board Audit Committee:
    Mr. Feroz Rizvi - Chairman
    Mr. Noriyuki Koga - Member
    Mr. Hasnain Moochhala - Member

    Board Compensation Committee:
    Mr. Feroz Rizvi - Chairman
    Mr. Noriyuki Koga - Member
    Mr. Ghias Khan - Member
    Mr. Nadir Salar Quresh - Member

13. The Terms of reference of the aforesaid Committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the Committee were as per following:
    - Board Audit Committee - Quarterly
    - Board Compensation Committee - Half yearly

15. The Board has set up an effective internal audit function which has staffed suitably qualified and experienced personnel for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given asatisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Imran Anwer
Chief Executive Officer

Feroz Rizvi
Director

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Indepenent auditor's review report

To the members of Engro Polymer and Chemicals Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Engro Polymer and Chemicals Limited for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended December 31, 2018.

Chartered Accountants
Karachi
Dated: March 1, 2019

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the the PwC network
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independent auditor's report

To the members of Engro Polymer and Chemicals Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Engro Polymer and Chemicals Limited** (the Company), which comprise the statement of financial position as at **December 31,2018,** and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1	**First time application of Fourth Schedule to the Companies Act, 2017** (Refer note 3.1.2.2 to the financial statements) The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of annual financial statements. As a part of transition to the requirements, management performed an analysis to identify differences between the previous and current Fourth Schedules and as a result certain amendments relating to presentation and disclosures were made in the financial statements. In view of the various new disclosures prepared and presented in the financial statements, we considered this a key audit matter.	Our audit procedures included the following: - reviewing and understanding the requirements of the Fourth Schedule to the Companies Act, 2017. - considering the management's process to identify the additional disclosures required in the Company's annexed financial statements; - obtaining relevant underlying supports for the additional disclosures and assessed their appropriateness for sufficient audit evidence; and - verifying on a test basis the supporting evidence for the. additional disclosures and ensured appropriateness of the disclosures made.

S.No.	Key audit matters	How the matter was addressed in our audit
2	**Capitalization of Property, plant and equipment** (Refer note 5 to the financial statements) During the year ended December 31,2018, the Company has incurred a significant amount of capital expenditure in respect of various expansion projects of the Company in order to enhance the production capacity. The incurrence of capital expenditure involves the assessment of appropriateness of costs capitalised in this respect and the determination of costs that meet the criteria for capitalisation under the accounting and reporting standards. As capital expenditure incurred during the year constitutes a significant amount and involves significant judgemental areas such as the capitalization of elements of eligible cost components as per applicable accounting and reporting standards, we considered this a key audit matter.	Our audit procedures included the following: - obtaining an understanding of the Company's process with respect to capital expenditure incurred and testing controls relevant to such process; - testing the cost capitalized with the relevant underlying documentation; - assessing the nature of capitalized costs to ensure whether assets capitalized meet the recognition criteria set out in IAS 16; - assessing the useful lives assigned by the management including testing the calculation of related depreciation; - validating the existence of capitalized assets through physical verification on a sample basis; and - reviewing adequacy of the disclosures made by the Company with regard to applicable accounting and reporting standard.
3	**Provisions** (Refer note 24 to the financial statements) The Company maintains a provision in respect of Gas Infrastructure Development Cess (GIDC) of Rs. 4,121,435 thousand as at December 31, 2018 which denotes provision for GIDC on captive power plants prior to the promulgation of the GIDC Ordinance, 2015 of Rs. 592,125 thousand and provision for both industries and captive power plant recorded subsequently. The Company has obtained ad-interim stay orders against the GIDC Act, 2015 from the Sindh High Court which 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. Furthermore, the Company has challenged the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regularity Authority (OGRA) and has been granted an interim relief by the Sindh High Court through an order granted in its favour. As at December 31,2018, the provision for gas price increase amounts to Rs. 517,392 thousand. The management believes that the provision recorded as at December 31, 2018 in respect of both GIDC and gas price increase represents the management's current best estimate of the amounts. Given the nature and significance of the amounts involved in the aforementioned case and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge and the legal case progresses. Therefore, we identified this as a key audit matter.	Our procedures in respect of this matter included: - obtaining an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of the minutes of the meetings of those charged with governance; - reading correspondence of the Company with the regulatory authorities and Company's external legal counsel; - obtaining confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; and - assessing the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the financial statements in accordance with the accounting and reporting standards.

S.No.	Key audit matters	How the matter was addressed in our audit
4	**Taxation** (Refer notes 17, 23, 25.1 and 33) The Company has contingent liabilities in respect of income tax and sales tax matters which are pending adjudication before various legal and appellate forums. During the year ended December 31, 2018, the Company has recouped minimum turnover tax derecognized in prior years and has recognised a provision for super tax relating to tax years 2018 and 2019. The Company has also claimed a tax credit for investment under 65B of the Income Tax Ordinance, 2001 amounting to Rs 233,831 during the year. In addition to the above, the Company holds a deferred tax asset of Rs 1,438,243 on recoupable carry forward losses, minimum turnover taxes and alternative corporate tax. The recognition of deferred tax asset is dependent on management's best estimate of availability of sufficient future taxable profits against which carried forward losses and tax credits can be utilized. The future taxable profits are based on approved corporate plan. This estimation involves a degree of uncertainty and requires judgement in relation to the future cash flows and also involves assessment of timing of reversals of un-used tax losses and tax credits. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of any matters pending at legal and appellate forums and the use of significant management judgement and estimates to assess the same including related financial impacts, we have considered this as a key audit matter.	Our audit procedures included the following: - obtaining the corporate plan from the management duly approved by the Board of Directors of the Company setting out the financial projections from the Company; - reviewing the reasonableness of management's estimates of projected taxable income by performing a retrospective review of projections used in the prior year assessment and reviewing assumptions used for future projections; - checking that the unused tax losses and unused tax credits are being utilized within the permitted period of offset based on projected taxable income contained in the approved corporate plan; - obtaining and reviewing details of the pending legal cases in respect of sales tax and income taxes and discussing the same with the Company's management and internal and external tax experts; - circularizing confirmations to the Company's external legal and tax counsels for their view on matters being handled by them and involving internal tax professionals to assess management's conclusions on contingent tax matters and evaluating the consistency of such conclusions with the view of management and external tax advisors engaged by the Company; and - reviewing the adequacy of the disclosures made by the Company with regard to the applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with out audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and .

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent-auditors' report is Farrukh Rehman.

Chartered Accountants
Karachi
Dated: February 27, 2019
Engagement Partner: Farrukh Rehman

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the the PwC network
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■ KARACHI ■ LAHORE ■ ISLAMABAD

engro polymer and chemicals limited
statement of financial position

as at december 31, 2018

(Amounts in thousand)	Note	2018	2017
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	19,397,763	16,011,070
Intangibles	6	106,773	104,663
Long-term investment - at cost	7	50,000	50,000
Long-term loans and advances	8	84,465	75,756
Deferred tax asset	17	-	11,255
		19,639,001	16,252,744
Current Assets			
Stores, spares and loose tools	9	1,562,767	1,602,387
Stock-in-trade	10	3,581,387	3,681,162
Trade debts - considered good	11	430,400	505,123
Loans, advances, deposits, prepayments and other receivables	12	1,694,483	677,918
Income tax payments less provision	23	-	765,948
Short-term investments	13	7,703,059	150,000
Cash and bank balances	14	1,359,208	679,881
		16,331,304	8,062,419
TOTAL ASSETS		35,970,305	24,315,163
EQUITY AND LIABILITIES			
Equity			
Share capital	15	9,089,233	6,634,688
Share premium		3,874,953	964,029
Unappropriated profits		3,779,400	121,668
		16,743,586	7,720,385
Non-Current Liabilities			
Long-term borrowings	16	7,500,000	8,750,000
Deferred tax	17	390,146	-
		7,890,146	8,750,000
Current Liabilities			
Service benefit obligations	18	55,354	45,953
Trade and other payables	20	6,435,073	4,513,369
Unclaimed dividend		27,498	24,062
Unpaid dividend	21	25,683	13,688
Accrued interest / mark-up	22	64,911	135,087
Income tax provision less payments	23	89,227	-
Provisions	24	4,638,827	3,112,619
		11,336,573	7,844,778
		19,226,719	16,594,778
Contingencies and Commitments	25		
TOTAL EQUITY AND LIABILITIES		35,970,305	24,315,163

The annexed notes 1 to 47 form an integral part of these financial statements.

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

engro polymer and chemicals limited
statement of profit or loss

for the year ended december 31, 2018

[Amounts in thousand except for earnings per share]	Note	2018	2017
		Rupees	
Net revenue	26	35,271,635	27,730,736
Cost of sales	27	(26,535,620)	(21,665,326)
Gross profit		8,736,015	6,065,410
Distribution and marketing expenses	28	(1,374,967)	(1,328,024)
Administrative expenses	29	(668,900)	(584,163)
Other operating expenses	30	(871,677)	(355,613)
Other income	31	1,234,411	132,651
Operating profit		7,054,882	3,930,261
Finance costs	32	(606,147)	(821,006)
Profit for the year before taxation		6,448,735	3,109,255
Taxation	33	(1,531,438)	(1,060,121)
Profit for the year after taxation		4,917,297	2,049,134
			(Restated)
Earnings per share - basic and diluted	34	6.21	2.93

The annexed notes 1 to 47 form an integral part of these financial statements.

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

engro polymer and chemicals limited statement of profit or loss and other comprehensive income

for the year ended december 31, 2018

(Amounts in thousand)	2018	2017
	Rupees	
Profit for the year after taxation	4,917,297	2,049,134
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 year - net	-	(21)
Reclassification adjustments for losses included in profit or loss	-	2,128
Income tax relating to hedging reserve	-	(632)
Other comprehensive income for the year - net of tax	(1,651)	1,475
Total comprehensive income for the year	4,915,646	2,050,609

The annexed notes 1 to 47 form an integral part of these financial statements.

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

engro polymer and chemicals limited statement of changes in equity

for the year ended december 31, 2018

(Amounts in thousand)

	Share Capital	CAPITAL RESERVES: Share premium	REVENUE RESERVES: Hedging reserve	REVENUE RESERVES: Unappropriated profit / (accumulated losses)	Total
	Rupees				
Balance as at January 1, 2017	6,634,688	964,029	(1,475)	(1,628,905)	5,968,337
Total comprehensive income for the year					
Profit for the year ended December 31, 2017	-	-	-	2,049,134	2,049,134
Other comprehensive income for the year ended December 31, 2017	-	-	1,475	-	1,475
	-	-	1,475	2,049,134	2,050,609
Transactions with owners					
Interim dividend for the year ended December 31, 2017 - Rs. 0.45 per share	-	-	-	(298,561)	(298,561)
Balance as at December 31, 2017	6,634,688	964,029	-	121,668	7,720,385
Total comprehensive income for the year					
Profit for the year ended December 31, 2018	-	-	-	4,917,297	4,917,297
Other comprehensive loss for the year ended December 31, 2018	-	-	-	(1,651)	(1,651)
	-	-	-	4,915,646	4,915,646
Transactions with owners					
Right shares issued during the year including share premium net of share issuance cost	2,454,545	2,910,924	-	-	5,365,469
Final dividend for the year ended December 31, 2017 - Rs. 0.80 per share	-	-	-	(530,775)	(530,775)
Interim dividend for the year ended December 31, 2018 - Rs. 0.80 per share	-	-	-	(727,139)	(727,139)
	2,454,545	2,910,924	-	(1,257,914)	4,107,555
Balance as at December 31, 2018	9,089,233	3,874,953	-	3,779,400	16,743,586

The annexed notes 1 to 47 form an integral part of these financial statements.

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

statement of cash flows

for the year ended december 31, 2018

(Amounts in thousand)

	Note	2018	2017
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	10,357,435	2,732,022
Finance cost paid		(637,780)	(606,772)
Long-term loans and advances		(8,709)	(5,785)
Retirement benefits paid		(154,570)	(104,226)
Income tax paid		(276,516)	(165,675)
Net cash generated from operating activities		9,279,860	1,849,564
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(4,241,635)	(1,066,480)
- intangible assets		(18,080)	(26,378)
Proceeds from disposal of property, plant and equipment		-	9,412
Income on short-term investments and bank deposits		339,255	44,499
Net cash used in investing activities		(3,920,460)	(1,038,947)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		-	3,000,000
Repayments of long-term borrowings		(1,250,000)	(3,416,903)
Issuance of right shares at premium		5,365,469	-
Repayments of short-term borrowings		-	(385,000)
Dividend payment		(1,242,483)	(260,811)
Net cash generated from / (used in) financing activities		2,872,986	(1,062,714)
Net increase / (decrease) in cash and cash equivalents		8,232,386	(252,097)
Cash and cash equivalents at beginning of the year		829,881	1,081,978
Cash and cash equivalents at end of the year	38	9,062,267	829,881

The annexed notes 1 to 47 form an integral part of these financial statements.

Imran Anwer	**Syed Abbas Raza**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

notes to and forming part of the financial statements

for the year ended december 31, 2018

(Amounts in thousand)

1. **LEGAL STATUS AND OPERATIONS**

1.1 Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the now 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 These financial statements denote the standalone financial statements of the Company. The consolidated financial statements of the Company and its subsidiary have been presented separately. Details of investments held by the Company in its subsidiary have been provided in note 7.

1.4 The geographical location and addresses of all business units of the Company are as follows:

Business unit	**Geographical location**
Head office	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi
Manufacturing plant	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi
Regional sales unit	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore

2. **SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS**

Following is the summary of significant transactions and events that have affected the Company's financial position and performance during the year:

2.1 In the year 2017, the Company undertook the reliability enhancement and debottlenecking of PVC plants to increase annual capacity to 195,000 tons. The project became fully operational at the end of the year. As a result, the desired production level has been achieved during the year.

2.2 EPCL has made an issuance of 245,454,525 right shares at a price of Rs. 22 to partially finance the expansion of the PVC plant and VCM plant debottlenecking. Refer note 15.

2.3 The Company has incurred significant amount of capital expenditure in respect of various expansion projects. Refer note 5.4.2.

2.4 The Company has made investments in term deposit receipts, treasury bills, Pakistan Investment Bonds and units of mutual funds. Refer note 13.

2.5 The Company has recouped minimum turnover tax derecognized in prior years. Refer note 33.1.

2.6 The Company has recognised provision for Super Tax relating to tax years 2018 and 2019. Refer note 33.3.

2.7 The Company has also recognised income in respect of insurance claim amounting to Rs 841,790. Refer note 31.1.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(Amounts in thousand)

3.1 **Basis of preparation**

3.1.1 These financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities (including derivative financial instruments) have been carried at fair value.

3.1.2 **Statement of compliance**

3.1.2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.1.2.2 The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of financial statements of the Company. These changes also include change in respect of surplus on revaluation of property, plant and equipment, change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have also been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and

- incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these unconsolidated financial statements has been realigned with the provisions contained in the Act.

3.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.1.4 **Initial application of a standard, amendment or an interpretation to existing standards**

a) Standards, amendments to published standards and interpretations effective during the year

The following amendments to the published accounting and reporting standards are mandatory for the financial year beginning January 1, 2018 and are relevant to the Company:

- IAS 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided.

The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory for the financial year beginning on January 1, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

(Amounts in thousand)

b) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to published accounting and reporting standards are not effective for the financial year beginning on January 1, 2018 and have not been early adopted by the Company:

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is also a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The management is in the process of assessing the impact this standard will have on the financial statements of the Company.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contract's and related interpretations. The management is in the process of assessing the impact this standard will have on the financial statements of the Company.

  IFRS 16, 'Leases' (effective for periods beginning on or after January 1, 2019). This standard is yet to be notified by SECP. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The management is in the process of assessing the impact this standard will have on the financial statements of the Company.

There are number of other standards, amendments and interpretations to the published accounting and reporting standards that are not yet effective and have not been early adopted by the Company and, therefore, have not been presented in these financial statements.

(Amounts in thousand)

3.2 **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any, except capital work-in-progress. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Capital work-in-progress is stated at historical cost less impairment, if any.

Depreciation on assets is charged to income using the straight line method to allocate their cost less the residual values over their estimated useful lives at rates given in note 5.1. Depreciation on additions is charged from the month in which the asset is available for use and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the year in which these are incurred.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognized in income. The recoverable amount is the higher of fair value less expected selling expenses and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in income, however, is restricted to the original cost of the asset. An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period of disposal or retirement.

3.3 **Capital spares**

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

3.4 **Intangible assets - computer software**

Costs associated with developing and maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly attributable to identifiable software and have probable economic benefits exceeding one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Expenditure, which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortized from the date the software is available for use on straight-line basis over a period of 5 to 10 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount and is charged in the statement of profit or loss. Reversal of impairment losses are also recognized in income, however, is restricted to the original cost of the asset.

(Amounts in thousand)

3.5 **Investments in subsidiaries**

Investments in subsidiaries are classified as long-term investments and are stated at cost net of provision for impairment, if any.

3.6 **Financial instruments**

3.6.1 **Financial assets**

Classification

The Company classifies its financial assets in the following categories: 'at fair value through profit or loss', 'loans and receivables', 'held-to-maturity' and 'available-for-sale'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) **At fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current.

b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Company's loans and receivables comprise of 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the statement of financial position.

c) **Held-to-maturity**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

d) **Available-for-sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or management intends to dispose off the financial assets within 12 months of the reporting date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit of loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within 'other income / operating expenses' in the period in which these arise. Dividend income from financial assets at 'fair value through profit or loss' is recognized in the statement of profit of loss as part of 'other income' when the Company's right to receive payments is established. Gains or losses on sale of investments at 'fair value through profit or loss' are recognized in the statement of profit or loss as 'gains and losses from investment securities'.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in the statement of profit or loss and other comprehensive income are included in the statement of profit or loss as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss as part of 'other income'. Dividends on available for sale equity instruments are recognized in the statement of profit or loss as part of 'other income' when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in the statement of profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

3.6.2 Financial liabilities

The Company recognises a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit or loss.

3.6.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. Provision is made for slow moving items older than ten years, and is recognized in the statement of profit or loss.

3.8 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost in relation to raw materials represents the weighted average cost and in relation to finished goods and work-in-process represents weighted average cost comprising direct materials, labour and related manufacturing overheads.

Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make the sales. Provision is made for slow moving stocks, where considered necessary.

3.9 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is charged to income. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

3.10 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balance with banks and other short-term highly liquid investments with original maturities of three months or less and short-term finances. Short-term finances on the statement of financial position are shown as part of current liabilities.

3.11 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs, if any, directly attributable to the issue of new shares or options are recognized in equity as a deduction, net of tax, from the proceeds.

3.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the reporting date.

3.13 Retirement and other service benefits

3.13.1 Gratuity fund

The employees of the Company participate in a defined contributory gratuity fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. As per the terms of the defined contribution plan, the Company contributes to the Fund at the rate of 8.33% of basic salary. Annual contribution by the Company is charged to the statement of profit or loss.

3.13.2 **Provident fund**

The employees of the Company participate in defined contributory provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Equal monthly contributions at the rate of 10% of the basic salary are made both by the Company and the employees to the Fund. Annual contribution by the Company is charged to the statement of profit or loss.

3.13.3 **Other benefits - Service Incentive Plan**

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Company's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfillment of criteria given in the incentive plan.

3.14 **Trade and other payables**

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

3.15 **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.16 **Taxation**

3.16.1 **Current**

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

3.16.2 **Deferred**

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax is charged or credited in the statement of profit or loss except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

3.17 **Foreign currency transactions and translation**

These financial statements are presented in Pakistan Rupee, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

3.18 **Derivative financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or

b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the statement of profit or loss and other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss.

Amounts accumulated in the statement of profit or loss and other comprehensive income are reclassified to the statement of profit or loss in the periods when the hedged item affects statement of profit or loss i.e. when the transaction occurs. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of profit or loss or the cost of the related asset for which the borrowing is being utilized. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. stock-in-trade or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of sales in case of stock-in-trade or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of profit or loss or the cost of the related non-financial asset (e.g. stock-in-trade or property, plant and equipment) as applicable. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss.

Movements on the hedging reserve are shown in statement of profit or loss and other comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(Amounts in thousand)

3.19 **Revenue recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is recognized on the following basis:

- sales are recognized when the product is dispatched to customers;

- revenue from the supply of electricity is recognized based on the output delivered;

- dividend income is recognized when the Company's right to receive the payment is established; and

- return on deposits is recognized on accrual basis using the effective interest method.

3.20 **Borrowing costs**

Borrowing costs are recognized as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such costs are capitalized as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

3.21 **Earnings per share**

i) **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, (excluding any costs of servicing equity other than ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.22 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

3.23 **Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(Amounts in thousand)

4.1 **Useful lives, depreciation / amortisation methods and residual values of property, plant and equipment and intangible assets**

The Company reviews appropriateness of the useful life and residual value, where applicable, used in the calculation of depreciation / amortization of operating fixed assets and intangible assets on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

4.2 **Provision for slow-moving stores and spares**

The Company regularly reviews the provision for slow moving stores and spares older than 10 years to assess the consumption of stores and spares , thereby ensuring that items meeting the criteria of 10 years are provided for.

4.3 **Provision for stock-in-trade**

The Company regularly reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

4.4 **Provision for trade debts**

An estimate of the collectible amount of trade debts is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in the statement profit or loss and other comprehensive income.

4.5 **Income taxes**

In making the estimates for current income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

4.6 **Deferred tax asset**

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences, become deductible. Management considers the scheduled reversal of deferred applies tax liabilities, projects future taxable income and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carry forward period are revised.

5. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	Rupees	
Operating assets, at net book value - note 5.1	16,582,904	15,023,936
Capital work-in-progress - note 5.4	2,751,067	923,342
Capital spares	63,792	63,792
	19,397,763	16,011,070

(Amounts in thousand)

5.1 Operating assets

	Leasehold land	Building on leasehold land (note 5.1.1)	Plant and machinery	Pipelines				Furniture, fixtures and equipment	Vehicles	Total
				Water	VCM	Ethylene	Gas			
	Rupees									
As at January 1, 2017										
Cost	194,127	504,781	23,384,988	398,968	26,122	50,315	33,849	232,636	46,349	24,872,135
Accumulated depreciation	(44,821)	(161,888)	(8,964,343)	(205,634)	(22,387)	(17,822)	(14,198)	(162,496)	(32,884)	(9,626,473)
Net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
Year ended December 31, 2017										
Opening net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
Additions - note 5.4	-	91,707	674,554	-	-	-	-	30,283	45,507	842,051
Disposals - note 5.3										
Cost	-	(48,455)	-	-	-	-	-	(103)	(15,273)	(63,831)
Accumulated depreciation	-	27,675	-	-	-	-	-	98	11,776	39,549
	-	(20,780)	-	-	-	-	-	(5)	(3,497)	(24,282)
Impairment / write offs										
Cost	-	(164,788)	-	-	-	-	-	(582)	-	(165,370)
Accumulated depreciation	-	56,934	-	-	-	-	-	506	-	57,440
	-	(107,854)	-	-	-	-	-	(76)	-	(107,930)
Depreciation charge - note 5.2	(3,934)	(18,960)	(857,239)	(19,970)	(1,317)	(1,630)	(2,414)	(21,391)	(4,710)	(931,565)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
As at January 1, 2018										
Cost	194,127	383,245	24,059,542	398,968	26,122	50,315	33,849	262,234	76,583	25,484,985
Accumulated depreciation	(48,755)	(96,239)	(9,821,582)	(225,604)	(23,704)	(19,452)	(16,612)	(183,283)	(25,818)	(10,461,049)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
Year ended December 31, 2018										
Opening net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
Additions - note 5.4	-	4,926	2,338,554	-	-	-	-	51,377	19,053	2,413,910
Reversal of impairment / write back										
Cost	-	164,788	-	-	-	-	-	-	-	164,788
Accumulated depreciation	-	(61,123)	-	-	-	-	-	-	-	(61,123)
		103,665								103,665
Depreciation charge - note 5.2	(3,931)	(11,996)	(879,702)	(19,969)	(1,317)	(2,414)	(1,630)	(28,126)	(9,522)	(958,607)
Net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	15,607	102,202	60,296	16,582,904
As at December 31, 2018										
Cost	194,127	552,959	26,398,096	398,968	26,122	50,315	33,849	313,611	95,636	28,063,683
Accumulated depreciation	(52,686)	(169,358)	(10,701,284)	(245,573)	(25,021)	(21,866)	(18,242)	(211,409)	(35,340)	(11,480,779)
Net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	15,607	102,202	60,296	16,582,904
Annual rate of depreciation (%)	2 to 2.14	2.5 to 10	2.5 to 25	5	5	5	5	5 to 33	5 to 25	

(Amounts in thousand)

5.1.1 In 2017, an administrative building situated at Port Qasim in connection with the expansion projects of the Company was planned to be demolished and, accordingly, an impairment loss against this building of Rs. 107,854 was recorded . However, during the current year the Company entered into an agreement with Engro Fertilizers Limited for pruchase of land as stated in note 5.4.1 which it intends to use for its PVC expansion projects in addition to other activities Therefore, as at December 31, 2018 a reversal of impairment loss has been recorded in respect of the asset which represents the carrying value of the buidlings as at that date had there been no impairment.

5.2 Depreciation charge has been allocated as follows:

	2018	2017
	Rupees	
Cost of sales - note 27	936,673	918,304
Distribution and marketing expenses - note 28	3,831	3,224
Administrative expenses - note 29	18,103	10,037
	958,607	931,565

5.3 The details of immovable fixed assets (i.e. land and buildings) are as follows:

Description of assets	**Address**	**Total area of land (square yards)**
- Leasehold land	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	299,714
- Production facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	15,794
- Storage facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	10,705
- Administration facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	2,908

5.4 **Capital work-in-progress**

	Leasehold land (note 5.4.1)	Building on leasehold land	Plant and machinery (note 5.4.2)	Furniture, fixtures and equipments	Advances for vehicles and software	Total
	Rupees					
Year ended December 31, 2017						
Balance as at January 1, 2017	-	9,655	654,647	4,596	10,408	679,306
Additions during the year	-	82,052	917,193	38,956	74,264	1,112,465
Transferred to:						
- Operating assets - note 5.1	-	(91,707)	(674,554)	(30,283)	(45,507)	(842,051)
- Intangible assets note - 6	-	-	-	-	(26,378)	(26,378)
Balance as at December 31, 2017	-	-	897,286	13,269	12,787	923,342
Year ended December 31, 2018						
Balance as at January 1, 2018	-	-	897,286	13,269	12,787	923,342
Additions during the year	236,695	7,041	3,847,362	49,911	118,706	4,259,715
Transferred to:						
- Operating assets - note 5.1	-	(4,926)	(2,338,554)	(51,377)	(19,053)	(2,413,910)
- Intangible assets note - 6	-	-	-	-	(18,080)	(18,080)
Balance as at December 31, 2018	236,695	2,115	2,406,094	11,803	94,360	2,751,067

(Amounts in thousand)

5.4.1 This represents ancillary cost in relation to the purchase of land (measuring 60 acres) from Engro Fertilizers Limited (EFL) pursuant to an agreement entered into between the Company and EFL on February 23, 2018. The legal formalities in respect of the transfer of land from EFL to the Company are expected to be finalized in early 2019 subsequent to which physical possession of the land will be handed over to the Company.

5.4.2 Addition in plant and machinery represents cost partially incurred in respect of PVC III and VCM debottlenecking, debottlenecking of sodium hypochlorite, membrane replacement of caustic soda plant and other efficiency and reliability project.

	2018	2017
	Rupees	
6. INTANGIBLES - Computer software		
Net carrying value		
Balance at beginning of the year	104,663	90,855
Add: Additions at cost - note 5.4	18,080	26,378
Less: Amortisation charge for the year - note 29	(15,970)	(12,570)
Balance at the end of the year	106,773	104,663
Gross carrying value		
Cost	220,487	202,407
Less: Accumulated amortisation	(113,714)	(97,744)
Net book value	106,773	104,663

6.1 The cost is being amortized over a period of 5 to 10 years.

7. LONG-TERM INVESTMENT

	2018	2017
Subsidiary - at cost		
Engro Polymer Trading (Private) Limited		
5,000,000 (2017: 5,000,000) ordinary shares		
of Rs. 10 each - note 7.1	50,000	50,000

7.1 Engro Polymer Trading (Private) Limited (EPTL) is a private limited company incorporated in Pakistan under the (now repealed) Companies Ordinance, 1984 as a wholly owned subsidiary of the Company. The registered office of EPTL is situated at 12th Floor, Plot G-3, Block 9, Khayaban-e-Iqbal, Clifton, Karachi.

The principal activity of EPTL is to purchase, market and sell Poly Vinyl Chloride (PVC), PVC compounds, caustic soda and other related chemicals.

As at December 31, 2018, the Company continues to hold 100% (2017: 100%) of the share capital of EPTL.

(Amounts in thousand)

	2018	2017
	Rupees	
8. LONG TERM LOANS AND ADVANCES - Considered good		
Executives - notes 8.1, 8.2, 8.4 and 8.7	125,871	112,359
Less: Current portion shown under current assets - note 12	(41,406)	(36,603)
	84,465	75,756
Employees - notes 8.3 and 8.7	21	-
Less: Current portion shown under current assets - note 12	(21)	-
	-	-
	84,465	75,756

8.1 Reconciliation of the carrying amount of loans and advances to executives is as follows:

	2018	2017
Balance at beginning of the year	112,359	101,029
Add: Disbursements	66,893	70,769
Less: Repayments / amortizations	(53,381)	(59,439)
Balance at end of the year	125,871	112,359

8.2 These include interest free loans and advances to executives for house rent, vehicles, home appliances and investments given in accordance with the terms of employment. Loans for house rent are repayable in 12 to 18 equal monthly installments and investment are repayable in lump sum amount after 36 months. Loans for home appliances are repayable in 5 equal annual installments. Advances for vehicles are charged to statement of profit or loss over a period of 4 years.

8.3 These include interest free loans to employees for home appliances and investments, given in accordance with the terms of employment. Loans are repayable in accordance with the terms stated in note 8.2.

8.4 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 130,578 (2017: Rs. 120,429). These are secured by way of promissory notes.

8.5 Under the Company's Act, the defintion of 'executives' has been revised. As a result, comparative figures have been restated to reflect the said change.

8.6 Maximum aggregate amount due from related parties at any time during the year with respect to month end balance is as follows:

	2018	2017
	Rupees	
Mr. Aneeq Ahmed	2,212	1,995
Mr. Abdul Qayoom Sheikh	935	1,602
Mr. Jahangir Waheed	4,841	6,143
Mr. Vijay Kumar	2,665	2,393
Mr. Muhammad Imran Khalil	-	1,424
Mr. Salman Hafeez	590	-

8.7 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no material defaults in recent history.

8.8 The Company does not have any loans or advances placed under any arrangements permissible under Shariah.

(Amounts in thousand)

		2018	2017
		Rupees	
9.	**STORES, SPARES AND LOOSE TOOLS**		
	Consumable stores and spares - note 9.1	1,886,897	1,880,330
	Less: Provision for slow moving stores and spares - note 9.2	324,130	277,943
		1,562,767	1,602,387

9.1 This includes goods in transit amounting to Rs. 135,955 (2017: Rs. 248,659).

		2018	2017
		Rupees	
9.2	The movement in the provision for slow moving stores and spares is as follows:		
	Balance at beginning of the year	277,943	61,326
	Add: Recognized during the year - notes 9.3 and 27	74,400	241,117
	Less:		
	- Reversal during the year note 27	(26,194)	(24,500)
	- Write-offs during the year	(2,019)	-
	Balance at end of the year	324,130	277,943

9.3 This pertains to a specific provision relating to slow moving stores and spares of the Company.

		2018	2017
		Rupees	
10.	**STOCK-IN-TRADE**		
	Raw and packing materials - notes 10.1 and 10.2	2,439,712	2,440,340
	Work-in-process	15,856	28,846
	Finished goods - own manufactured product - notes 10.1 and 10.3	1,125,819	1,211,976
		3,581,387	3,681,162

		2018	2017
		Rupees	
10.1	This includes stock held at storage facilities of the following parties:		
	- Engro Vopak Terminal Limited, a related party	554,035	1,251,591
	- Fatima Fertilizer Company Limited	2,500	647
	- Al-Rahim Trading Company (Private) Limited	-	21,700
	- Al-Hamd Traders	1,168	2,742
		557,703	1,276,680

10.2 This includes goods in transit amounting to Rs. 794,005 (2017: Rs. 242,561).

10.3 This includes carrying value of Poly Vinyl Chloride resin, net of realizable value reduction of Rs. nil (2017: Rs. 25,453).

(Amounts in thousand)

		2018	2017
		Rupees	
11.	**TRADE DEBTS - considered good**		
	Related parties - note 11.1	-	119,069
	Others		
	Secured - note 11.2	270,867	287,211
	Unsecured	159,533	98,843
		430,400	386,054
	Considered doubtful - note 11.3	9,010	9,628
		439,410	514,751
	Less: Provision for doubtful debts - note 11.3	9,010	9,628
		430,400	505,123

11.1 Due from related parties comprise of:

	Upto 1 month		2 to 6 months		More than 6 months		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees							
Engro Fertilizers Limited	-	18,978	-	38,372	-	61,719	-	119,069

11.1.1 The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 211,301 (2017: Rs. 119,069).

11.2 These debts are secured by way of bank guarantees and letters of credit from customers.

		2018	2017
		Rupees	
11.3	The movement in provision during the year is as follows:		
	Balance at beginning of the year	9,628	-
	Add: Provisions made during the year - note 28	-	9,628
	Less: Reversal of provision during the year - note 28	(618)	-
	Balance at end of the year	9,010	9,628

(Amounts in thousand)

12. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	2018	2017
	Rupees	
Considered good		
Current portion of long term-loans and advances - note 8		
- executive	41,406	36,603
- employees	21	-
	41,427	36,603
Advances to employees - note 12.1	8,019	756
Advances to suppliers and others - note 12.2	629,836	27,884
Deposits	128,661	24,897
Prepayments	110,233	82,981
Receivable from Government of Pakistan		
- Sales tax and Federal excise duty refundable	151,836	412,186
- Octroi / duty claims	152	152
	151,988	412,338
Due from related parties - note 12.3		
- Engro Vopak Terminal Limited	385	215
- Engro Foods Limited	5	5
- Engro Energy Limited	331	86,724
- Engro Elengy Terminal Private Limited	-	126
- Engro Digital Limited	2,007	2,007
- Engro Corporation Limited	1,590	2,677
- Engro Fertilizers Limited - note 12.4	118,613	-
- Engro Powergen Qadirpur Limited	9	9
	122,940	91,763
Insurance receivable - note 31.1	483,131	-
Accrued mark-up	13,406	-
Other receivables	4,842	696
	1,694,483	677,918
Considered doubtful		
Custom duty claims refundable - note 12.5	18,043	18,043
Less: Provision for impairment - notes 12.5 and 12.7	(18,043)	(18,043)
	-	-
Special Excise Duty (SED) refundable - note 12.6	36,687	36,687
Less: Provision for impairment - notes 12.6 and 12.7	(36,687)	(36,687)
	-	-
	1,694,483	677,918

12.1 Maximum aggregate amount due from related parties at any time during the year with respect to month end balance is as follows:

	2018	2017
	Rupees	
- Mr. Abdul Qayyom Shaikh - note 12.1.1	2,000	216
- Mr. Jahangir Waheed - note 12.1.2	540	-

12.1.1 The advances given to the parties are in accordance with the terms of employment.

(Amounts in thousand)

12.1.2 The amount represents advances to an employee to meet business expenses and are settled as and when the expenses are incurred.

12.2 The amount includes Rs. 615,305 (2017: Rs. 6,134) made to foreign vendors for the purpose of supply of goods and services in the normal course of business. Details of significant vendor balances are given below:

Name of the Company or undertaking	Jurisdiction		Currency Foreign 2018	Foreign 2017	Equivalent local 2018	Equivalent local 2017
Alfa Laval Middle East Limited	Middle East	EUR	93	-	14,030	-
INEOS Technologies	Europe	EUR	186	-	25,261	-
Oval Corporation	Japn	USD	112	-	15,511	-
Bertrams Chemicals Plant Limited	Europe	EUR	682	-	106,581	-
Wolong Electric Nanyang Explosion	China	USD	142	-	19,687	-
China Tianchen Engineering	China	CNY	77,525	-	349,694	-
China Tianchen Engineering	China	USD	132	-	21,008	-
Xian Lynsn Electric Limited	China	CNY	251	-	5,076	-

12.3 Details of amounts due from related parties:

Ageing 2018

Name of the related parties	Maximum balance outsanding	Upto 1 Month	2 To 6 Months	More than 6 months	Total
Engro Powergen Qadirpur Limited	9	-	-	9	9
Engro Foods Limited	5	-	-	5	5
Engro Fertilizers Limited	118,613	117,615	-	998	118,613
Engro Energy Limited	331	-	-	331	331
Engro Vopak Terminal Limited	385	170	-	215	385
Engro Digital Limited	2,007	-	-	2,007	2,007
Engro Corporation Limited	1,590	76	401	1,113	1,590
	122,940	117,861	401	4,678	122,940

Ageing 2017

Name of the related parties	Maximum balance outsanding	Upto 1 Month	2 To 6 Months	More than 6 months	Total
Engro Powergen Qadirpur Limited	9	-	-	9	9
Engro Foods Limited	5	-	-	5	5
Engro Elengy Terminal Private Limited	126	-	-	126	126
Engro Energy Limited	86,724	86,724	-	-	86,724
Engro Vopak Terminal Limited	215	-	-	215	215
Engro Digital Limited	2,007	-	2,007	-	2,007
Engro Corporation Limited	2,677	-	2,677	-	2,677
	91,763	86,724	4,684	355	91,763

(Amounts in thousand)

12.4 This includes Rs. 113,500 (2017: Rs nil) due from Engro Fertilizers Limited which will be adjusted against the purchase consideration of land (as referred to in note 5.4.1) once the legal formalities in respect of transfer of land has been finalised and the title to the property has been transferred in favour of the Company.

12.5 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed of the Company's appeal filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all the aforementioned VCM consignments were released after the issuance of SRO 565(1) / 2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed onto the customers. However, as the price of the Company's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against the Company.

The Company has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, the Company is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal forums are exhausted.

12.6 During 2007, Special Excise Duty (SED) amounting to Rs. 91,616 was paid on import of certain fixed assets. Out of the total SED paid, an amount of Rs. 54,299 was adjusted through input claim in sales tax returns. Subsequently, the remaining amount of Rs. 36,687 could not be adjusted as the said duty was disallowed as adjustment from output tax under section 7 of Sales Tax Act, 1990. Therefore, the Company has fully provided the said amount. However, the Company is pursuing recovery of the remaining amount from the tax authorities based on the view that the SED can be recovered as it was paid prior to the change in the Sales Tax Act.

12.7 As at December 31, 2018, receivables aggregating to Rs. 54,730 (2017: Rs. 54,730) were deemed to be impaired and have been provided for in full. The remaining balances of loans, deposits, due from related parties and other receivables are neither past due nor impaired.

13. SHORT-TERM INVESTMENTS

	2018	2017
	Rupees	
Held to maturity		
Term Deposits Receipts	-	150,000
Pakistan Investment Bonds - note 13.3	1,499,908	-
	1,499,908	150,000
At fair value through profit or loss		
Treasury bills - note 13.1	6,003,151	-
Investment in units of mutual fund - note 13.2	200,000	-
	6,203,151	-
	7,703,059	150,000

13.1 This carries interest at the rate of 10.20% per annum and has matured on January 3, 2019.

13.2 This denotes investments made in Meezan Rozana Amdani Fund.

13.3 This carries interest at the rate of 10.26% per annum and has matured on January 3, 2019.

14. CASH AND BANK BALANCES

	2018	2017
	Rupees	
Cash in hand	392	1,140
Cash at bank:		
- in current accounts - note 14.1	220,206	60,606
- in saving accounts - note 14.2	1,138,610	618,135
	1,358,816	678,741
	1,359,208	679,881

14.1 Include Rs. 140,738 (2017: Rs. 31,783) held in foreign currency bank account.

14.2 These carry mark-up at rates ranging between 2.40% and 8.00% per annum (2017: 2.40% and 5.75% per annum).

15. SHARE CAPITAL

	2018	2017
	Rupees	
Authorized capital		
1,250,000,000 (2017: 800,000,000) ordinary shares of Rs. 10 each	12,500,000	8,000,000
400,000,000 (2017: 400,000,000) preference shares of Rs. 10 each	4,000,000	4,000,000
Issued, subscribed and paid-up capital		
908,923,333 (2017: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash - notes 15.1 and 15.2	9,089,233	6,634,688

15.1 Movement in issued, subscribed and paid-up capital

2018	2017		2018	2017
Number of shares			Rupees	
663,468,788	663,468,788	Opening shares outsanding	6,634,688	6,634,688
245,454,545	-	Rights share issued - note 15.2	2,454,545	-
908,923,333	663,468,788		9,089,233	6,634,688

15.2 During the year, the Company has issued 245,454,545 right shares at a price of Rs. 22 per share which includes a share premium of Rs. 12 per share.

15.3 As at December 31, 2018, Engro Corporation Limited (the Holding Company) and Mitsubishi Corporation (and associated company) held 510,733,450 (2017:372,809,989) and 100,053,562 (2017:67,949,998) ordinary shares of Rs.10 each denoting 56.19% (2017: 56.19%) and 11.01% (2017: 10.24%) of the share capital of the Company.

15.4 There is a shareholders' agreement between Engro Corporation Limited (ECL) and Mitsubishi Corporation (MC) which includes provisions in respect of board selection, voting rights, rights of first refusal.

(Amounts in thousand)

16. **LONG TERM BORROWINGS**

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	2018 Rupees	2017 Rupees
Bilateral - IV - note 16.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V - note 16.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI - note 16.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII - note 16.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	1,250,000
Bilateral - VIII - notes 16.1	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	1,000,000
Bilateral - IX - note 16.1	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
Bilateral - X - note 16.1	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
				7,500,000	8,750,000
Less: Current portion shown under current liabilities				-	-
				7,500,000	8,750,000

16.1 During the year, the Company upgraded all the charges on the financing facilities to joint pari passu charge over all the present and future moveable fixed assets (excluding land and building) of the Company.

16.2 Following are the changes in the long-term borrowings (i.e. for which cash flows have been classified as financing activities in the statement of cash flow):

	2018 Rupees	2017 Rupees
Balance as at January 1	8,750,000	9,166,903
Disbursements during the year	-	3,000,000
Amortization of transaction cost	-	-
Repayments made during the year	(1,250,000)	(3,416,903)
Balance as at December 31	7,500,000	8,750,000

16.3 In order to finance the PVC expansion, VCM debottlenecking projects and other capital projects, the Company has entered into an Ijarah Agreement with International Finance Corporation (IFC). Under the agreement, the Company has obtained a facility of US $ 35 million repayable in five year including a grace period of two years. No draw downs have been made as at year end.

16.4 Subsequent to the year ended December 31, 2018, the Company has reprofiled its debt structure through issuance of Sukuk bonds of Rs. 8,750,000. These carry a quarterly rental rate of 3 months KIBOR+ 0.9% and are repayable over a period of 7.5 years with the first payment commencing in June 2024.

(Amounts in thousand)

17. **DEFERRED TAXATION - NET**

	2018 Rupees	2017 Rupees
Credit balances arising due to:		
- accelerated tax depreciation	3,085,702	3,224,307
Debit balances arising due to:		
- recoupable carried forward tax losses - note 17.1	431,194	1,443,219
- recoupable minimum turnover tax - note 17.2	537,505	510,131
- recoupable alternative corporate tax	469,544	111,655
- unpaid liabilities	100,340	104,263
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,004,673	924,358
- provision for net realizable value of stock-in-trade	-	7,515
- provision for slow moving stores and spares	91,935	82,066
- provision bad debts	2,535	2,888
- share issuance cost, net to equity	57,830	49,467
	2,695,556	(3,235,562)
	390,146	(11,255)

17.1 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 December 31, 2018 amount to Rs. 1,539,979 (2017: Rs. 4,810,730).

17.2 During the year, the Company has recognized net deferred tax asset on recoupable minimum turnover tax in respect of current year amounting to Rs. 27,374 (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.

18. **SERVICE BENEFIT OBLIGATIONS**

	2018 Rupees	2017 Rupees
Service incentive plan - note 18.1	55,354	45,953

18.1 This represents provision for annual employment benefits payable to eligible employees who have successfully completed 3 years of vesting period with the Company.

(Amounts in thousand)

19. SHORT-TERM RUNNING FINANCE UNDER MARK-UP AGREEMENT

19.1 The aggregate facilities for running finance available from various banks as at December 31, 2018, representing the sales price of all mark-up arrangements amounted to Rs. 2,900,000 (2017: Rs. 3,425,000). 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 0.5% to 1% (2017: relevant period KIBOR plus 0.1% to 1%) per annum. These facilities are secured by a joint parri passu charge over stocks and book debts of the Company and are currently under renewal.

20. TRADE AND OTHER PAYABLES

	2018	2017
	Rupees	
Trade and other creditors - note 20.1	3,446,781	1,714,553
Accrued liabilities - notes 20.1 and 20.2	1,857,567	1,622,695
Advances from customers	643,303	883,418
Retention money	1,545	13,249
Security deposits - note 20.3	24,710	28,959
Payable to provident funds	6,852	15,874
Payable to gratuity funds	576	-
Payable to pension funds	-	-
Workers' Welfare Fund	65,871	44,472
Withholding tax payable	9,016	6,742
Workers' Profits Participation Fund - notes 20.4 and 30	342,876	163,661
Others	35,976	19,746
	6,435,073	4,513,369

20.1 Includes due to the following related parties:

	2018	2017
- Engro Corporation Limited	40,545	18,459
- Mitsubishi Corporation	344,807	1,461
- Engro Fertilizers Limited	43	6,622
- Engro Vopak Terminal Limited	119,241	87,390
	504,636	113,932

20.2 This includes Sindh Infrastructure Development Cess amounting to Rs. 595,500 (2017: 496,988).

20.3 These represent interest-free deposits from dealers for the performance of their service as defined in the dealership agreements. The deposits are refundable on termination of dealership agreements and are payable on demand. The amount is fully utilised in business in accordance with the requirement of written agreements and in terms of section 217 of the Act.

20.4 The movement in WPPF payable is as follows:

	2018	2017
	Rupees	
Balance at the beginning of the year	163,661	62,424
Allocation for the year	342,876	163,661
Interest charges on funds utilised	592	-
	507,129	226,085
Less: Payments during the year	(164,253)	(62,424)
Balance at the end of the year	342,876	163,661

(Amounts in thousand)

21. UNPAID DIVIDEND

The balance represents unpaid dividend to Mitsubishi Corporation, a related party. The dividend repatriation requires approval from the State Bank of Pakistan which is in process.

22. ACCRUED INTEREST / MARK-UP

	2018	2017
	Rupees	
Mark-up accrued on:		
- long-term borrowings	64,911	131,475
- short-term borrowings	-	3,612
	64,911	135,087

23. TAXES PAYABLE

23.1 Tax year 2008

The Deputy Commissioner Inland Revenue (DCIR) through an 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, addition of imputed interest on loans to employees and executives of Rs. 16,069 to income, disallowance of finance cost of Rs. 134,414 and disallowance of 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 payment of 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 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period from 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 department 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 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 ATIR. Likewise, the tax department has 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 these financial statements.

23.2 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 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), regarding deletion of addition on account of provision for the retirement benefits.

(Amounts in thousand)

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting Company's position except for additions on account of SED provision 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 has 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 these financial statements.

24. PROVISIONS

	2018	2017
	Rupees	
Provision for Gas Infrastructure Development Cess - note 24.1	4,121,435	3,112,619
Provision for gas price revision - note 24.2	517,392	-
	4,638,827	3,112,619

24.1 Provision for Gas Infrastructure Development Cess (GIDC)

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, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company has 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 the 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.1,008,816 (2017: Rs. 982,855) pertaining to the period subsequent to the promulgation of GIDC Act, 2015.

24.2 During the year ended December 31, 2017, the Company had filed suits in the Sindh High Court (SHC), against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regularity Authority (OGRA) vide SRO no. (1)/2016 dated December 30, 2016 whereby the Company cited the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of the Company which is still operational. However, the Company has recognised a provision of Rs. 517,392 for the period from December 2017 to December 2018.

(Amounts in thousand)

25. CONTINGENCIES AND COMMITMENTS

25.1 The Deputy Commissioner Inland Revenue (DCIR) through 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 material. The Company filed thereagainst before the 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 favor of the Company. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter have been carried out by ATIR, till the year end. The management of the Company, based on the advice of its tax consultants, is confident of favorable outcome of this matter, accordingly, no provision has been made in this respect.

25.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at December 31, 2018 amounts to Rs. 1,896,000 (2017: Rs. 1,297,000). The amount utilized there against as at December 31, 2018 is Rs. 1,856,000 (2016: Rs. 1,238,450).

25.3 The facility for opening letters of credit as at December 31, 2018 aggregates to Rs. 15,800,000 (2017: Rs. 13,550,000). The amount utilized thereagainst as at December 31, 2018 was Rs. 6,453,000 (2017: Rs. 1,010,000). These facilities carry commission at rates running between 0.05% and 0.1% (2017: 0.05% and 0.1%).

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

	2018	2017
	Rupees	
Not later than 1 year	14,053	16,875
Later than 1 year and no later than 5 years	-	8,400
	14,053	25,275

25.5 The Company has entered into contracts with Engro Vopak Terminal Limited (a related party) for the storage and handling of Ethylene which is valid till March 2026. Contracts in respect of the storage of Vinyl Chloride Monomer (VCM) and Ethylene Di-Chloride (EDC) dated December 2018 are in the process of being renewed. Annual fixed cost payable to Engro Vopak Terminal Limited under these contracts approximates to US $ 9,165.

26. NET REVENUE

	2018	2017
	Rupees	
Gross local sales	40,704,079	32,396,032
Less:		
- Sales tax	5,903,435	4,688,089
- Discounts	360,984	455,744
	6,264,419	5,143,833
	34,439,660	27,252,199
Export sales	772,435	419,338
Supply of electricity - note 26.1	59,540	59,199
	35,271,635	27,730,736

26.1 This represents revenue against supply of surplus power to Engro Fertilizers Limited - a related party.

(Amounts in thousand)

27. COST OF SALES

	2018	2017
	Rupees	
Opening stock of work-in-process	28,846	2,635
Raw and packing materials consumed	16,956,345	12,764,487
Salaries, wages and staff welfare - note 27.1	1,133,216	957,767
Fuel, power and gas	4,818,222	4,433,764
Repairs and maintenance	362,399	400,729
Depreciation - note 5.2	936,673	918,304
Consumable stores	386,250	346,018
Purchased services	225,307	240,751
Storage and handling	1,371,309	1,067,613
Training, conveyance and travelling	141,980	139,792
Communication, stationery and other office expenses	10,760	7,158
Rent, rates and taxes	25,372	31,500
Insurance	110,985	97,194
Reversal of impairment / impairment of property, plant and equipment - note 5.1	(103,665)	107,854
Provision for slow moving stores and spares - note 9.2	74,400	241,117
Reversal of provision for slow moving stores and spares - note 9.2	(26,194)	(24,500)
Other expenses	13,114	28,442
	26,436,473	21,757,990
Closing stock of work-in-process	(15,856)	(28,846)
Cost of goods manufactured	26,449,463	21,731,779
Opening stock of finished goods	1,211,976	1,145,523
Closing stock of finished goods	(1,125,819)	(1,211,976)
	86,157	(66,453)
	26,535,620	21,665,326

27.1 These includes Rs. 76,709 (2017: Rs. 76,653) in respect of staff retirement and other service benefits.

28. DISTRIBUTION AND MARKETING EXPENSES

	2018	2017
	Rupees	
Salaries, wages and staff welfare - note 28.1	158,336	160,825
Sales promotion	187,137	162,389
Product transportation and handling	966,405	917,046
(Reversal of provision) / provision for doubtful debt - note 11.3	(618)	9,628
Write off trade debts	409	-
Rent, rates and taxes	29,497	41,339
Purchased services	8,438	8,080
Depreciation - note 5.2	3,831	3,224
Training, conveyance and travelling	15,711	12,991
Communication, stationery and other office expenses	3,163	3,648
Others	2,658	8,854
	1,374,967	1,328,024

28.1 These includes Rs. 12,287 (2017: Rs. 12,330) in respect of staff retirement and other service benefits.

(Amounts in thousand)

29. ADMINISTRATIVE EXPENSES

	2018	2017
	Rupees	
Salaries, wages and staff welfare - note 29.1	305,506	274,015
Rent, rates and taxes	41,046	81,031
Purchased services	212,264	110,720
Insurance	3,839	2,941
Depreciation - note 5.2	18,103	10,037
Amortization - note 6	15,970	12,570
Training, conveyance and travelling	39,427	40,631
Communication, stationery and other office expenses	25,642	23,104
Others	7,103	29,114
	668,900	584,163

29.1 These includes Rs. 23,645 (2017: Rs. 19,284) in respect of staff retirement and other service benefits.

30. OTHER OPERATING EXPENSES

	2018	2017
	Rupees	
Legal and professional charges	88,628	72,123
Auditors' remuneration - note 30.1	5,214	3,613
Donations - note 30.2	89,085	3,397
Foreign exchange loss - net	279,969	112,519
Workers' Welfare Fund	65,905	300
Workers' Profits Participation Fund	342,876	163,661
	871,677	355,613

30.1 Auditors' remuneration

	2018	2017
Fee for:		
- Annual statutory audit	957	825
- Half yearly review	270	216
- Review of compliance with the Code of Corporate Governance	43	40
Taxation and other advisory services	3,663	2,295
Reimbursement of expenses	281	237
	5,214	3,613

30.2 These include donation made to the Citizens Foundation, Engro Foundation, Sina Health Education & Welfare Trust and The Water Foundation of Rs. 55,540, Rs. 5,253, Rs. 15,700 and Rs. 8,299 respectively. Mr Imran Anwar, (the Chief Executive of the Company), and Mr. Ghias Khan, (the Chairman of the Board of Directors) are the trustees of Engro Foundation.

(Amounts in thousand)

		2018	2017
		Rupees	
31.	**OTHER INCOME**		
	On financial assets		
	Income on bank deposits	44,952	33,793
	Income from short-term investments	294,303	10,706
	On non-financial assets		
	Gain on disposal of operating assets	-	68,525
	Scrap sales	7,198	6,361
	Insurance claim - note 31.1	841,790	-
	Others	46,168	13,266
		1,234,411	132,651

31.1 For the period from February 2017 to July 2018, the Company experienced business interruption due to delay in the supply of Ethylene from ADNOC (a foreign supplier) as a result of this it had to make purchases at spot from other available suppliers. The Company had an insurance cover in respect of this interruption through which the differential of the contracted price and spot price was reimbursable to it by the insurer. The total amount acknowledged by the insurer in respect of this claim amounted to Rs 841,790 of which Rs 358,659 were received during the year ended December 31, 2018.

31.2 During 2016, the Supreme Court of Pakistan issued a judgement dated November 11, 2016, as a result of which changes made through the Finance Acts of 2006 and 2008 in the Workers' Welfare Ordinance, 1971 were held to be ultra-vires to the Constitution. Subsequently, a civil review petition against the aforementioned judgement has been filed by the taxation authorities which is in the process of being heard. In this respect, till December 2014, the Company had accrued for Workers' Welfare Fund (WWF) based on the amendments brought through Finance Act 2008, however, no payment were made thereagainst.

In light of above and based on the advice of the legal advisor the provision for WWF amounting to Rs. 44,358 has been written back.

		2018	2017
		Rupees	
32.	**FINANCE COSTS**		
	Interest / mark-up on:		
	- long-term borrowings	567,156	706,919
	- short-term borrowings	-	10,026
	- running finances	448	13,818
		567,604	730,763
	Guarantee commission	17,444	2,604
	Bank charges and others	21,099	87,639
		606,147	821,006

(Amounts in thousand)

		2018	2017
		Rupees	
33.	**TAXATION**		
	Current		
	- for the year - notes 33.1, 33.2 and 33.3	979,005	457,320
	- for prior year - note 33.3	152,686	65,362
		1,131,691	522,682
	Deferred		
	- for the year	399,747	537,439
		1,531,438	1,060,122

33.1 During the period, the Company has recouped carry forward losses equal to half of the taxable income and minimum turnover tax amounting to Rs. 542,426 derecognized in prior years. This has resulted because of the restriction placed on the adjustment of unabsorbed depreciation in the Finance Act, 2018.

33.2 The Company has claimed tax credit of the investment under 65B of Income Tax Ordinance, 2001 amounting to Rs. 233,831.

33.3 This includes 'Super tax for rehabilitation for temporarily displaced persons' at the rate of 3% and 2% on specified income for the tax years 2018 and 2019 respectively levied through the Finance Act, 2018.

33.4 The company has tax provision in its financial statements of Rs. 189,653, Rs. 238,181, and, Rs 584,836 for year ended 2015, 2016 and 2017, respectively, whilst the tax assessed for these years is Rs. 189,653, Rs. 172,451 and Rs. 277,267, respectively. Management has assessed that the tax provisions in the financial statement are sufficient for the purpose.

		2018	2017
		Rupees	
33.5.	**Relationship between tax expense and accounting profit**		
	Profit before taxation	6,448,735	3,109,255
	Tax calculated at applicable rate of 29% (2017: 30%)	1,870,133	932,777
	Tax effect of presumptive tax regime and income subject to lower tax rates	(72,038)	(16,985)
	Prior year tax charge - net	152,686	65,362
	Effect of inadmissible expenses / permanent differences	16,256	17,947
	Impact of change in tax rates	(30,212)	61,703
	Super tax for the current year	137,071	-
	Effect of recognition of minimum turnover tax	(542,426)	-
	Others	(32)	(683)
		1,531,438	1,060,121

(Amounts in thousand)

	2018	2017
	Rupees	

34. **EARNINGS PER SHARE - Basic and diluted**

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2018	2017
	Rupees	
Profit for the year	4,917,297	2,049,134
	Number in thousands	
Weighted average number of ordinary shares	792,188	700,059
	Number in thousands	
		(Restated)
Earnings per shares (basic and diluted)	6.21	2.93

35. **RETIREMENT AND OTHER SERVICE BENEFITS**

35.1 In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company.

35.2 The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

36. **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	2018			2017		
	Director			Director		
	Chief Executive	Others	Executives	Chief Executive	Others	Executives (note 36.3)
	Rupees					
Managerial remuneration	24,047	-	578,414	23,080	-	532,692
Retirement benefit funds	3,464	-	93,484	2,972	-	85,876
Bonus	18,936	-	89,384	16,571	-	80,709
Other benefits	3,416	-	148,308	3,385	-	132,514
Directors fee	-	1,250	-	-	1,350	-
Total	49,863	1,250	909,590	46,008	1,350	831,791
Number of persons including those who worked part of the year	1	2	179	1	2	184

36.1 The Company also provides certain household items and vehicles for the use of the Chief Executive Officer and certain executives.

36.2 Expense charged in respect of directors' indemnity insurance policy purchased by the Company amounts to Rs. 262 (2017: Rs. 509).

36.3 Under the Company's Act, the definition of 'executives' has been revised. As a result, comparative figures have been restated to reflect the said change.

(Amounts in thousand)

	2018	2017
	Rupees	

37. **CASH GENERATED FROM OPERATIONS**

	2018	2017
Profit before taxation	6,448,735	3,109,255
Adjustments for non cash-charges and other items:		
Provision for staff retirement and other service benefits	163,974	106,147
Depreciation - note 5.2	958,607	931,565
Amortization - note 6	15,970	12,570
(Reversal of provision) / provision for doubtful debts - note 11.3	(618)	9,628
Write off trade debts	409	-
(Reversal of impairment) / impairment of property, plant and equipment - note 5.1	(103,665)	107,854
Provision for slow moving stores and spares - note 9.2	74,400	241,117
Reversal for provision for slow moving stores and spares - note 9.2	(26,194)	(24,500)
(Reversal of provision) / provision for net realizable value of stock-in-trade, net - note 10.3	(25,453)	425
Income on bank deposits and short-term investments - note 31	(339,255)	(44,499)
Finance costs - note 32	567,604	730,763
Gain on disposal of operating assets - note 31	-	(68,525)
Provision against GIDC - note 24.1	1,008,816	982,855
Provision for gas price revision - note 24.2	517,392	-
Working capital changes - note 37.1	1,096,713	(3,362,633)
	10,357,435	2,732,022

	2018	2017
	Rupees	

37.1 **WORKING CAPITAL CHANGES**

	2018	2017
(Increase) in current assets		
Stores, spares and loose tools	(8,586)	(273,623
Stock-in-trade	125,228	(657,319)
Trade debts	74,932	(58,355)
Loans, advances, deposits, prepayments and other receivables - net	(1,016,565)	(163,013)
	(824,991)	(1,152,310)
Increase / (decrease) in current liabilities		
Trade and other payables	1,921,704	(2,210,323)
	1,096,713	(3,362,633)

(Amounts in thousand)

	2018	2017
	Rupees	
38. CASH AND CASH EQUIVALENTS		
Short-term investments - note 13	7,703,059	150,000
Cash and bank balances - note 14	1,359,208	679,881
	9,062,267	829,881

	2018	2017
	Rupees	
39. FINANCIAL INSTRUMENTS BY CATEGORY		
39.1 Financial assets as per statement of financial position		
Held to maturity		
Short-term investments	1,499,908	150,000
Fair value through profit and loss		
Short-term investments - investments in units of mutual funds and treasury bills	6,203,151	-
Loans and receivables at amortized cost		
Long-term loans	84,465	75,756
Trade debts - considered good	430,400	386,054
Loans, deposits and other receivables	794,407	154,019
Cash and bank balances	1,359,208	679,881
	2,668,480	1,295,710
39.2 Financial liabilities as per statement of financial position		
Financial liabilities measured at amortized cost		
Long-term borrowings	7,500,000	8,750,000
Trade and other payables	5,374,007	3,399,202
Accrued interest / mark-up	64,911	135,087
	12,938,918	12,284,289

(Amounts in thousand)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk factors, where it deems appropriate. Risk management is carried out by the Company's finance division under the guidance of the Company's Board of Directors.

a) **Market risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market prices. It comprises of the following risks:

i) Currency risk

Currency risk represents the risk that the fair values of future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar. The risk arises from outstanding payments for imports, assets and liabilities denominated in foreign currencies and future commercial transactions. In the current economic environment, the Company is significantly exposed to currency risk because of the expected volatility in exchange rates. The Company, at its discretion, manages the currency risk through forward exchange contracts.

At December 31, 2018, the financial assets and liabilities exposed to foreign exchange risk amount to Rs.140,738 (2017: Rs. 147,514) and Rs. 2,740,237 (2017: Rs. 1,024,857) respectively.

At December 31, 2018, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit / loss for the year would have been lower / higher by Rs. 91,755 (2017: Rs. 30,707), mainly as a result of foreign exchange losses / gains on translation of uncovered US Dollar-denominated liabilities. However, this change in profits or losses would be partially offset by a corresponding change in margins as bulk of revenues is linked with movements in exchange rates.

ii) Yield / interest rate risk

Yield / interest rate risk represents the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from borrowings and running finance facilities utilised under mark-up arrangements. Borrowing at variable rates exposes the Company to cash flow interest rate risk, whereas, borrowing at fixed rate exposes the Company to fair value interest rate risk.

(Amounts in thousand)

To manage its cash flow interest rate risk, the Company has the ability to enter into floating to fixed rate interest swaps on its floating rate borrowings. Under the interest rate swap agreements, the Company can agree with the banks to exchange, at half yearly intervals, the difference between contracted rates and the floating rate interest amounts calculated by reference to the agreed notional amounts.

As at December 31, 2018, if interest rate on Company's unhedged borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by approximately Rs. 55,078 (2017: Rs. 61,250) mainly as a result of higher / lower interest charged on variable rate borrowings.

iii) Other price risk

Price risk represents the risk that the fair vale of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financials instruments or its issuers or factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk as at December 31, 2018 as the Company holds investments in units of open-end collective investment schemes. A one percent increase / decrease in the net assets value of these investments as at December 31, 2018 would have a negligible impact on post-tax profits for the years.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations. Credit risk arises from deposits with banks and financial institutions, trade debts, loans, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The Company is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts are secured by bank guarantees and letters of credit from customers. Furthermore, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets, subject to credit risk which are neither past due nor impaired, are as follows:

	2018	2017
	Rupees	
Long-term loans	84,465	75,756
Trade debts	430,400	386,054
Loans, deposits and other receivables	794,407	154,019
Short-term investments	7,703,059	150,000
Bank balances	1,358,816	679,881
	10,371,147	1,445,710

(Amounts in thousand)

The credit quality of receivables can be assessed with reference to their historical performance with no defaults in recent history. As at December 31, 2018 the credit quality of the Company's bank balances can be assessed with reference to external credit ratings assigned to the respective banks as follows:

Bank	Rating agency	2018 Rating		2017 Rating	
		Short term	Long term	Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA	A1+	AA
Bank AL Habib Limited	PACRA	A1+	AA+	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA	A-1+	AAA
Citibank N.A.	Moody	P-1	A1	P-1	A1
Deutsche Bank A.G	Moody	P2	Baa2	P2	Baa2
Faysal Bank Limited	PACRA	A1+	AA	A1+	AA
Industrial and Commercial Bank of China	Moody	P-1	A1	P-1	A1
MCB Bank Limited	PACRA	A1+	AAA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A-	A-1	A-
United Bank Limited	JCR-VIS	A-1+	AAA	A-1+	AAA
The Bank of Punjab	PACRA	A1+	AA	A1+	AA
JS Bank Limited	PACRA	A1+	AA-	A1+	AA-
Bank Islami Pakistan Limited	PACRA	A1	A+	A1	A+
Dubai Islamic Bank	JCR-VIS	A-1	AA-	-	-
Bank of China	Standered and Poors	A-1	A	-	-

(Amounts in thousand)

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's liquidity management involves maintaining sufficient cash and marketable securities, the availability of funds through an adequate amount of credit facilities and through its ability to close out market positions. Due to the dynamic nature of the business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The general nature of credit facilities available to the Company under any contract and not availed as at the date of statement of financial position has been disclosed in note 19.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2018			2017		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Long-term borrowings	-	7,500,000	7,500,000	-	8,750,000	8,750,000
Trade and other payables	5,374,007	-	5,374,007	3,399,202	-	3,399,202
Accrued interest / mark-up	64,911	-	64,911	135,087	-	135,087
	5,438,918	7,500,000	12,938,918	3,534,289	8,750,000	12,284,289

41. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long term borrowings, as disclosed in note 15, divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus long-term borrowings.

(Amounts in thousand)

The gearing ratio of the Company is as follows:

	2018	2017
	Rupees	
Long-term borrowings - note 16	7,500,000	8,750,000
Total equity	16,743,586	7,720,385
Total capital	24,243,586	16,470,385
Gearing ratio	0.309	0.531

42. SEGMENT INFORMATION

42.1 Based on the internal management reporting structure, the Company is organized into three business segments based on the products produced and sold as follows:

- Poly Vinyl Chloride (PVC) and allied chemicals: The segment is formed to manufacture and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies the products throughout Pakistan mainly through dealers. Moreover, PVC is also exported to various countries mainly in Asia Region.

- Caustic soda and allied chemicals: The segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry.

- Power supplies: The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited.

Management monitors the operating results of abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit / (loss) after tax for that segment, which in certain respects, as explained in table below, is measured differently from profit or loss in the financial statements. Items which are directly attributable to a particular segment have been allocated to the respective segment, while those which are not directly attributable have been allocated on the basis of revenue.

(Amounts in thousand)

42.2 The following table presents the profit or loss and total assets for the operating segments of the Company:

	Poly Vinyl Chloride (PVC) and allied chemicals		Caustic soda and allied chemicals		Power Supply		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees							
Segment profit and loss								
Revenue	29,491,590	22,793,920	5,720,505	4,877,617	59,540	59,199	35,271,635	27,730,736
Less:								
Cost of sales	(23,493,608)	(18,666,278)	(2,992,787)	(2,960,691)	(49,225)	(38,357)	(26,535,620)	(21,665,326)
Distribution and marketing expenses	(1,004,136)	(980,621)	(370,831)	(337,775)	-	-	(1,374,967)	(1,318,396)
Administrative expenses	(583,446)	(549,113)	(85,454)	(35,050)	-	-	(668,900)	(584,163)
Other operating expenses	(692,703)	(281,403)	(120,403)	(82,691)	(485)	(1,147)	(813,591)	(365,241)
Other income	113,536	71,585	279,082	61,066	-	-	392,618	132,651
Finance costs	(600,532)	(809,067)	(5,558)	(10,430)	(57)	(1,509)	(606,147)	(821,006)
Profit before tax	3,230,701	1,579,023	2,424,554	1,512,046	9,773	18,186	5,665,028	3,109,255
Taxation	(984,191)	(600,324)	(859,113)	(453,614)	(3,285)	(6,183)	(1,846,589)	(1,060,121)
	2,246,510	978,699	1,565,441	1,058,432	6,488	12,003	3,818,439	2,049,134
Insurance claim (post tax)							556,432	-
Minimum Tax recognised							542,426	-
Profit for the year	2,246,510	978,699	1,565,441	1,058,432	6,488	12,003	4,917,297	2,049,134
Segment assets								
Total segment assets (note 42.3)	16,088,188	15,100,195	5,771,628	5,459,465	11,928	129,865	21,871,744	20,689,525
Unallocated assets (note 42.3)							14,098,561	3,625,638
Total assets							35,970,305	24,315,163

42.3 Segment assets consist primarily of property, plant and equipment, stores and spares, stock in trade and trade debts. Unallocated assets include long term investment, long term loans and advances, loans, advances, prepayments and other receivables, taxes recoverable, and cash and bank balances.

(Amounts in thousand)

43. TRANSACTIONS WITH RELATED PARTIES

43.1 Following are the name of associated companies and related parties with whom the Company had entered into transactions or had arrangements or agreements in place during the year:

Name of related parties	Direct shareholding	Relationship
Engro Corporation Limited	56.19%	Parent company
Mitsubishi Corporation - note 43.1.1	11.01%	Associated company
Engro Fertilizers Limited	N/A	Common directorship
Engro Energy Limited	N/A	Common directorship
Engro Digital Limited	N/A	Common directorship
Engro Foundation	N/A	Common directorship
Engro Elengy Terminal Private Limited	N/A	Common directorship
Engro Powergen Qadirpur Limited	N/A	Common directorship
Engro Vopak Terminal Limited	N/A	Common directorship
Pakistan Institute of Corporate Governance	N/A	Common directorship
Pakistan Oxygen Ltd (formerly known as Linde Pakistan Limited)	N/A	Common directorship
Retirement funds		
- Provident fund	N/A	Post employment benefits
- Gratuity fund	N/A	Post employment benefits
- Pension fund	N/A	Post employment benefits
Mr. Nadir Salar Qureshi - note 43.1.2	N/A	Director
Mr. Feroz Rizvi - note 43.1.2	N/A	Director
Mr. Imran Anwer - note 43.1.2	N/A	Director
Mr. Mohammad Asif Sultan Tajik - note 43.1.2	N/A	Director
Mr. Noriyuki Koga - note 43.1.2	N/A	Director
Mr. Hasnain Moochhala - note 43.1.2	N/A	Director
Mr. Ghias Uddin Khan - note 43.1.2	N/A	Director
Mr. Aneeq Ahmed	N/A	Key management personnel
Mr. Syed Ali Akbar	N/A	Key management personnel
Mr. Abdul Qayoom Shaikh	N/A	Key management personnel
Mr. Jahangir Waheed	N/A	Key management personnel
Mr. Muhammad Imran Khalil	N/A	Key management personnel
Mr. Salman Hafeez	N/A	Key management personnel
Mr. Vijay Kumar	N/A	Key management personnel
Mr. Syed Abbas Raza	N/A	Key management personnel

43.1.1 Mitsubishi Corporation (MC) has its registered office in Tokyo, Japan. The name of its Chief Executive is Takehiko Kakiuchi. MC is engaged in trading and manufacturing of a wide range of products related to energy, metals, machinery, chemicals and living essentials as well as resources development, infrastructural-related, financial and logistic businesses.

Based on the audited financial statement issued for the year ended March 31, 2018, MC has a reported consolidated net profit of $ 5,759,000 and has consolidated assets of $ 59,105,000 as at that date. The auditors have issued an unmodified opinion on the financial statements.

43.1.2 These denote elected directors of the Company.

(Amounts in thousand)

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

Nature of relationship	Nature of transactions	2018 Rupees	2017 Rupees
Holding Company			
- Engro Corporation Limited	Mark-up on subordinated loan	-	284,937
	Reimbursement made	59,125	16,171
	Reimbursement received	6,552	4,059
	Intangible asset	45,341	-
	Purchase of services	203,244	87,259
	Life insurance contribution	610	553
	Medical insurance contribution	229	174
	Sub-ordinated long-term loan repaid	-	3,000,000
Subsidiary Company			
- Engro Polymer Trading (Private) Limited	Short-term loan repaid	-	85,000
	Mark-up on short-term loan	-	1,232
Associated Company			
- Mitsubishi Corporation	Purchase of goods	3,113,548	2,009,095
	Sale of goods	397,953	251,955
Member of the Group			
- Engro Fertilizers Limited	Sale of goods	14,201	18,850
	Sales of utilities	91,571	99,033
	Purchase of services	11,550	1,158
	Use of operating assets	-	8,000
	Reimbursement received	2,112	-
	Purchase of land	138,995	-
	Reimbursement made	3,525	12,820
- Engro Vopak Terminal Limited	Purchase of services	1,210,771	1,139,282
	Reimbursement made	17,043	2,408
	Sale of goods	-	-
	Reimbursement received	4,345	1,911
- Engro PowerGen Qadirpur Limited	Reimbursement received	-	3,428
	Reimbursement made	105	6,006
- Engro Digital Limited	Reimbursement received	-	88
- Engro Energy Limited	Reimbursement received	4,028	-
	Sales of office	-	83,469
- Engro Foods Limited	Sale of goods	-	6,300
	Reimbursement received	-	-
	Reimbursement made	-	1,549
	Use of operating assets	-	-
- Engro Elengy Terminal Limited	Reimbursement received	126	-

(Amounts in thousand)

Nature of relationship	Nature of transactions	2018 Rupees	2017 Rupees
- Engro Foundation	Donation	5,253	-
- Sindh Engro Coal Mining Company Limited	Reimbursement received	-	-
	Reimbursement made	-	2
- Overseas Investors Chamber of Commerce & Industries	Annual subscription	-	763
Other related party			
- Arabian Sea Country Club	Purchase of services	-	134
Directors' fee			
Directors	Fee	1,250	1,350
	Repayment of advance	-	-
Contribution to staff retirement benefits	Managed and operated by the Holding Company		
	- Provident fund	65,134	60,194
	- Gratuity fund	52,230	44,956
	- Pension fund	3,285	3,115
Key management personnel	Managerial remuneration	106,046	86,491
	Retirement benefit funds	16,385	13,468
	Bonus	81,276	66,517
	Other benefits	23,439	18,720

43.3 The related party status of outstanding balances as at December 31, 2018 is disclosed in the respective notes.

44. GENERAL

44.1 Number of employees

	2018 Rupees	2017 Rupees
- Total number of employees	455	439
- Average number of employees	447	429

44.1.1 Included herein are 385 (2017: 368) employees working at the plant of the Company as at December 31, 2018 and average number of these employees during the year was 378 (2017: 360).

(Amounts in thousand)

44.2 **Production capacity**

	Designed Annual Capacity		Actual Production		Remarks
	2018	2017	2018	2017	
	Kilo tons				
PVC	195	178	202	187	Production planned as per market demand and in house consumption needs
EDC	127	127	107	107	
Caustic soda	106	106	105	105	
VCM	204	204	195	180	
	Mega Watts				
Power	66	66	48	48	

45. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on January 31, 2019 has proposed a final cash dividend of 0.30 (2017: Rs. 0.80) per share in addition to an interim cash dividend already paid at Rs. 0.80 (2017: Rs. 0.45) per share for the year ended December 31, 2018. This appropriation will be approved by the members at the Annual General Meeting to be held on April 1, 2019.

46. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effects of which are not material.

47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 31, 2019 by the Board of Directors of the Company.

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

consolidated financial statements

pwc

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independent auditor's report

To the members of Engro Polymer and Chemicals Limited
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **Engro Polymer and Chemicals Limited** and it subsidiaries (the Group), which comprise the consolidated statement of financial position as at **December 31, 2018,** and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards those further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1	**First time application of Fourth Schedule to the Companies Act, 2017** (Refer note 3.1.2.2 to the consolidated financial statements) The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of annual consolidated financial statements. As a part of transition to the requirements, management performed an analysis to identify differences between the previous and current Fourth Schedules and as a result certain amendments relating to presentation and disclosures were made in the consolidated financial statements. In view of the various new disclosures prepared and presented in the financial statements, we considered this a key audit matter.	Our audit procedures included the following: - reviewing and understanding the requirements of the Fourth Schedule to the Companies Act, 2017. - considering the management's process to identify the additional disclosures required in the Company's annexed consolidated financial statements; - obtaining relevant underlying supports for the additional disclosures and assessed their appropriateness for sufficient audit evidence; and - verifying on a test basis the supporting evidence for the. additional disclosures and ensured appropriateness of the disclosures made.

S.No.	Key audit matters	How the matter was addressed in our audit
2	**Capitalization of Property, plant and equipment** (Refer note 5 to the consolidated financial statements) During the year ended December 31,2018, the Company has incurred a significant amount of capital expenditure in respect of various expansion projects of the Company in order to enhance the production capacity. The incurrence of capital expenditure involves the assessment of appropriateness of costs capitalised in this respect and the determination of costs that meet the criteria for capitalisation under the accounting and reporting standards. As capital expenditure incurred during the year constitutes a significant amount and involves significant judgemental areas such as the capitalization of elements of eligible cost components as per applicable accounting and reporting standards, we considered this a key audit matter.	Our audit procedures included the following: - obtaining an understanding of the Company's process with respect to capital expenditure incurred and testing controls relevant to such process; - testing the cost capitalized with the relevant underlying documentation; - assessing the nature of capitalized costs to ensure whether assets capitalized meet the recognition criteria set out in IAS 16; - assessing the useful lives assigned by the management including testing the calculation of related depreciation; - validating the existence of capitalized assets through physical verification on a sample basis; and - reviewing adequacy of the disclosures made by the Company with regard to applicable accounting and reporting standard.
3	**Provisions** (Refer note 23 to the consolidated financial statements) The Company maintains a provision in respect of Gas Infrastructure Development Cess (GIDC) of Rs. 4,121,435 thousand as at December 31, 2018 which denotes provision for GIDC on captive power plants prior to the promulgation of the GIDC Ordinance, 2015 of Rs. 592,125 thousand and provision for both industries and captive power plant recorded subsequently. The Company has obtained ad-interim stay orders against the GIDC Act, 2015 from the Sindh High Court which 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. Furthermore, the Company has challenged the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regularity Authority (OGRA) and has been granted an interim relief by the Sindh High Court through an order granted in its favour. As at December 31,2018, the provision for gas price increase amounts to Rs. 517,392 thousand. The management believes that the provision recorded as at December 31, 2018 in respect of both GIDC and gas price increase represents the management's current best estimate of the amounts. Given the nature and significance of the amounts involved in the aforementioned case and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge and the legal case progresses. Therefore, we identified this as a key audit matter.	Our procedures in respect of this matter included: - obtaining an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of the minutes of the meetings of those charged with governance; - reading correspondence of the Company with the regulatory authorities and Company's external legal counsel; - obtaining confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; and - assessing the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the consolidated financial statements in accordance with the accounting and reporting standards.

S.No.	Key audit matters	How the matter was addressed in our audit
4	**Taxation** (Refer notes 16, 22, 24.1 and 32 to the consolidated financial statements) The Company has contingent liabilities in respect of income tax and sales tax matters which are pending adjudication before various legal and appellate forums. During the year ended December 31, 2018, the Company has recouped minimum turnover tax derecognized in prior years and has recognised a provision for super tax relating to tax years 2018 and 2019. The Company has also claimed a tax credit for investment under 65B of the Income Tax Ordinance, 2001 amounting to Rs 233,831 during the year. In addition to the above the Company holds a deferred tax asset of Rs 1,438,243 on recoupable carry forward losses, minimum turnover taxes and alternative corporate tax. The recognition of deferred tax asset is dependent on management's best estimate of availability of sufficient future taxable profits against which carried forward losses and tax credits can be utilized. The future taxable profits are based on approved corporate plan. This estimation involves a degree of uncertainty and requires judgement in relation to the future cash flows and also involves assessment of timing of reversals of un-used tax losses and tax credits. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of any matters pending at legal and appellate forums and the use of significant management judgement and estimates to assess the same including related financial impacts, we have considered this as a key audit matter.	Our audit procedures included the following: - obtaining the corporate plan from the management duly approved by the Board of Directors of the Company setting out the financial projections from the Company; - reviewing the reasonableness of management's estimates of projected taxable income by performing a retrospective review of projections used in the prior year assessment and reviewing assumptions used for future projections; - checking that the unused tax losses and unused tax credits are being utilized within the permitted period of offset based on projected taxable income contained in the approved corporate plan; - obtaining and reviewing details of the pending legal cases in respect of sales tax and income taxes and discussing the same with the Company's management and internal and external tax experts; - circularizing confirmations to the Company's external legal and tax counsels for their view on matters being handled by them and involving internal tax professionals to assess management's conclusions on contingent tax matters and evaluating the consistency of such conclusions with the view of management and external tax advisors engaged by the Company; and - reviewing the adequacy of the disclosures made by the Company with regard to the applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that.a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Farrukh Rehman.

Chartered Accountants
Karachi
Dated: February 27, 2019
Engagement Partner: Farrukh Rehman

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■ KARACHI ■ LAHORE ■ ISLAMABAD

engro polymer and chemicals limited consolidated statement of financial position

as at december 31, 2018

(Amounts in thousand)	Note	2018	2017
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	19,397,763	16,011,070
Intangibles	6	106,773	104,663
Long-term loans and advances	7	84,465	75,756
Deferred tax asset	16	-	11,255
		19,589,001	16,202,744
Current Assets			
Stores, spares and loose tools	8	1,562,767	1,602,387
Stock-in-trade	9	3,581,387	3,681,162
Trade debts - considered good	10	430,400	505,123
Loans, advances, deposits, prepayments and other receivables	11	1,699,678	683,231
Income tax payments less provision	22	-	766,519
Short-term investments	12	7,798,012	240,410
Cash and bank balances	13	1,362,042	682,750
		16,434,286	8,161,582
TOTAL ASSETS		36,023,287	24,364,326
EQUITY AND LIABILITIES			
Equity			
Share capital	14	9,089,233	6,634,688
Share premium		3,874,953	964,029
Unappropriated profits		3,831,998	161,392
		16,796,184	7,760,109
Non-Current Liabilities			
Long-term borrowings	15	7,500,000	8,750,000
Deferred tax	16	390,146	-
		7,890,146	8,750,000
Current Liabilities			
Service benefit obligations	17	55,354	45,953
Trade and other payables	19	6,435,906	4,522,808
Unclaimed dividend		27,498	24,062
Unpaid dividend	20	25,683	13,688
Accrued interest / mark-up	21	64,911	135,087
Income tax provision less payments	22	88,778	-
Provisions	23	4,638,827	3,112,619
		11,336,957	7,854,217
		19,227,103	16,604,217
Contingencies and Commitments	24		
TOTAL EQUITY AND LIABILITIES		36,023,287	24,364,326

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

engro polymer and chemicals limited
consolidated statement of profit or loss account

for the year ended december 31, 2018

[Amounts in thousand except for earnings per share]	Note	2018	2017
		Rupees	
Net revenue	25	35,271,635	27,730,736
Cost of sales	26	(26,535,620)	(21,665,326)
Gross profit		8,736,015	6,065,410
Distribution and marketing expenses	27	(1,374,967)	(1,328,024)
Administrative expenses	28	(668,900)	(584,163)
Other operating expenses	29	(872,090)	(355,985)
Other income	30	1,249,393	137,338
Operating profit		7,069,451	3,934,576
Finance costs	31	(606,148)	(819,775)
Profit for the year before taxation		6,463,303	3,114,801
Taxation	32	(1,533,132)	(1,061,785)
Profit for the year after taxation		4,930,171	2,053,016
			(Restated)
Earnings per share - basic and diluted	33	6.22	2.93

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer	**Syed Abbas Raza**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

engro polymer and chemicals limited
consolidated statement of profit or loss and other comprehensive income

for the year ended december 31, 2018

(Amounts in thousand)	2018	2017
	Rupees	
Profit for the year after taxation	4,930,171	2,053,016
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 year - net	-	(21)
Reclassification adjustments for losses included in profit or loss	-	2,128
Income tax relating to hedging reserve	-	(632)
Other comprehensive income for the year - net of tax	(1,651)	1,475
Total comprehensive income for the year	4,928,520	2,054,491

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer	**Syed Abbas Raza**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

engro polymer and chemicals limited
consolidated statement of changes in equity

for the year ended december 31, 2018

(Amounts in thousand)

	Share Capital	CAPITAL (RESERVES): Share premium	REVENUE (RESERVES): Hedging reserve	REVENUE (RESERVES): Unappropriated profit / (accumulated losses)	Total
	Rupees				
Balance as at January 1, 2017	6,634,688	964,029	(1,475)	(1,593,063)	6,004,179
Total comprehensive income for the year					
Profit for the year ended December 31, 2017	-	-	-	2,053,016	2,053,016
Other comprehensive income for the year ended December 31, 2017	-	-	1,475	-	1,475
	-	-	1,475	2,053,016	2,054,491
Transactions with owners					
Interim dividend for the year ended December 31, 2017 - Rs. 0.45 per share	-	-	-	(298,561)	(298,561)
Balance as at December 31, 2017	6,634,688	964,029	-	161,392	7,760,109
Total comprehensive income for the year					
Profit for the year ended December 31, 2018	-	-	-	4,930,171	4,930,171
Other comprehensive loss for the year ended December 31, 2018	-	-	-	(1,651)	(1,651)
	-	-	-	4,928,520	4,928,520
Transactions with owners					
Right shares issued during the year including share premium net of share issuance cost	2,454,545	2,910,924	-	-	5,365,469
Final dividend for the year ended December 31, 2017 - Rs. 0.80 per share	-	-	-	(530,775)	(530,775)
Interim dividend for the year ended December 31, 2018 - Rs. 0.80 per share	-	-	-	(727,139)	(727,139)
	2,454,545	2,910,924	-	(1,257,914)	4,107,555
Balance as at December 31, 2018	9,089,233	3,874,953	-	3,831,998	16,796,184

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

engro polymer and chemicals limited
consolidated statement of cash flows

for the year ended december 31, 2018

(Amounts in thousand)	Note	2018	2017
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	10,357,258	2,732,693
Finance cost paid		(637,780)	(606,772)
Long-term loans and advances		(8,709)	(5,785)
Retirement benefits paid		(154,570)	(104,226)
Income tax paid		(278,088)	(167,285)
Net cash generated from operating activities		9,278,111	1,848,625
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(4,241,635)	(1,066,480)
- intangible assets		(18,080)	(26,378)
Proceeds from disposal of property, plant and equipment		-	9,412
Income on short-term investments and bank deposits		345,512	49,186
Net cash used in investing activities		(3,914,203)	(1,034,260)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		-	3,000,000
Repayments of long-term borrowings		(1,250,000)	(3,416,903)
Issuance of right shares at premium		5,365,469	-
Repayments of short-term borrowings		-	(300,000)
Dividend payment		(1,242,483)	(260,811)
Net cash generated from / (used in) financing activities		2,872,986	(977,714)
Net increase / (decrease) in cash and cash equivalents		8,236,894	(163,349)
Cash and cash equivalents at beginning of the year		923,160	1,086,509
Cash and cash equivalents at end of the year	37	9,160,054	923,160

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

engro polymer and chemicals limited consolidated notes to the financial statements

for the year ended december 31, 2018

(Amounts in thousand)

1. **LEGAL STATUS AND OPERATIONS**

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

Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the now 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 These financial statements denote the consolidated financial statements of the Company. Standalone financial statements of the Company and its subsidiary have been presented separately.

1.4 The geographical location and addresses of all business units of the Company are as follows:

Business unit	**Geographical location**
Head office	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi
Manufacturing plant	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi
Regional sales unit	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore

2. **SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS**

Following is the summary of significant transactions and events that have affected the Company's financial position and performance during the year:

2.1 In the year 2017, the Company undertook the reliability enhancement and debottlenecking of PVC plants to increase annual capacity to 195,000 tons. The project became fully operational at the end of the year. As a result, the desired production level has been achieved during the year.

2.2 EPCL has made an issuance of 245,454,525 right shares at a price of Rs. 22 to partially finance the expansion of the PVC plant and VCM plant debottlenecking. Refer note 14.

2.3 The Company has incurred significant amount of capital expenditure in respect of various expansion projects. Refer note 5.4.2.

2.4 The Company has made investments in term deposit receipts, treasury bills, Pakistan Investment Bonds and units of mutual funds. Refer note 12.

2.5 The Company has recouped minimum turnover tax derecognized in prior years. Refer note 32.1.

2.6 The Company has recognised provision for Super Tax relating to tax years 2018 and 2019. Refer note 32.3.

2.7 The Company has also recognised income in respect of insurance claim amounting to Rs. 841,790. Refer note 30.1.

(Amounts in thousand)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

3.1 **Basis of preparation**

3.1.1 These consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities (including derivative financial instruments) have been carried at fair value.

3.1.2 **Statement of compliance**

3.1.2.1 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.1.2.2 The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of financial statements of the Company. These changes also include change in respect of surplus on revaluation of property, plant and equipment, change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have also been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these consolidated financial statements has been realigned with the provisions contained in the Act.

3.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.1.4 **Initial application of a standard, amendment or an interpretation to existing standards**

a) Standards, amendments to published standards and interpretations effective during the year

The following amendments to the published accounting and reporting standards are mandatory for the financial year beginning January 1, 2018 and are relevant to the Company:

- IAS 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers consolidated statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided.

(Amounts in thousand)

The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory for the financial year beginning on January 1, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

b) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to published accounting and reporting standards are not effective for the financial year beginning on January 1, 2018 and have not been early adopted by the Company:

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is also a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Company.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contract's and related interpretations. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Company.

- IFRS 16, 'Leases' (effective for periods beginning on or after January 1, 2019). This standard is yet to be notified by SECP. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on consolidated statement of financial position) and an operating lease (off consolidated statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Company.

(Amounts in thousand)

There are number of other standards, amendments and interpretations to the published accounting and reporting standards that are not yet effective and have not been early adopted by the Company and, therefore, have not been presented here.

3.2 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any, except capital work-in-progress. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Capital work-in-progress is stated at historical cost less impairment, if any.

Depreciation on assets is charged to income using the straight line method to allocate their cost less the residual values over their estimated useful lives at rates given in note 5.1. Depreciation on additions is charged from the month in which the asset is available for use and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the year in which these are incurred.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognized in income. The recoverable amount is the higher of fair value less expected selling expenses and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in income, however, is restricted to the original cost of the asset. An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period of disposal or retirement.

3.3 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

3.4 Intangible assets - computer software

Costs associated with developing and maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly attributable to identifiable software and have probable economic benefits exceeding one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Expenditure, which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortized from the date the software is available for use on straight-line basis over a period of 5 to 10 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount and is charged in the statement of profit or loss. Reversal of impairment losses are also recognized in income, however, is restricted to the original cost of the asset.

(Amounts in thousand)

3.5 **Investments in subsidiaries**

Investments in subsidiaries are classified as long-term investments and are stated at cost net of provision for impairment, if any..

3.6 **Financial instruments**

3.6.1 **Financial assets**

Classification

The Company classifies its financial assets in the following categories: 'at fair value through profit or loss', 'loans and receivables', 'held-to-maturity' and 'available-for-sale'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) **At fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current.

b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Company's loans and receivables comprise of 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position.

c) **Held-to-maturity**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

d) **Available-for-sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or management intends to dispose off the financial assets within 12 months of the reporting date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated statement of profit of loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of profit or loss within 'other income / operating expenses' in the period in which these arise. Dividend income from financial assets at 'fair value through profit or loss' is recognized in the consolidated statement of profit of loss as part of 'other income' when the Company's right to receive payments is established. Gains or losses on sale of investments at 'fair value through profit or loss' are recognized in the consolidated statement of profit or loss as 'gains and losses from investment securities'.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in the consolidated statement of profit or loss and other comprehensive income are included in the consolidated statement of profit or loss as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of profit or loss as part of 'other income'. Dividends on available for sale equity instruments are recognized in the consolidated statement of profit or loss as part of 'other income' when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss fi measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in the consolidated statement of profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

3.6.2 **Financial liabilities**

The Company recognises a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the consolidated statement of profit or loss.

3.6.3 **Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7 **Stores, spares and loose tools**

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. Provision is made for slow moving items older than ten years, and is recognized in the consolidated statement of profit or loss.

3.8 **Stock-in-trade**

These are valued at the lower of cost and net realizable value. Cost in relation to raw materials represents the weighted average cost and in relation to finished goods and work-in-process represents weighted average cost comprising direct materials, labour and related manufacturing overheads.

Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make the sales. Provision is made for slow moving stocks, where considered necessary.

3.9 **Trade debts and other receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is charged to income. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

3.10 **Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of cash flows include cash in hand and in transit, balance with banks and other short-term highly liquid investments with original maturities of three months or less and short-term finances. Short-term finances on the consolidated statement of financial position are shown as part of current liabilities.

3.11 **Share capital**

Ordinary shares are classified as equity and recognized at their face value. Incremental costs, if any, directly attributable to the issue of new shares or options are recognized in equity as a deduction, net of tax, from the proceeds.

3.12 **Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the reporting date.

3.13 **Retirement and other service benefits**

3.13.1 **Gratuity fund**

The employees of the Company participate in a defined contributory gratuity fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. As per the terms of the defined contribution plan, the Company contributes to the Fund at the rate of 8.33% of basic salary. Annual contribution by the Company is charged to the consolidated statement of profit or loss.

3.13.2 **Provident fund**

The employees of the Company participate in defined contributory provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Equal monthly contributions at the rate of 10% of the basic salary are made both by the Company and the employees to the Fund. Annual contribution by the Company is charged to the consolidated statement of profit or loss.

3.13.3 **Other benefits - Service Incentive Plan**

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Company's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfillment of criteria given in the incentive plan.

3.14 **Trade and other payables**

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

3.15 **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.16 **Taxation**

3.16.1 **Current**

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

3.16.2 **Deferred**

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax is charged or credited in the consolidated statement of profit or loss except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

3.17 **Foreign currency transactions and translation**

These financial statements are presented in Pakistan Rupee, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

(Amounts in thousand)

3.18 **Derivative financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or

b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the statement of profit or loss and other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in the consolidated statement of profit or loss and other comprehensive income are reclassified to the consolidated statement of profit or loss in the periods when the hedged item affects consolidated statement of profit or loss i.e. when the transaction occurs. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated statement of profit or loss or the cost of the related asset for which the borrowing is being utilized. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. stock-in-trade or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of sales in case of stock-in-trade or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of profit or loss or the cost of the related non-financial asset (e.g. stock-in-trade or property, plant and equipment) as applicable. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss.

Movements on the hedging reserve are shown in consolidated statement of profit or loss and other comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(Amounts in thousand)

3.19 **Revenue recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is recognized on the following basis:

- sales are recognized when the product is dispatched to customers;
- revenue from the supply of electricity is recognized based on the output delivered;
- dividend income is recognized when the Company's right to receive the payment is established; and
- return on deposits is recognized on accrual basis using the effective interest method.

3.20 **Borrowing costs**

Borrowing costs are recognized as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such costs are capitalized as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

3.21 **Earnings per share**

i) **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, (excluding any costs of servicing equity other than ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.22 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

3.23 **Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(Amounts in thousand)

4.1 **Useful lives, depreciation / amortisation methods and residual values of property, plant and equipment and intangible assets**

The Company reviews appropriateness of the useful life and residual value, where applicable, used in the calculation of depreciation / amortization of operating fixed assets and intangible assets on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

4.2 **Provision for slow-moving stores and spares**

The Company regularly reviews the provision for slow moving stores and spares older than 10 years to assess the consumption of stores and spares, thereby ensuring that items meeting the criteria of 10 years are provided for.

4.3 **Provision for stock-in-trade**

The Company regularly reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

4.4 **Provision for trade debts**

An estimate of the collectible amount of trade debts is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in the consolidated statement profit or loss and other comprehensive income.

4.5 **Income taxes**

In making the estimates for current income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

4.6 **Deferred tax asset**

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences, become deductible. Management considers the scheduled reversal of deferred applies tax liabilities, projects future taxable income and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carry forward period are revised.

5. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	Rupees	
Operating assets, at net book value - note 5.1	16,582,904	15,023,936
Capital work-in-progress - note 5.4	2,751,067	923,342
Capital spares	63,792	63,792
	19,397,763	16,011,070

(Amounts in thousand)

5.1 Operating assets

	Leasehold land	Building on leasehold land (note 5.1.1)	Plant and machinery	Pipelines				Furniture, fixtures and equipment	Vehicles	Total
				Water	VCM	Ethylene	Gas			
					Rupees					
As at January 1, 2017										
Cost	194,127	504,781	23,384,988	398,968	26,122	50,315	33,849	232,636	46,349	24,872,135
Accumulated depreciation	(44,821)	(161,888)	(8,964,343)	(205,634)	(22,387)	(17,822)	(14,198)	(162,496)	(32,884)	(9,626,473)
Net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
Year ended December 31, 2017										
Opening net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
Additions - note 5.4	-	91,707	674,554	-	-	-	-	30,283	45,507	842,051
Disposals - note 5.3										
Cost	-	(48,455)	-	-	-	-	-	(103)	(15,273)	(63,831)
Accumulated depreciation	-	27,675	-	-	-	-	-	98	11,776	39,549
	-	(20,780)	-	-	-	-	-	(5)	(3,497)	(24,282)
Impairment / write offs										
Cost	-	(164,788)	-	-	-	-	-	(582)	-	(165,370)
Accumulated depreciation	-	56,934	-	-	-	-	-	506	-	57,440
	-	(107,854)	-	-	-	-	-	(76)	-	(107,930)
Depreciation charge - note 5.2	(3,934)	(18,960)	(857,239)	(19,970)	(1,317)	(1,630)	(2,414)	(21,391)	(4,710)	(931,565)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
As at January 1, 2018										
Cost	194,127	383,245	24,059,542	398,968	26,122	50,315	33,849	262,234	76,583	25,484,985
Accumulated depreciation	(48,755)	(96,239)	(9,821,582)	(225,604)	(23,704)	(19,452)	(16,612)	(183,283)	(25,818)	(10,461,049)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
Year ended December 31, 2018										
Opening net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
Additions - note 5.4	-	4,926	2,338,554	-	-	-	-	51,377	19,053	2,413,910
Reversal of impairment / write back										
Cost	-	164,788	-	-	-	-	-	-	-	164,788
Accumulated depreciation	-	(61,123)	-	-	-	-	-	-	-	(61,123)
		103,665								103,665
Depreciation charge - note 5.2	(3,931)	(11,996)	(879,702)	(19,969)	(1,317)	(2,414)	(1,630)	(28,126)	(9,522)	(958,607)
Net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	15,607	102,202	60,296	16,582,904
As at December 31, 2018										
Cost	194,127	552,959	26,398,096	398,968	26,122	50,315	33,849	313,611	95,636	28,063,683
Accumulated depreciation	(52,686)	(169,358)	(10,701,284)	(245,573)	(25,021)	(21,866)	(18,242)	(211,409)	(35,340)	(11,480,779)
Net book value	141,441	383,601	15,696,812	153,395	1,101	28,449	15,607	102,202	60,296	16,582,904
Annual rate of depreciation (%)	2 to 2.14	2.5 to 10	2.5 to 25	5	5	5	5	5 to 33	5 to 25	

(Amounts in thousand)

5.1.1 In 2017, an administrative building situated at Port Qasim in connection with the expansion projects of the Company was planned to be demolished and, accordingly, an impairment loss against this building of Rs. 107,854 was recorded . However, during the current year the Company entered into an agreement with Engro Fertilizers Limited for pruchase of land as stated in note 5.4.1 which it intends to use for its PVC expansion projects in addition to other activities Therefore, as at December 31, 2018 a reversal of impairment loss has been recorded in respect of the asset which represents the carrying value of the buidlings as at that date had there been no impairment.

5.2 Depreciation charge has been allocated as follows:

	2018	2017
	Rupees	
Cost of sales - note 26	936,673	918,304
Distribution and marketing expenses - note 27	3,831	3,224
Administrative expenses - note 28	18,103	10,037
	958,607	931,565

5.3 The details of immovable fixed assets (i.e. land and buildings) are as follows:

Description of assets	Address	Total area of land (square yards)
- Leasehold land	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	299,714
- Production facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	15,794
- Storage facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	10,705
- Administration facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	2,908

5.4 **Capital work-in-progress**

	Leasehold land (note 5.4.1)	Building on leasehold land	Plant and machinery (note 5.4.2)	Furniture, fixtures and equipments	Advances for vehicles and software	Total
	Rupees					
Year ended December 31, 2017						
Balance as at January 1, 2017	-	9,655	654,647	4,596	10,408	679,306
Additions during the year	-	82,052	917,193	38,956	74,264	1,112,465
Transferred to:						
- Operating assets - note 5.1	-	(91,707)	(674,554)	(30,283)	(45,507)	(842,051)
- Intangible assets note - 6	-	-	-	-	(26,378)	(26,378)
Balance as at December 31, 2017	-	-	897,286	13,269	12,787	923,342
Year ended December 31, 2018						
Balance as at January 1, 2018	-	-	897,286	13,269	12,787	923,342
Additions during the year	236,695	7,041	3,847,362	49,911	118,706	4,259,715
Transferred to:						
- Operating assets - note 5.1	-	(4,926)	(2,338,554)	(51,377)	(19,053)	(2,413,910)
- Intangible assets note - 6	-	-	-	-	(18,080)	(18,080)
Balance as at December 31, 2018	236,695	2,115	2,406,094	11,803	94,360	2,751,067

(Amounts in thousand)

5.4.1 This represents ancillary cost in relation to the purchase of land (measuring 60 acres) from Engro Fertilizers Limited (EFL) pursuant to an agreement entered into between the Company and EFL on February 23, 2018. The legal formalities in respect of the transfer of land from EFL to the Company are expected to be finalized in early 2019 subsequent to which physical possession of the land will be handed over to the Company.

5.4.2 Addition in plant and machinery represents cost partially incurred in respect of PVC III and VCM debottlenecking, debottlenecking of sodium hypochlorite, membrane replacement of caustic soda plant and other efficiency and reliability project.

6. **INTANGIBLES - Computer software**

	2018	2017
	Rupees	
Net carrying value		
Balance at beginning of the year	104,663	90,855
Add: Additions at cost - note 5.4	18,080	26,378
Less: Amortisation charge for the year - note 28	(15,970)	(12,570)
Balance at the end of the year	106,773	104,663
Gross carrying value		
Cost	220,487	202,407
Less: Accumulated amortisation	(113,714)	(97,744)
Net book value	106,773	104,663

6.1 The cost is being amortized over a period of 5 to 10 years.

7. **LONG TERM LOANS AND ADVANCES - Considered good**

	2018	2017
	Rupees	
Executives - notes 7.1, 7.2,7.4 and 7.7	125,871	112,359
Less: Current portion shown under current assets - note 11	(41,406)	(36,603)
	84,465	75,756
Employees - notes 7.3 and 7.7	21	-
Less: Current portion shown under current assets - note 11	(21)	-
	-	-
	84,465	75,756

7.1 Reconciliation of the carrying amount of loans and advances to executives is as follows:

	2018	2017
Balance at beginning of the year	112,359	101,029
Add: Disbursements	66,893	70,769
Less: Repayments / amortizations	(53,381)	(59,439)
Balance at end of the year	125,871	112,359

(Amounts in thousand)

7.2 These include interest free loans and advances to executives for house rent, vehicles, home appliances and investments given in accordance with the terms of employment. Loans for house rent are repayable in 12 to 18 equal monthly installments and investment are repayable in lump sum amount after 36 months. Loans for home appliances are repayable in 5 equal annual installments. Advances for vehicles are charged to statement of profit or loss over a period of 4 years.

7.3 These include interest free loans to employees for home appliances and investments, given in accordance with the terms of employment. Loans are repayable in accordance with the terms stated in note 7.2.

7.4 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 130,578 (2017: Rs. 120,429). These are secured by way of promissory notes.

7.5 Under the Company's Act, the defintion of 'executives' has been revised. As a result, comparative figures have been restated to reflect the said change.

7.6 Maximum aggregate amount due from related parties at any time during the year with respect to month end balance is as follows:

	2018	2017
	Rupees	
Mr. Aneeq Ahmed	2,212	1,995
Mr. Abdul Qayoom Sheikh	935	1,602
Mr. Jahangir Waheed	4,841	6,143
Mr. Vijay Kumar	2,665	2,393
Mr. Muhammad Imran Khalil	-	1,424
Mr. Salman Hafeez	590	-

7.7 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no material defaults in recent history.

7.8 The Company does not have any loans or advances placed under any arrangements permissible under Shariah.

8. STORES, SPARES AND LOOSE TOOLS

	2018	2017
	Rupees	
Consumable stores and spares - note 8.1	1,886,897	1,880,330
Less: Provision for slow moving stores and spares - note 8.2	324,130	277,943
	1,562,767	1,602,387

8.1 This includes goods in transit amounting to Rs. 135,955 (2017: Rs. 248,659).

8.2 The movement in the provision for slow moving stores and spares is as follows:

	2018	2017
	Rupees	
Balance at beginning of the year	277,943	61,326
Add: Recognized during the year - notes 8.3 and 26	74,400	241,117
Less:		
- Reversal during the year note 26	(26,194)	(24,500)
- Write-offs during the year	(2,019)	-
Balance at end of the year	324,130	277,943

8.3 This pertains to a specific provision relating to slow moving stores and spares of the Company.

(Amounts in thousand)

9. STOCK-IN-TRADE

	2018	2017
	Rupees	
Raw and packing materials - notes 9.1 and 9.2	2,439,712	2,440,340
Work-in-process	15,856	28,846
Finished goods - own manufactured product - notes 9.1 and 9.3	1,125,819	1,211,976
	3,581,387	3,681,162

9.1 This includes stock held at storage facilities of the following parties:

	2018	2017
	Rupees	
- Engro Vopak Terminal Limited, a related party	554,035	1,251,591
- Fatima Fertilizer Company Limited	2,500	647
- Al-Rahim Trading Company (Private) Limited	-	21,700
- Al-Hamd Traders	1,168	2,742
	557,703	1,276,680

9.2 This includes goods in transit amounting to Rs. 794,005 (2017: Rs. 242,561).

9.3 This includes carrying value of Poly Vinyl Chloride resin, net of realizable value reduction of Rs. nil (2017: Rs. 25,453).

10. TRADE DEBTS - considered good

	2018	2017
	Rupees	
Related parties - note 10.1	-	119,069
Others		
Secured - note 10.2	270,867	287,211
Unsecured	159,533	98,843
	430,400	386,054
Considered doubtful - note 10.3	9,010	9,628
	439,410	514,751
Less: Provision for doubtful debts - note 10.3	9,010	9,628
	430,400	505,123

10.1 Due from related parties comprise of:

	Upto 1 month		2 to 6 months		More than 6 months		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees							
Engro Fertilizers Limited	-	18,978	-	38,372	-	61,719	-	119,069

10.1.1 The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 211,301 (2017: Rs. 119,069).

10.2 These debts are secured by way of bank guarantees and letters of credit from customers.

(Amounts in thousand)

	2018	2017
	Rupees	
10.3 The movement in provision during the year is as follows:		
Balance at beginning of the year	9,628	-
Add: Provisions made during the year - note 27	-	9,628
Less: Reversal of provision during the year - note 27	(618)	-
Balance at end of the year	9,010	9,628

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

	2018	2017
	Rupees	
Considered good		
Current portion of long term-loans and advances - note 7		
- executive	41,406	36,603
- employees	21	-
	41,427	36,603
Advances to employees - note 11.1	8,019	756
Advances to suppliers and others - note 11.2	629,836	27,884
Deposits	128,661	24,897
Prepayments	110,233	82,981
Receivable from Government of Pakistan		
- Sales tax and Federal excise duty refundable	156,869	417,439
- Octroi / duty claims	152	152
	157,021	417,591
Due from related parties - note 11.3		
- Engro Vopak Terminal Limited	385	215
- Engro Foods Limited	5	5
- Engro Energy Limited	331	86,724
- Engro Elengy Terminal Private Limited	-	126
- Engro Digital Limited	2,007	2,007
- Engro Corporation Limited	1,590	2,677
- Engro Fertilizers Limited - note 11.4	118,613	-
- Engro Powergen Qadirpur Limited	9	9
	122,940	91,763
Insurance receivable - note 30.1	483,131	-
Accrued mark-up	13,568	60
Other receivables	4,842	696
	1,699,678	683,231
Considered doubtful		
Custom duty claims refundable - note 11.5	18,043	18,043
Less: Provision for impairment - notes 11.5 and 11.7	(18,043)	(18,043)
	-	-
Special Excise Duty (SED) refundable - note 11.6	36,687	36,687
Less: Provision for impairment - notes 11.6 and 11.7	(36,687)	(36,687)
	-	-
	1,699,678	683,231

(Amounts in thousand)

11.1 Maximum aggregate amount due from related parties at any time during the year with respect to month end balance is as follows:

	2018	2017
	Rupees	
- Mr. Abdul Qayyom Shaikh - note	2,000	216
- Mr. Jahangir Waheed - note 11.1.2	540	-

11.1.1 The advances given to the parties are in accordance with the terms of employment.

11.1.2 The amount represents advances to an employee to meet business expenses and are settled as and when the expenses are incurred.

11.2 The amount includes Rs. 615,305 (2017: Rs. 6,134) made to foreign vendors for the purpose of supply of goods and services in the normal course of business. Details of significant vendor balances are given below:

Name of the Company or undertaking	Jurisdiction		Currency Foreign 2018	Foreign 2017	Equivalent local 2018	Equivalent local 2017
Alfa Laval Middle East Limited	Middle East	EUR	93	-	14,030	-
INEOS Technologies	Europe	EUR	186	-	25,261	-
Oval Corporation	Japn	USD	112	-	15,511	-
Bertrams Chemicals Plant Limited	Europe	EUR	682	-	106,581	-
Wolong Electric Nanyang Explosion	China	USD	142	-	19,687	-
China Tianchen Engineering	China	CNY	77,525	-	349,694	-
China Tianchen Engineering	China	USD	132	-	21,008	-
Xian Lynsn Electric Limited	China	CNY	251	-	5,076	-

11.3 Details of amounts due from related parties:

Ageing 2018

Name of the related parties	Maximum balance outsanding	Upto 1 Month	2 To 6 Months	More than 6 months	Total
Engro Powergen Qadirpur Limited	9	-	-	9	9
Engro Foods Limited	5	-	-	5	5
Engro Fertilizers Limited	118,613	117,615	-	998	118,613
Engro Energy Limited	331	-	-	331	331
Engro Vopak Terminal Limited	385	170	-	215	385
Engro Digital Limited	2,007	-	-	2,007	2,007
Engro Corporation Limited	1,590	76	401	1,113	1,590
	122,940	117,861	401	4,678	122,940

Ageing 2017

Name of the related parties	Maximum balance outsanding	Upto 1 Month	2 To 6 Months	More than 6 months	Total
Engro Powergen Qadirpur Limited	9	-	-	9	9
Engro Foods Limited	5	-	-	5	5
Engro Elengy Terminal Private Limited	126	-	-	126	126
Engro Energy Limited	86,724	86,724	-	-	86,724
Engro Vopak Terminal Limited	215	-	-	215	215
Engro Digital Limited	2,007	-	2,007	-	2,007
Engro Corporation Limited	2,677	-	2,677	-	2,677
	91,763	86,724	4,684	355	91,763

(Amounts in thousand)

11.4 This includes Rs. 113,500 (2017: Rs nil) due from Engro Fertilizers Limited which will be adjusted against the purchase consideration of land (as referred to in note 5.4.1) once the legal formalities in respect of transfer of land has been finalised and the title to the property has been transferred in favour of the Company.

11.5 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed of the Company's appeal filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all the aforementioned VCM consignments were released after the issuance of SRO 565(1) / 2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed onto the customers. However, as the price of the Company's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against the Company.

The Company has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, the Company is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal forums are exhausted.

11.6 During 2007, Special Excise Duty (SED) amounting to Rs. 91,616 was paid on import of certain fixed assets. Out of the total SED paid, an amount of Rs. 54,299 was adjusted through input claim in sales tax returns. Subsequently, the remaining amount of Rs. 36,687 could not be adjusted as the said duty was disallowed as adjustment from output tax under section 7 of Sales Tax Act, 1990. Therefore, the Company has fully provided the said amount. However, the Company is pursuing recovery of the remaining amount from the tax authorities based on the view that the SED can be recovered as it was paid prior to the change in the Sales Tax Act.

11.7 As at December 31, 2018, receivables aggregating to Rs. 54,730 (2017: Rs. 54,730) were deemed to be impaired and have been provided for in full. The remaining balances of loans, deposits, due from related parties and other receivables are neither past due nor impaired.

12. SHORT-TERM INVESTMENTS

	2018	2017
	Rupees	
Held to maturity		
Term Deposits Receipts	-	240,410
Pakistan Investment Bonds - note 12.3	1,499,908	-
	1,499,908	240,410
At fair value through profit or loss		
Treasury bills - note 12.1	6,098,104	-
Investment in units of mutual fund - note 12.2	200,000	-
	6,298,104	-
	7,798,012	240,410

12.1 This carries interest at the rate of 10.20% per annum and has matured on January 3, 2019.

12.2 This denotes investments made in Meezan Rozana Amdani Fund.

12.3 This carries interest at the rate of 10.26% per annum and has matured on January 3, 2019.

(Amounts in thousand)

13. CASH AND BANK BALANCES

	2018	2017
	Rupees	
Cash in hand	392	1,140
Cash at bank:		
- in current accounts - note 13.1	220,206	60,606
- in saving accounts - note 13.2	1,141,444	621,004
	1,361,650	681,610
	1,362,042	682,750

13.1 These include Rs.140,738 (2017: Rs. 31,783) held in foreign currency bank account.

13.2 These carry mark-up at rates ranging between 2.40% and 8.00% per annum (2017: 2.40% and 5.75% per annum).

14. SHARE CAPITAL

	2018	2017
	Rupees	
Authorized capital		
1,250,000,000 (2017: 800,000,000) ordinary shares of Rs. 10 each	12,500,000	8,000,000
400,000,000 (2017: 400,000,000) preference shares of Rs. 10 each	4,000,000	4,000,000
Issued, subscribed and paid-up capital		
908,923,333 (2017: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash - notes 14.1 and 14.2	9,089,233	6,634,688

14.1 Movement in issued, subscribed and paid-up capital

2018	2017		2018	2017
Number of shares			Rupees	
663,468,788	663,468,788	Opening shares outsanding	6,634,688	6,634,688
245,454,545	-	Rights share issued - note 14.2	2,454,545	-
908,923,333	663,468,788		9,089,233	6,634,688

14.2 During the year, the Company has issued 245,454,545 right shares at a price of Rs. 22 per share which includes a share premium of Rs. 12 per share.

14.3 As at December 31, 2018, Engro Corporation Limited (the Holding Company) and Mitsubishi Corporation (and associated company) held 510,733,450 (2017:372,809,989) and 100,053,562 (2017:67,949,998) ordinary shares of Rs.10 each denoting 56.19% (2017: 56.19%) and 11.01% (2017: 10.24%) of the share capital of the Company.

14.4 There is a shareholders' agreement between Engro Corporation Limited (ECL) and Mitsubishi Corporation (MC) which includes provisions in respect of board selection, voting rights, rights of first refusal.

(Amounts in thousand)

15. **LONG TERM BORROWINGS**

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	2018 Rupees	2017 Rupees
Bilateral - IV - note 15.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V - note 15.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI - note 15.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII - note 15.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	1,250,000
Bilateral - VIII - notes 15.1	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	1,000,000
Bilateral - IX - note 15.1	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
Bilateral - X - note 15.1	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
				7,500,000	8,750,000
Less: Current portion shown under current liabilities				-	-
				7,500,000	8,750,000

15.1 During the year, the Company upgraded all the charges on the financing facilities to joint pari passu charge over all the present and future moveable fixed assets (excluding land and building) of the Company.

15.2 Following are the changes in the long-term borrowings (i.e. for which cash flows have been classified as financing activities in the statement of cash flow):

	2018 Rupees	2017 Rupees
Balance as at January 1	8,750,000	9,166,903
Disbursements during the year	-	3,000,000
Amortization of transaction cost	-	-
Repayments made during the year	(1,250,000)	(3,416,903)
Balance as at December 31	7,500,000	8,750,000

15.3 In order to finance the PVC expansion, VCM debottlenecking projects and other capital projects, the Company has entered into an Ijarah Agreement with International Finance Corporation (IFC). Under the agreement, the Company has obtained a facility of US $ 35 million repayable in five year including a grace period of two years. No draw downs have been made as at year end.

15.4 Subsequent to the year ended December 31, 2018, the Company has reprofiled its debt structure through issuance of Sukuk bonds of Rs. 8,750,000. These carry a quarterly rental rate of 3 months KIBOR+ 0.9% and are repayable over a period of 7.5 years with the first payment commencing in June 2024.

(Amounts in thousand)

16. **DEFERRED TAXATION - NET**

	2018 Rupees	2017 Rupees
Credit balances arising due to:		
- accelerated tax depreciation	3,085,702	3,224,307
Debit balances arising due to:		
- recoupable carried forward tax losses - note 16.1	431,194	1,443,219
- recoupable minimum turnover tax - note 16.2	537,505	510,131
- recoupable alternative corporate tax	469,544	111,655
- unpaid liabilities	100,340	104,263
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,004,673	924,358
- provision for net realizable value of stock-in-trade	-	7,515
- provision for slow moving stores and spares	91,935	82,066
- provision bad debts	2,535	2,888
- share issuance cost, net to equity	57,830	49,467
	2,695,556	(3,235,562)
	390,146	(11,255)

16.1 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 December 31, 2018 amount to Rs. 1,539,979 (2017: Rs. 4,810,730).

16.2 During the year, the Company has recognized net deferred tax asset on recoupable minimum turnover tax in respect of current year amounting to Rs. 27,374 (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.

17. **SERVICE BENEFIT OBLIGATIONS**

	2018 Rupees	2017 Rupees
Service incentive plan - note 17.1	55,354	45,953

17.1 This represents provision for annual employment benefits payable to eligible employees who have successfully completed 3 years of vesting period with the Company.

(Amounts in thousand)

18. SHORT-TERM RUNNING FINANCE UNDER MARK-UP AGREEMENT

18.1 The aggregate facilities for running finance available from various banks as at December 31, 2018, representing the sales price of all mark-up arrangements amounted to Rs. 2,900,000 (2017: Rs. 3,425,000). 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 0.5% to 1% (2017: relevant period KIBOR plus 0.1% to 1%) per annum. These facilities are secured by a joint parri passu charge over stocks and book debts of the Company and are currently under renewal.

19. TRADE AND OTHER PAYABLES

	2018	2017
	Rupees	
Trade and other creditors - note 19.1	3,446,781	1,714,553
Accrued liabilities - notes 19.1 and 19.2	1,858,400	1,623,408
Advances from customers	643,303	883,418
Retention money	1,545	13,249
Security deposits - note 19.3	24,710	28,959
Payable to provident funds	6,852	15,874
Payable to gratuity funds	576	-
Payable to pension funds	-	-
Workers' Welfare Fund	65,871	53,198
Withholding tax payable	9,016	6,742
Workers' Profits Participation Fund - notes 19.4 and 29	342,876	163,661
Others	35,976	19,746
	6,435,906	4,522,808

19.1 Includes due to the following related parties:

	2018	2017
- Engro Corporation Limited	40,545	18,459
- Mitsubishi Corporation	344,807	1,461
- Engro Fertilizers Limited	43	6,622
- Engro Vopak Terminal Limited	119,241	87,390
	504,636	113,932

19.2 This includes Sindh Infrastructure Development Cess amounting to Rs. 595,500 (2017: 496,988).

19.3 These represent interest-free deposits from dealers for the performance of their service as defined in the dealership agreements. The deposits are refundable on termination of dealership agreements and are payable on demand. The amount is fully utilised in business in accordance with the requirement of written agreements and in terms of section 217 of the Act.

19.4 The movement in WPPF payable is as follows:

	2018	2017
	Rupees	
Balance at the beginning of the year	163,661	62,424
Allocation for the year	342,876	163,661
Interest charges on funds utilised	592	-
	507,129	226,085
Less: Payments during the year	(164,253)	(62,424)
Balance at the end of the year	342,876	163,661

(Amounts in thousand)

20. UNPAID DIVIDEND

The balance represents unpaid dividend to Mitsubishi Corporation, a related party. The dividend repatriation requires approval from the State Bank of Pakistan which is in process.

21. ACCRUED INTEREST / MARK-UP

	2018	2017
	Rupees	
Mark-up accrued on:		
- long-term borrowings	64,911	131,475
- short-term borrowings	-	3,612
	64,911	135,087

22. TAXES PAYABLE

22.1 Tax year 2008

The Deputy Commissioner Inland Revenue (DCIR) through an 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, addition of imputed interest on loans to employees and executives of Rs. 16,069 to income, disallowance of finance cost of Rs. 134,414 and disallowance of 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 payment of 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 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period from 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 department 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 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 ATIR. Likewise, the tax department has 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 these consolidated financial statements.

22.2 **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 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), regarding deletion of addition on account of provision for the retirement benefits.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed of by accepting Company's position except for additions on account of SED provision 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 has 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 these consolidated financial statements.

23. **PROVISIONS**

	2018	2017
	Rupees	
Provision for Gas Infrastructure Development Cess - note 23.1	4,121,435	3,112,619
Provision for gas price revision - note 23.2	517,392	-
	4,638,827	3,112,619

23.1 **Provision for Gas Infrastructure Development Cess (GIDC)**

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, Finance Act, 2014 and GIDC Ordinance 2014 against which the Company has 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 the 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.

(Amounts in thousand)

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.1,008,816 (2017: Rs. 982,855) pertaining to the period subsequent to the promulgation of GIDC Act, 2015.

23.2 During the year ended December 31, 2017, the Company had filed suits in the Sindh High Court (SHC), against the increase in tariff of natural gas sold to industries and captive power plants notified by Oil and Gas Regularity Authority (OGRA) vide SRO no. (1)/2016 dated December 30, 2016 whereby the Company cited the increase as illegal and unconstitutional. The SHC has granted an interim order in favour of the Company which is still operational. However, the Company has recognised a provision of Rs. 517,392 for the period from December 2017 to December 2018.

24. **CONTINGENCIES AND COMMITMENTS**

24.1 The Deputy Commissioner Inland Revenue (DCIR) through 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 material. The Company filed thereagainst before the 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 favor of the Company. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter have been carried out by ATIR, till the year end. The management of the Company, based on the advice of its tax consultants, is confident of favorable outcome of this matter, accordingly, no provision has been made in this respect.

24.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at December 31, 2018 amounts to Rs. 1,896,000 (2017: Rs. 1,297,000). The amount utilized there against as at December 31, 2018 is Rs. 1,856,000 (2016: Rs. 1,238,450).

24.3 The facility for opening letters of credit as at December 31, 2018 aggregates to Rs. 15,800,000 (2017: Rs. 13,550,000). The amount utilized thereagainst as at December 31, 2018 was Rs. 6,453,000 (2017: Rs. 1,010,000). These facilities carry commission at rates running between 0.05% and 0.1% (2017: 0.05% and 0.1%).

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

	2018	2017
	Rupees	
Not later than 1 year	14,053	16,875
Later than 1 year and no later than 5 years	-	8,400
	14,053	25,275

24.5 The Company has entered into contracts with Engro Vopak Terminal Limited (a related party) for the storage and handling of Ethylene which is valid till March 2026. Contracts in respect of the storage of Vinyl Chloride Monomer (VCM) and Ethylene Di-Chloride (EDC) dated December 2018 are in the process of being renewed. Annual fixed cost payable to Engro Vopak Terminal Limited under these contracts approximates to US $ 9,165.

(Amounts in thousand)

		2018	2017
		Rupees	
25.	**NET REVENUE**		
	Gross local sales	40,704,079	32,396,032
	Less:		
	- Sales tax	5,903,435	4,688,089
	- Discounts	360,984	455,744
		6,264,419	5,143,833
		34,439,660	27,252,199
	Export sales	772,435	419,338
	Supply of electricity - note 25.1	59,540	59,199
		35,271,635	27,730,736

25.1 This represents revenue against supply of surplus power to Engro Fertilizers Limited - a related party.

		2018	2017
		Rupees	
26.	**COST OF SALES**		
	Opening stock of work-in-process	28,846	2,635
	Raw and packing materials consumed	16,956,345	12,764,487
	Salaries, wages and staff welfare - note 26.1	1,133,216	957,767
	Fuel, power and gas	4,818,222	4,433,764
	Repairs and maintenance	362,399	400,729
	Depreciation - note 5.2	936,673	918,304
	Consumable stores	386,250	346,018
	Purchased services	225,307	240,751
	Storage and handling	1,371,309	1,067,613
	Training, conveyance and travelling	141,980	139,792
	Communication, stationery and other office expenses	10,760	7,158
	Rent, rates and taxes	25,372	31,500
	Insurance	110,985	97,194
	Reversal of impairment / impairment of property, plant and equipment - note 5.1	(103,665)	107,854
	Provision for slow moving stores and spares - note 8.2	74,400	241,117
	Reversal of provision for slow moving stores and spares - note 8.2	(26,194)	(24,500)
	Other expenses	13,114	28,442
		26,436,473	21,757,990
	Closing stock of work-in-process	(15,856)	(28,846)
	Cost of goods manufactured	26,449,463	21,731,779
	Opening stock of finished goods	1,211,976	1,145,523
	Closing stock of finished goods	(1,125,819)	(1,211,976)
		86,157	(66,453)
		26,535,620	21,665,326

26.1 These includes Rs. 76,709 (2017: Rs. 76,653) in respect of staff retirement and other service benefits.

(Amounts in thousand)

		2018	2017
		Rupees	
27.	**DISTRIBUTION AND MARKETING EXPENSES**		
	Salaries, wages and staff welfare - note 27.1	158,336	160,825
	Sales promotion	187,137	162,389
	Product transportation and handling	966,405	917,046
	(Reversal of provision) / provision for doubtful debt - note 10.3	(618)	9,628
	Write off trade debts	409	-
	Rent, rates and taxes	29,497	41,339
	Purchased services	8,438	8,080
	Depreciation - note 5.2	3,831	3,224
	Training, conveyance and travelling	15,711	12,991
	Communication, stationery and other office expenses	3,163	3,648
	Others	2,658	8,854
		1,374,967	1,328,024

27.1 These includes Rs. 12,287 (2017: Rs. 12,330) in respect of staff retirement and other service benefits.

		2018	2017
		Rupees	
28.	**ADMINISTRATIVE EXPENSES**		
	Salaries, wages and staff welfare - note 28.1	305,506	274,015
	Rent, rates and taxes	41,046	81,031
	Purchased services	212,264	110,720
	Insurance	3,839	2,941
	Depreciation - note 5.2	18,103	10,037
	Amortization - note 6	15,970	12,570
	Training, conveyance and travelling	39,427	40,631
	Communication, stationery and other office expenses	25,642	23,104
	Others	7,103	29,114
		668,900	584,163

28.1 These includes Rs. 23,645 (2017: Rs. 19,284) in respect of staff retirement and other service benefits.

		2018	2017
		Rupees	
29.	**OTHER OPERATING EXPENSES**		
	Legal and professional charges	88,678	72,198
	Auditors' remuneration - note 29.1	5,577	3,910
	Donations - note 29.2	89,085	3,397
	Foreign exchange loss - net	279,969	112,519
	Workers' Welfare Fund	65,905	300
	Workers' Profits Participation Fund	342,876	163,661
		872,090	355,985

(Amounts in thousand)

		2018	2017
		Rupees	
29.1	**Auditors' remuneration**		
	Fee for:		
	- Annual statutory audit	1,109	950
	- Half yearly review	297	241
	- Review of compliance with the Code of Corporate Governance	43	40
	Taxation and other advisory services	3,825	2,434
	Reimbursement of expenses	303	245
		5,577	3,910

29.2 These include donation made to the Citizens Foundation, Engro Foundation, Sina Health Education & Welfare Trust and The Water Foundation of Rs. 55,540, Rs. 5,253, Rs. 15,700 and Rs. 8,299 respectively. Mr Imran Anwar, (the Chief Executive of the Company), and Mr. Ghias Khan, (the Chairman of the Board of Directors) are the trustees of Engro Foundation.

		2018	2017
		Rupees	
30.	**OTHER INCOME**		
	On financial assets		
	Income on bank deposits	45,694	34,511
	Income from short-term investments	299,818	14,675
	On non-financial assets		
	Gain on disposal of operating assets	-	68,525
	Scrap sales	7,198	6,361
	Insurance claim - note 30.1	841,790	-
	Others	54,893	13,266
		1,249,393	137,338

30.1 For the period from February 2017 to July 2018, the Company experienced business interruption due to delay in the supply of Ethylene from ADNOC (a foreign supplier) as a result of this it had to make purchases at spot from other available suppliers. The Company had an insurance cover in respect of this interruption through which the differential of the contracted price and spot price was reimbursable to it by the insurer. The total amount acknowledged by the insurer in respect of this claim amounted to Rs. 841,790 of which Rs. 358,659 were received during the year ended December 31, 2018.

30.2 During 2016, the Supreme Court of Pakistan issued a judgement dated November 11, 2016, as a result of which changes made through the Finance Acts of 2006 and 2008 in the Workers' Welfare Ordinance, 1971 were held to be ultra-vires to the Constitution. Subsequently, a civil review petition against the aforementioned judgement has been filed by the taxation authorities which is in the process of being heard. In this respect, till December 2014, the Company had accrued for Workers' Welfare Fund (WWF) based on the amendments brought through Finance Act 2008, however, no payment were made thereagainst.

In light of above and based on the advice of the legal advisor the provision for WWF amounting to Rs. 53,083 has been written back.

(Amounts in thousand)

		2018	2017
		Rupees	
31.	**FINANCE COSTS**		
	Interest / mark-up on:		
	- long-term borrowings	567,156	706,919
	- short-term borrowings	-	10,026
	- running finances	448	13,818
		567,604	730,763
	Guarantee commission	17,444	2,604
	Bank charges and others	21,100	86,408
		606,148	819,775

		2018	2017
		Rupees	
32.	**TAXATION**		
	Current		
	- for the year - notes 32.1, 32.2 and 32.3	980,699	458,984
	- for prior year - note 32.3	152,686	65,362
		1,133,385	524,346
	Deferred		
	- for the year	399,747	537,439
		1,533,132	1,061,785

32.1 During the period, the Company has recouped carry forward losses equal to half of the taxable income and minimum turnover tax amounting to Rs. 542,426 derecognized in prior years. This has resulted because of the restriction placed on the adjustment of unabsorbed depreciation in the Finance Act, 2018.

32.2 The Company has claimed tax credit of the investment under 65B of Income Tax Ordinance, 2001 amounting to Rs. 233,831.

32.3 This includes 'Super tax for rehabilitation for temporarily displaced persons' at the rate of 3% and 2% on specified income for the tax years 2018 and 2019 respectively levied through the Finance Act, 2018.

32.4 The company has tax provision in its consolidated financial statements of Rs. 190,895, Rs. 240,423, and, Rs 586,500 for year ended 2015, 2016 and 2017, respectively, whilst the tax assessed for these years is Rs. 189,999, Rs. 173,539 and Rs. 279,509 respectively. Management has assessed that the tax provisions in the consolidated financial statement are sufficient for the purpose.

		2018	2017
32.5.	**Relationship between tax expense and accounting profit**		
	Profit before taxation	6,463,303	3,114,801
	Tax calculated at applicable rate of 29% (2017: 30%)	1,874,358	934,440
	Tax effect of presumptive tax regime and income subject to lower tax rates	(72,038)	(16,985)
	Prior year tax charge - net	152,686	65,362
	Effect of inadmissible expenses / permanent differences	13,725	17,947
	Impact of change in tax rates	(30,212)	61,703
	Super tax for the current year	137,071	-
	Effect of recognition of minimum turnover tax	(542,426)	-
	Others	(32)	(1,194)
		1,533,132	1,061,273

(Amounts in thousand)

	2018	2017
	Rupees	

33. **EARNINGS PER SHARE - Basic and diluted**

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2018	2017
	Rupees	
Profit for the year	4,930,171	2,053,016
	Number in thousands	
Weighted average number of ordinary shares	792,188	700,059
	Number in thousands	(Restated)
Earnings per shares (basic and diluted)	6.22	2.93

34. **RETIREMENT AND OTHER SERVICE BENEFITS**

34.1 In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company.

34.2 The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

35. **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	2018			2017		
	Director			Director		
	Chief Executive	Others	Executives	Chief Executive	Others	Executives (note 36.3)
	Rupees					
Managerial remuneration	24,047	-	578,414	23,080	-	532,692
Retirement benefit funds	3,464	-	93,484	2,972	-	85,876
Bonus	18,936	-	89,384	16,571	-	80,709
Other benefits	3,416	-	148,308	3,385	-	132,514
Directors fee	-	1,250	-	-	1,350	-
Total	49,863	1,250	909,590	46,008	1,350	831,791
Number of persons including those who worked part of the year	1	2	179	1	2	184

(Amounts in thousand)

35.1 The Company also provides certain household items and vehicles for the use of the Chief Executive Officer and certain executives.

35.2 Expense charged in respect of directors' indemnity insurance policy purchased by the Company amounts to Rs. 262 (2017: Rs. 509).

35.3 Under the Company's Act, the definition of 'executives' has been revised. As a result, comparative figures have been restated to reflect the said change.

36. **CASH GENERATED FROM OPERATIONS**

	2018	2017
	Rupees	
Profit before taxation	6,463,303	3,114,801
Adjustments for non cash-charges and other items:		
Provision for staff retirement and other service benefits	163,974	106,147
Depreciation - note 5.2	958,607	931,565
Amortization - note 6	15,970	12,570
(Reversal of provision) / provision for doubtful debts - note 10.3	(618)	9,628
Write off trade debts	409	-
(Reversal of impairment) / impairment of property, plant and equipment - note 5.1	(103,665)	107,854
Provision for slow moving stores and spares - note 8.2	74,400	241,117
Reversal for provision for slow moving stores and spares - note 8.2	(26,194)	(24,500)
(Reversal of provision) / provision for net realizable value of stock-in-trade, net - note 9.3	(25,453)	425
Income on bank deposits and short-term investments - note 30	(345,512)	(49,186)
Finance costs - note 31	567,604	730,763
Gain on disposal of operating assets - note 30	-	(68,525)
Provision against GIDC - note 23.1	1,008,816	982,855
Provision for gas price revision - note 23.2	517,392	-
Working capital changes - note 36.1	1,088,225	(3,362,821)
	10,357,258	2,732,693

36.1 **WORKING CAPITAL CHANGES**

	2018	2017
(Increase) in current assets		
Stores, spares and loose tools	(8,586)	(273,623)
Stock-in-trade	125,228	(657,319)
Trade debts	74,932	(58,355)
Loans, advances, deposits, prepayments and other receivables - net	(1,016,447)	(163,290)
	(824,873)	(1,152,587)
Increase / (decrease) in current liabilities		
Trade and other payables	1,913,098	(2,210,234)
	1,088,225	(3,362,821)

(Amounts in thousand)

37. CASH AND CASH EQUIVALENTS

	2018	2017
	Rupees	
Short-term investments - note 12	7,798,012	240,410
Cash and bank balances - note 13	1,362,042	682,750
	9,160,054	923,160

38. FINANCIAL INSTRUMENTS BY CATEGORY

38.1 Financial assets as per consolidated statement of financial position

	2018	2017
	Rupees	
Held to maturity		
Short-term investments	1,499,908	240,410
Fair value through profit and loss		
Short-term investments - investments in units of mutual funds and treasury bills	6,298,104	-
Loans and receivables at amortized cost		
Long-term loans	84,465	75,756
Trade debts - considered good	430,400	505,123
Loans, deposits and other receivables	794,569	154,019
Cash and bank balances	1,362,042	682,750
	2,671,476	1,417,648

38.2 Financial liabilities as per consolidated statement of financial position

	2018	2017
Financial liabilities measured at amortized cost		
Long-term borrowings	7,500,000	8,750,000
Trade and other payables	5,374,840	3,399,915
Accrued interest / mark-up	64,911	135,087
	12,939,751	12,285,002

(Amounts in thousand)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk factors, where it deems appropriate. Risk management is carried out by the Company's finance division under the guidance of the Company's Board of Directors.

a) **Market risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market prices. It comprises of the following risks:

i) Currency risk

Currency risk represents the risk that the fair values of future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar. The risk arises from outstanding payments for imports, assets and liabilities denominated in foreign currencies and future commercial transactions. In the current economic environment, the Company is significantly exposed to currency risk because of the expected volatility in exchange rates. The Company, at its discretion, manages the currency risk through forward exchange contracts.

At December 31, 2018, the financial assets and liabilities exposed to foreign exchange risk amount to Rs.140,738 (2017: Rs. 147,514) and Rs. 2,740,237 (2017: Rs. 1,024,857) respectively.

At December 31, 2018, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit / loss for the year would have been lower / higher by Rs. 91,755 (2017: Rs. 30,707), mainly as a result of foreign exchange losses / gains on translation of uncovered US Dollar-denominated liabilities. However, this change in profits or losses would be partially offset by a corresponding change in margins as bulk of revenues is linked with movements in exchange rates.

ii) Yield / interest rate risk

Yield / interest rate risk represents the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from borrowings and running finance facilities utilised under mark-up arrangements. Borrowing at variable rates exposes the Company to cash flow interest rate risk, whereas, borrowing at fixed rate exposes the Company to fair value interest rate risk.

(Amounts in thousand)

To manage its cash flow interest rate risk, the Company has the ability to enter into floating to fixed rate interest swaps on its floating rate borrowings. Under the interest rate swap agreements, the Company can agree with the banks to exchange, at half yearly intervals, the difference between contracted rates and the floating rate interest amounts calculated by reference to the agreed notional amounts.

As at December 31, 2018, if interest rate on Company's unhedged borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by approximately Rs. 55,078 (2017: Rs. 61,250) mainly as a result of higher / lower interest charged on variable rate borrowings.

iii) Other price risk

Price risk represents the risk that the fair vale of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financials instruments or its issuers or factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk as at December 31, 2018 as the Company holds investments in units of open-end collective investment schemes. A one percent increase / decrease in the net assets value of these investments as at December 31, 2018 would have a negligible impact on post-tax profits for the years.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations. Credit risk arises from deposits with banks and financial institutions, trade debts, loans, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The Company is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts are secured by bank guarantees and letters of credit from customers. Furthermore, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets, subject to credit risk which are neither past due nor impaired, are as follows:

	2018	2017
	Rupees	
Long-term loans	84,465	75,756
Trade debts	430,400	505,123
Loans, deposits and other receivables	794,569	154,019
Short-term investments	7,798,012	240,410
Bank balances	1,361,650	681,610
	10,469,096	1,656,918

The credit quality of receivables can be assessed with reference to their historical performance with no defaults in recent history. As at December 31, 2018 the credit quality of the Company's bank balances can be assessed with reference to external credit ratings assigned to the respective banks as follows:

Bank	Rating agency	2018 Rating		2017 Rating	
		Short term	Long term	Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA	A1+	AA
Bank AL Habib Limited	PACRA	A1+	AA+	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA	A-1+	AAA
Citibank N.A.	Moody	P-1	A1	P-1	A1
Deutsche Bank A.G	Moody	P2	Baa2	P2	Baa2
Faysal Bank Limited	PACRA	A1+	AA	A1+	AA
Industrial and Commercial Bank of China	Moody	P-1	A1	P-1	A1
MCB Bank Limited	PACRA	A1+	AAA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A-	A-1	A-
United Bank Limited	JCR-VIS	A-1+	AAA	A-1+	AAA
The Bank of Punjab	PACRA	A1+	AA	A1+	AA
JS Bank Limited	PACRA	A1+	AA-	A1+	AA-
Bank Islami Pakistan Limited	PACRA	A1	A+	A1	A+
Dubai Islamic Bank	JCR-VIS	A-1	AA-	-	-
Bank of China	Standered and Poors	A-1	A	-	-

(Amounts in thousand)

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's liquidity management involves maintaining sufficient cash and marketable securities, the availability of funds through an adequate amount of credit facilities and through its ability to close out market positions. Due to the dynamic nature of the business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The general nature of credit facilities available to the Company under any contract and not availed as at the date of consolidated statement of financial position has been disclosed in note 18.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2018			2017		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Long-term borrowings	-	7,500,000	7,500,000	-	8,750,000	8,750,000
Trade and other payables	5,374,840	-	5,374,840	3,399,915	-	3,399,915
Accrued interest / mark-up	64,911	-	64,911	135,087	-	135,087
	5,439,751	7,500,000	12,939,751	3,535,002	8,750,000	12,285,002

40. **CAPITAL RISK MANAGEMENT**

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long term borrowings, as disclosed in note 14, divided by total capital. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus long-term borrowings.

(Amounts in thousand)

The gearing ratio of the Company is as follows:

	2018	2017
	Rupees	
Long-term borrowings - note 15	7,500,000	8,750,000
Total equity	16,796,184	7,760,109
Total capital	24,296,184	16,510,109
Gearing ratio	0.309	0.530

41. **SEGMENT INFORMATION**

41.1 Based on the internal management reporting structure, the Company is organized into three business segments based on the products produced and sold as follows:

- Poly Vinyl Chloride (PVC) and allied chemicals: The segment is formed to manufacture and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies the products throughout Pakistan mainly through dealers. Moreover, PVC is also exported to various countries mainly in Asia Region.

- Caustic soda and allied chemicals: The segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry.

- Power supplies: The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited.

Management monitors the operating results of abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit / (loss) after tax for that segment, which in certain respects, as explained in table below, is measured differently from profit or loss in the financial statements. Items which are directly attributable to a particular segment have been allocated to the respective segment, while those which are not directly attributable have been allocated on the basis of revenue.

(Amounts in thousand)

41.2 The following table presents the profit or loss and total assets for the operating segments of the Company:

	Poly Vinyl Chloride (PVC) and allied chemicals		Caustic soda and allied chemicals		Power Supply		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees							
Segment profit and loss								
Revenue	29,491,590	22,793,920	5,720,505	4,877,617	59,540	59,199	35,271,635	27,730,736
Less:								
Cost of sales	(23,493,608)	(18,666,278)	(2,992,787)	(2,960,691)	(49,225)	(38,357)	(26,535,620)	(21,665,326)
Distribution and marketing expenses	(1,004,136)	(980,621)	(370,831)	(337,775)	-	-	(1,374,967)	(1,318,396)
Administrative expenses	(583,446)	(549,113)	(85,454)	(35,050)	-	-	(668,900)	(584,163)
Other operating expenses	(693,116)	(281,775)	(120,403)	(82,691)	(485)	(1,147)	(814,004)	(365,613)
Other income	128,518	76,272	279,082	61,066	-	-	407,600	137,338
Finance costs	(600,533)	(807,836)	(5,558)	(10,430)	(57)	(1,509)	(606,148)	(819,775)
Profit before tax	3,245,269	1,584,569	2,424,554	1,512,046	9,773	18,186	5,679,596	3,114,801
Taxation	(985,885)	(601,988)	(859,113)	(453,614)	(3,285)	(6,183)	(1,848,283)	(1,061,785)
	2,259,384	982,581	1,565,441	1,058,432	6,488	12,003	3,831,313	2,053,016
Insurance claim (post tax)							556,432	-
Minimum Tax recognised							542,426	-
Profit for the year	2,259,384	982,581	1,565,441	1,058,432	6,488	12,003	4,930,171	2,053,016
Segment assets								
Total segment assets (note 41.3)	16,088,188	15,100,195	5,771,628	5,459,465	11,928	129,865	21,871,744	20,689,525
Unallocated assets (note 41.3)							14,151,543	3,674,801
Total assets							36,023,287	24,364,326

41.3 Segment assets consist primarily of property, plant and equipment, stores and spares, stock in trade and trade debts. Unallocated assets include long term investment, long term loans and advances, loans, advances, prepayments and other receivables, taxes recoverable, and cash and bank balances.

(Amounts in thousand)

42. TRANSACTIONS WITH RELATED PARTIES

42.1 Following are the name of associated companies and related parties with whom the Company had entered into transactions or had arrangements or agreements in place during the year:

Name of related parties	Direct shareholding	Relationship
Engro Corporation Limited	56.19%	Parent company
Mitsubishi Corporation - note 42.1.1	11.01%	Associated company
Engro Fertilizers Limited	N/A	Common directorship
Engro Energy Limited	N/A	Common directorship
Engro Digital Limited	N/A	Common directorship
Engro Foundation	N/A	Common directorship
Engro Elengy Terminal Private Limited	N/A	Common directorship
Engro Powergen Qadirpur Limited	N/A	Common directorship
Engro Vopak Terminal Limited	N/A	Common directorship
Pakistan Oxygen Ltd (formerly known as Linde Pakistan Limited)	N/A	Common directorship
Pakistan Institute Corporate Governance	N/A	Common directorship
Retirement funds		
- Provident fund	N/A	Post employment benefits
- Gratuity fund	N/A	Post employment benefits
- Pension fund	N/A	Post employment benefits
Mr. Nadir Salar Qureshi - note 42.1.2	N/A	Director
Mr. Feroz Rizvi - note 42.1.2	N/A	Director
Mr. Imran Anwer - note 42.1.2	N/A	Director
Mr. Mohammad Asif Sultan Tajik - note 42.1.2	N/A	Director
Mr. Noriyuki Koga - note 42.1.2	N/A	Director
Mr. Hasnain Moochhala - note 42.1.2	N/A	Director
Mr. Ghias Uddin Khan - note 42.1.2	N/A	Director
Mr. Aneeq Ahmed	N/A	Key management personnel
Mr. Syed Ali Akbar	N/A	Key management personnel
Mr. Abdul Qayoom Shaikh	N/A	Key management personnel
Mr. Jahangir Waheed	N/A	Key management personnel
Mr. Muhammad Imran Khalil	N/A	Key management personnel
Mr. Salman Hafeez	N/A	Key management personnel
Mr. Vijay Kumar	N/A	Key management personnel
Mr. Syed Abbas Raza	N/A	Key management personnel

42.1.1 Mitsubishi Corporation (MC) has its registered office in Tokyo, Japan. The name of its Chief Executive is Takehiko Kakiuchi. MC is engaged in trading and manufacturing of a wide range of products related to energy, metals, machinery, chemicals and living essentials as well as resources development, infrastructural-related, financial and logistic businesses.

Based on the audited financial statement issued for the year ended March 31, 2018, MC has a reported consolidated net profit of \$ 5,759,000 and has consolidated assets of \$ 59,105,000 as at that date. The auditors have issued an unmodified opinion on the consolidated financial statements.

42.1.2 These denote elected directors of the Company.

(Amounts in thousand)

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

Nature of relationship	Nature of transactions	2018	2017
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on subordinated loan	-	284,937
	Reimbursement made	59,125	16,171
	Reimbursement received	6,552	4,059
	Intangible asset	45,341	-
	Purchase of services	203,244	87,259
	Life insurance contribution	610	553
	Medical insurance contribution	229	174
	Sub-ordinated long-term loan repaid	-	3,000,000
Member of the Group			
- Engro Fertilizers Limited	Sale of goods	14,201	18,850
	Sales of utilities	91,571	99,033
	Purchase of services	11,550	1,158
	Use of operating assets	-	8,000
	Reimbursement received	2,112	-
	Purchase of land	138,995	-
	Reimbursement made	3,525	12,820
- Engro Vopak Terminal Limited	Purchase of services	1,210,771	1,139,282
	Reimbursement made	17,043	2,408
	Sale of goods	-	-
	Reimbursement received	4,345	1,911
- Engro PowerGen Qadirpur Limited	Reimbursement received	-	3,428
	Reimbursement made	105	6,006
- Engro Digital Limited	Reimbursement received	-	88
- Engro Energy Limited	Reimbursement received	4,028	-
	Sales of office	-	83,469
- Engro Foods Limited	Sale of goods	-	6,300
	Reimbursement received	-	-
	Reimbursement made	-	1,549
	Use of operating assets	-	-
- Engro Elengy Terminal Limited	Reimbursement received	126	-

(Amounts in thousand)

Nature of relationship	Nature of transactions	2018	2017
		Rupees	
- Engro Foundation	Donation	5,253	-
- Sindh Engro Coal Mining Company Limited	Reimbursement received	-	-
	Reimbursement made	-	2
- Overseas Investors Chamber of Commerce & Industries	Annual subscription	-	763
Other related party			
- Arabian Sea Country Club	Purchase of services	-	134
Directors' fee			
Directors	Fee	1,250	1,350
	Repayment of advance	-	-
Contribution to staff retirement benefits	Managed and operated by the Holding Company		
	- Provident fund	65,134	60,194
	- Gratuity fund	52,230	44,956
	- Pension fund	3,285	3,115
Key management personnel	Managerial remuneration	106,046	86,491
	Retirement benefit funds	16,385	13,468
	Bonus	81,276	66,517
	Other benefits	23,439	18,720

42.3 The related party status of outstanding balances as at December 31, 2018 is disclosed in the respective notes.

43. GENERAL

43.1 Number of employees

	2018	2017
	Rupees	
- Total number of employees	455	439
- Average number of employees	447	429

43.1.1 Included herein are 385 (2017: 368) employees working at the plant of the Company as at December 31, 2018 and average number of these employees during the year was 378 (2017: 360).

(Amounts in thousand)

43.2 **Production capacity**

	Designed Annual Capacity		Actual Production		Remarks
	2018	2017	2018	2017	
	Kilo tons				
PVC	195	178	202	187	Production planned as per market demand and in house consumption needs
EDC	127	127	107	107	
Caustic soda	106	106	105	105	
VCM	204	204	195	180	
	Mega Watts				
Power	66	66	48	48	

44. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on January 31, 2019 has proposed a final cash dividend of 0.3 (2017: Rs. 0.80) per share in addition to an interim cash dividend already paid at Rs. 0.80 (2017: Rs. 0.45) per share for the year ended December 31, 2018. This appropriation will be approved by the members at the Annual General Meeting to be held on April 1, 2019.

45. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effects of which are not material.

46. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on January 31, 2019 by the Board of Directors of the Company.

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

NOTICE OF AGM
AND ANNEXURES

engro polymer & chemicals

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting of Engro Polymer & Chemicals Limited will be held at Karachi School of Business & Leadership, National Stadium Road Opp. Liaquat National Hospital, Karachi on Monday, April 1, 2019 at 10:00 a.m. to transact the following business:

A. Ordinary Business

1. To receive and consider the audited accounts for the year ended December 31, 2018 and the Directors' and Auditors' Reports thereon.

2. To appoint Auditors and fix their remuneration.

3. To declare a final dividend at the rate of PKR 0.30 per share for the year ended December 31, 2018.

Karachi
Dated: January 31, 2019

By Order of the Board

MEHREEN IBRAHIM
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from Monday, March 25, 2019 to Monday April 01, 2019 (both days inclusive). Transfers received in order at the office of our Registrar, Messrs. FAMCO ASSOCIATES (PRIVATE) LIMITED, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahrah-e-Faisal, Karachi PABX Nos (+9221) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m.) on Friday March 22, 2019 will be treated as being in time for the purposes of payment of final dividend to the transferees and to attend and vote at this Meeting.

2. A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.

3. Pursuant to Companies (Postal Ballot) Regulations 2018 for the purpose of election of Directors and for any other agenda item subject to the requirements of sections 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations.

4. In accordance with the provisions of Section 242 of the Companies Act, 2017, a listed company, is required to pay cash dividend ONLY through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders are requested to provide the information mentioned on an E-Dividend Mandate Form available at the Company's website www.engropolymer.com and send the same to your brokers/the Central Depository Company Ltd. if the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in paper certificate form.

engro polymer & chemicals

5. In accordance with the directives of the Securities and Exchange Commission of Pakistan, the dividends of shareholders whose CNIC copies have not been received by the Company shall not be electronically credited until receipt thereof. Therefore, the individual shareholders who have not submitted their CNIC copies are requested to send the same at the earliest to the share registrar of the Company. Corporate entities are requested to provide their NTN. The shareholders while sending CNIC or NTN certificates, as the case may be, must quote their respective folio numbers. The physical shareholders are requested to notify any change in their addresses to the share registrar of the Company and in case of CDC shareholders to their broker (participants).

6. In compliance with section 150 read with Division I of Part III of the First Schedule of the Income Tax Ordinance, 2001 withholding tax on dividend income will be deducted for 'filer' and 'non-filer' shareholders at 15% and 20% respectively. A 'filer' is a taxpayer whose name appears in the Active Taxpayers List (ATL) issued by the FBR from time to time and a 'non-filer' is a person other than a filer. To enable the Company to withhold tax at 15% for filers, all shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted at 20% for non-filers. Withholding tax exemption from the dividend income, shall only be allowed if a copy of valid tax exemption certificate is made available to M/s FAMCO ASSOCIATES (PVT.) LTD, by the first day of book closure.

7. The FBR has clarified that in case of joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company's share registrar, otherwise it will be assumed that the shares are equally held by the joint shareholders:

Company Name	Folio/CDS Account No.	Total Shares	Principal Shareholders		Joint Shareholder	
			Name & CNIC No.	Shareholding Proportion No. of shares	Name & CNIC No.	Shareholding Proportion No. of shares

8. In pursuance to Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least seven (7) days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Shares Registrar of the Company:

   I/We,__________of__________ being a member of Engro Polymer and Chemicals Limited holder of Ordinary Share(s) as per Register Folio No/CDC Account No, . ____________ hereby opt for video conference facility at ____________.

   ____
   Signature of member

Calendar of Major Events

18th April, 2018	Q1 financial statements
2nd August, 2018	Q2 financial statements
13th August, 2018	TCC Contract signing
07th September, 2018	H2O2 Project Board Approval
12th October, 2018	Q3 financial statements
22nd November, 2018	CCPS Regional Conference
12th December, 2018	SPA signing
31st January, 2019	Annual financial statements

Standard Request Form
Circulation of Annual Audited Accounts

Dated: ________________

The Share Registrar
Engro Polymer & Chemicals Ltd.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal
KARACHI.
E-mail: info.shares@famco.com.pk
Telephone No. (9221) 3438 0101-5, 3438 4621-3

Dear Sirs,

Subject: Request for Hard Copy of Annual Report of Engro Polymer & Chemicals Limited.

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on April 14, 2017, the Company is circulating its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's share registrar and Company Secretary.

I, ______________________________ S/o, D/o, W/o ______________________ being a registered shareholder of Engro Polymer & Chemicals Ltd. with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

Particulars	
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC/NICOP/ Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours truly,

____
Shareholder's Signature

Copy to:
Company Secretary
Engro Polymer & Chemicals Ltd.
12th Floor, Ocean Tower, G-3, Block 9
Clifton, Khayaban-e-Iqbal,
Karachi-75600.
E-mail: skamil@engro.com

Proxy Form

I/We ____
of ______________________________________ being a member of ENGRO POLYMER AND CHEMICALS and holder of _______________ Ordinary shares as per share(Number of Shares)Register Folio No. ______________________ and/or CDC Participant I.D. No. _______ and Sub Account No. _________, hereby appoint ____________________ of ______________________ or failing him/her ________________ of ___________________ as my/our proxy to vote for me/us and on my/our behalf at the 20th Annual General Meeting of the Company to be held on the 1st day of April, 2019 and any adjournment thereof.

Signed this __________ day of ________ 2019.

Witnesses:

(1) Signature : ______________
Name : ______________
Address : ______________
: ______________
CNIC or : ______________
Passport No. : ______________

(2) Signature : ______________
Name : ______________
Address : ______________
: ______________
CNIC or : ______________
Passport No. : ______________

Signature

(Signature should agree with the specimen registered with the Company)

Notes:

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

پراکسی فارم

میں/ہم ____
کے ______________________________ بطور اینگرو پولیمر اینڈ کیمیکلز کا رکن اور
حامل ______________ (حصص کی تعداد) عام حصص جیسا کے رجسٹر فولیو نمبر __________ اور/یا سی ڈی سی شراکت دار شناخت
نمبر __________ اور سب اکاؤنٹ نمبر __________ اس طرح مقرر/ منتخب ______________
کیا جاتا ہے یا انکی ناکامی کی صورت میں __________ کے ______________
کو مورخہ یکم اپریل 2019 کو منعقد ہونے والی کمپنی کی بیسویں سالانہ جنرل میٹنگ میں بحیثیت میرے/ہمارے قائم مقام/نمائندہ اور میرے/ہماری جانب سے ووٹ دینا اور اس کے اختتام/التواء تک۔

مورخہ ______________

گواہان

دستخط ______________
نام ______________
پتہ ______________
شناختی کارڈ نمبر ______________
یا پاسپورٹ نمبر: ______________

دستخط کمپنی کے رجسٹر سے متفق ہونا چاہیے

دستخط ______________
نام ______________
پتہ ______________
____
شناختی کارڈ نمبر ______________
یا پاسپورٹ نمبر: ______________

نوٹ:

نمائندہ/ قائم مقام کو مئوثر کرنے کے لیے کمپنی کو میٹنگ شروع ہونے سے 48 گھنٹے قبل لازم موصول ہو جانی چاہیے۔ نمائندہ/ قائم مقام کو کمپنی کا رکن ہونا ضروری نہیں ہے۔

اس فارم کو کمپنی میں کرانے سے پہلے حاصل سی ڈی سی حصص اور انکے نمائندہ/ قائم مقام دونوں کے کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل اس فارم کے ساتھ منسلک کرنا ہوگی۔

31 دسمبر 2018ء کو اختتام پذیر ہونے والے سال کے لیے اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کے تمام ڈائریکٹرز سالانہ رپورٹ اور آڈٹ کردہ اکاؤنٹس پیش کرتے ہوئے نہایت مسرت محسوس کرتے ہیں۔

اس سال کے دوران کمپنی کی آمدنی گزشتہ سال کی 27,731 ملین پاکستانی روپوں کے مقابلے میں 35,272 ملین پاکستانی روپے رہی اور بعد از ٹیکس منافع گزشتہ سال کے 2,053 ملین روپے کے مقابلے میں 4,930 ملین روپے رہا جس کے نتیجے میں گزشتہ سال فی حصص آمدنی 2.93 کے مقابلے میں اس سال آمدنی 6.22 روپے فی حصص رہی۔ بورڈ آف ڈائریکٹرز نے 2018ء کے لیے 0.8 روپے فی شیئر کے حساب سے انٹیرم کیش ڈیویڈنڈ اور 0.3 روپے فی شیئر کے حساب سے فائنل کیش ڈیویڈنڈ کی بھی منظوری دی، جس سے سال 2018ء میں فی شیئر کل آمدنی 1.1 روپے رہی۔

نمایاں سرگرمیاں

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ ("EPCL" یا ''کمپنی'') اینگرو کارپوریشن لمیٹڈ ("ECL" یا "The Holding Company of EPCL") کی ذیلی کمپنی ہے، جو داؤد ہرکولیس کارپوریشن لمیٹڈ ("DH Corp" یا "The Holding Company of ECL") کی ذیلی کمپنی ہے۔ EPCL کو کمپنیز آرڈیننس 1984 کے تحت 1997ء میں پبلک لمیٹڈ کمپنی بنایا گیا تھا اور اس نے کمرشل آپریشنز کا آغاز بھی 1997ء ہی میں کیا تھا۔ کمپنی کے حصص پاکستان اسٹاک ایکسچینج میں لسٹڈ ہیں۔ کمپنی کا بنیادی کام کلورو وینائل مصنوعات بنانا اور ان کی مارکیٹنگ کرنا ہے جس میں پولی وینائل کلورائیڈ (PVC)، وینائل کلورائیڈ مونومر (VCM)، کاسٹک سوڈا، ہائیڈروکلورک ایسڈ اور سوڈیم ہائپوکلورائیٹ شامل ہیں۔ کمپنی کا فلیگ شپ برانڈ ''سبز'' (SABZ) ملک میں معیاری PVC کا دوسرا نام تصور کیا جاتا ہے۔ اینگرو پولیمر اینڈ کیمیکلز اپنے triple bottom line کے فلسفے ''افراد، سیارہ اور منافع'' کی بھرپور انداز میں توثیق کرتا ہے۔

کاروبار اور کاروباری ماڈل کی نوعیت

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کلورو-وینائل کے شعبے میں کام کرتا ہے اور اس کا منافع اس کاروباری سیاق وسباق کا وظیفہ ہے جس میں وہ کام کرتا ہے۔

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کلاں اقتصادی منظرنامہ

کلاں اقتصادی (Macroeconomic) کے حوالے سے 2018ء اتار چڑھاؤ اور چیلنجز سے بھرپور سال رہا۔ سال کا آغاز مقامی سیکٹرز پر سرمایہ کاری کے حامل بڑے منصوبوں کے ساتھ بہترین انداز میں ہوا۔ تاہم، متحرک سیاسی منظرنامے کے سبب معیشت گرنا شروع ہوگئی اور خصوصاً زرمبادلہ کی شرح اور مقامی سطح پر طلب میں کمی پر خصوصی دباؤ دیکھا گیا۔ یہاں اس بات کی نشاندہی ضروری ہے کہ اگر مقامی کھلاڑیوں اور کمپنیوں کو سازگار ماحول فراہم کیا جائے تو وہ درآمدات میں تبادلے اور برآمدات کا پلیٹ فارم مہیا کرکے غیرملکی زرمبادلہ کے بحران کے حل میں مدد کرسکتے ہیں۔

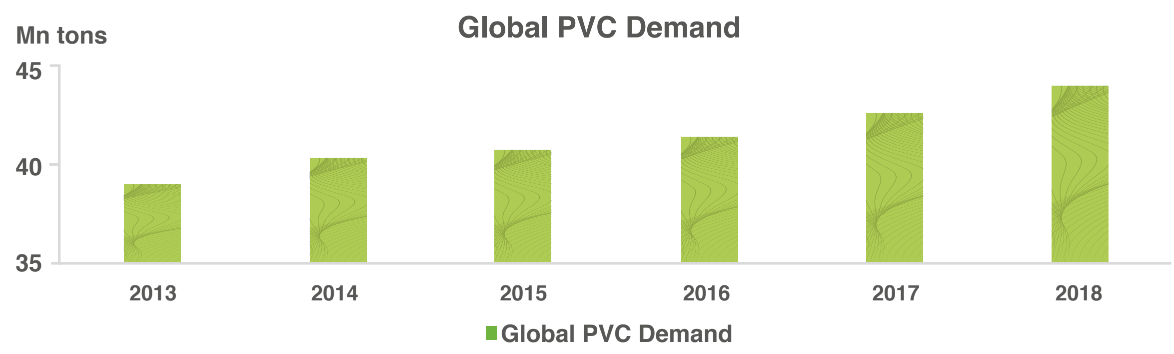
ہم پرامید ہیں کہ معاشی اصلاحات کے لیے حکومت کا مضبوط عزم ویقین ٹھوس اقدامات کی شکل میں سامنے آئے گا اور اس سے پاکستان کے مجموعی معاشی منظرنامے کی بہتری میں مدد ملے گی۔ ہم اس بات کی نشاندہی کرنا چاہتے ہیں کہ 2018ء کی آخری سہ ماہی کے دوران حکومت نے گیس کی قیمتوں میں تیزی سے 30 فیصد کا اضافہ کیا، جس کی وجہ سے ہماری لاگت میں اضافہ ہوا۔

اس کے ساتھ ساتھ، گیس کی ترسیل میں تخفیف کے حوالے سے جاری مذاکرات سے بھی کاروبار کو شدید خطرات لاحق ہیں۔ یہاں یہ سمجھنا انتہائی ضروری ہے کہ اگر EPCL کو گیس کی ترسیل میں تخفیف کی جاتی ہے تو پاکستان کے ٹیکسٹائل کے شعبے پر انتہائی برے اثرات مرتب ہوں گے کیونکہ ٹیکسٹائل کے شعبے کے لیے کاسٹک سوڈا بنیادی خام مال (feedstock) ہے اور اسے زیادہ عرصے کے لیے ذخیرہ نہیں کیا جا سکتا۔ جہاں ہم حکومت کی جانب سے ملک کی ٹیکسٹائل کی برآمدات کو بڑھانے کی کوششوں میں حکومت کے ساتھ شانہ بشانہ ہیں، ہم محسوس کرتے ہیں کہ یہ ہماری ذمے داری ہے کہ صنعت کو درپیش اس اہم مسئلے کو اجاگر کریں۔ ہم حکومت سے مطالبہ کرتے ہیں کہ وہ نہ صرف ٹیکسٹائل کے شعبے بلکہ اس کے ساتھ ساتھ سپلائرز کو اپنی مکمل سپورٹ فراہم کرے۔

جہاں ہم مندرجہ بالا گیس کی فراہمی کے مسئلے کے حوالے سے پریشان ہیں، وہیں ہم اپنی آپریشنل افادیت اور پیداوار کے مقابلے میں فی یونٹ گیس کی کھپت میں کمی کے لیے بھی ٹھوس اقدامات کررہے ہیں تاکہ ہمارے کاروبار پر گیس کی فراہمی کے اتار چڑھاؤ کے کم سے کم اثرات مرتب ہوں۔

وینائل مارکیٹ

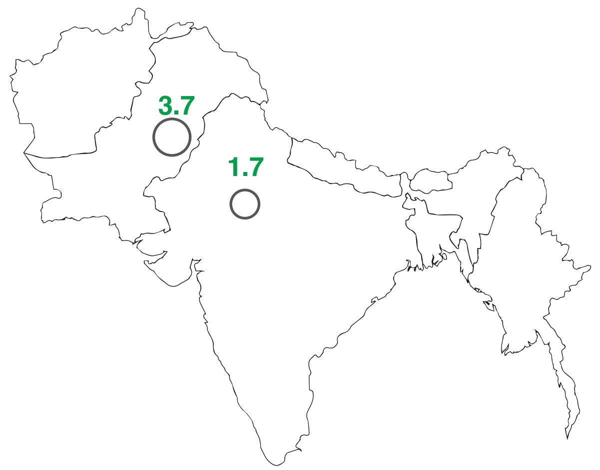
سال 2018ء میں عالمی سطح پر pvc کی طلب تقریباً 44 ملین ٹن پر برقرار رہی، یعنی 2017ء کے مقابلے میں 3 فیصد کا اضافہ دیکھا گیا۔ گزشتہ سال کے مقابلے میں معتدل شرح نمو کو میکرو اکنامک مسئلہ تصور کیا جاسکتا ہے، جس میں مختلف ترقی پذیر معیشتوں میں ڈالر کی قدر میں واضح کمی، عالمی سطح پر بڑھتی ہوئی شرح سود اور سال کے دوسرے حصے میں متعارف کرائی جانے والی تجارتی پابندیاں شامل ہیں۔ سپلائی کی بات کی جائے تو مجموعی صلاحیت ثابت قدمی کے ساتھ برقرار رہی۔

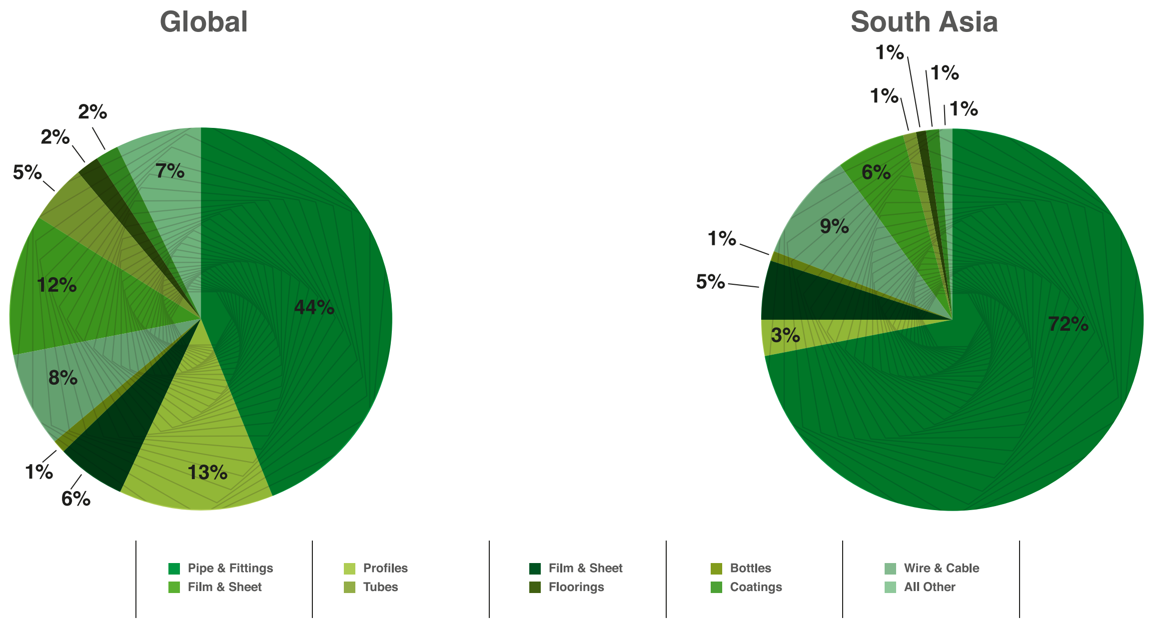


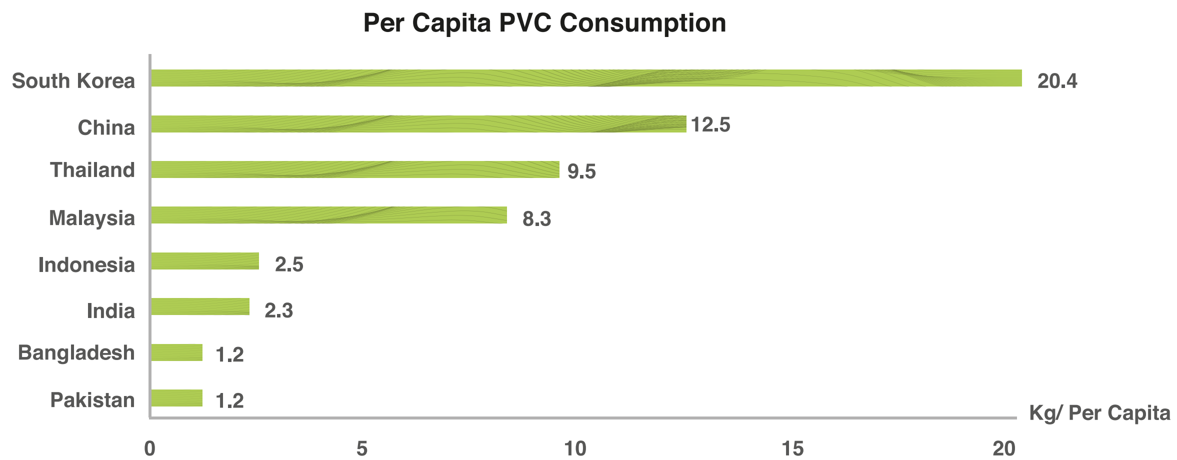
شمالی امریکا

سال 2018 میں شمالی امریکا کلیدی سپلائی زون رہا۔ قدرتی آفات سے متاثرہ گھروں کی دوبارہ تعمیر کے سبب شمالی امریکا میں طلب میں اضافہ ہوا۔ شمالی امریکا نے عالمی معیشت میں PVC کی برآمدات میں کلیدی کردار ادا کیا۔

Annual Report 2018







ڈائریکٹرز رپورٹ

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ایشیا

PVC کے لیے ایشیا اہم مارکیٹ برقرار رہا۔ چین اور بھارت جیسی تیزی سے ترقی کرتی ہوئی معاشی قوتوں نے عالمی سطح پر PVC کی طلب میں اضافے میں سب سے زیادہ کردار ادا کیا۔ طلب میں اس اضافے کو تعمیراتی شعبے پر توجہ، مکانوں کی بڑھتی ہوئی طلب اور شہروں کی بڑھتی ہوئی حدود سے منسوب کیا جاسکتا ہے۔

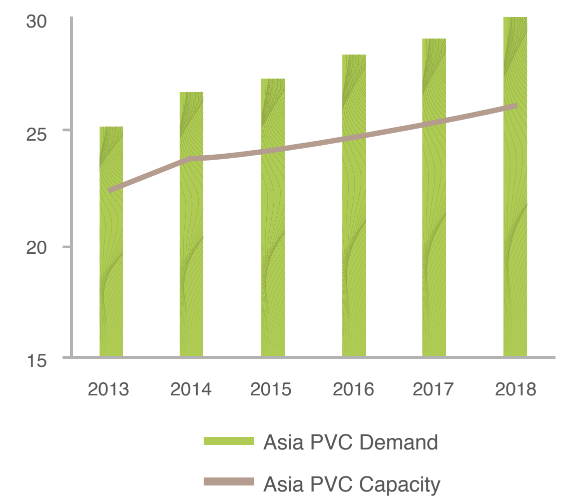
سال 2018ء میں بھی ایشیا میں PVC کی خاصی طلب رہی۔ ایشین مارکیٹ PVC برآمد کرنے والوں کے لیے پورا سال منافع بخش رہی جہاں یورپ اور شمالی امریکا سے مال کی ترسیل جاری رہی۔ ایشیا میں سپلائی کی صورتحال برقرار رہے گی اور اس کی استعداد میں اضافے کے ساتھ مزید ترقی کا امکان ہے۔

PVC کی قیمتیں عالمی اقتصادی محرکات کے اہم جزو کے طور پر برقرار رہیں گی۔ اس سال کے دوران PVC کی قیمتوں پر بنیادی طور پر سپلائی میں رکاوٹوں، چین اور امریکا کے درمیان جاری تجارتی جنگ کی صورتحال اور دیگر ترقی پذیر ممالک میں ترقی کے اثرات مرتب ہوتے رہے۔ امریکا کی جانب سے عائد تجارتی پابندیوں کے سبب چین کی ترقی کے امکانات تاحال دباؤ کا شکار ہیں۔ البتہ آنے والے سالوں میں بھارت کی طلب میں اضافے کے قوی امکانات موجود ہیں۔

جنوبی ایشیا

جنوبی ایشیا کا جائزہ لیں تو مارکیٹ میں تقریباً 8 فیصد کا مضبوط اضافہ دیکھا گیا۔ تقریباً 4 ملین ٹن کی قدرتی طلب کے حامل اس خطے میں پیداواری صلاحیت صرف تقریباً 2 ملین ٹن ہے۔ جنوبی ایشیا PVC کے حوالے سے تیزی سے ترقی کرتا ہوا خطہ ہے، جس میں مزید تیزی سے ترقی کی پیشگوئی کی گئی ہے۔ تقریباً 1.8 ارب آبادی اور PVC کی نمایاں کم کھپت کی وجہ سے خطے میں تیزی سے ترقی کی پیشگوئی کی گئی ہے۔ جنوبی ایشیا کی طلب میں اضافے کا بڑا سبب بھارت رہا، جہاں زراعت اور بنیادی دیہی انفراسٹرکچر پر کیے جانے والے اخراجات کی وجہ سے PVC کی طلب میں اضافہ ہوا۔ خطے میں PVC کی طلب میں اضافے کا انحصار انفراسٹرکچر پر اخراجات، سیاسی استحکام اور متعارف کرائی جانے والی PVC کی نسبتاً نئی ایپلی کیشنز پر ہوگا جنھیں خطے میں بہت مقبولیت حاصل ہوئی ہے۔

جنوبی ایشیا میں 2018ء میں بنیادی طور پر تعمیراتی شعبے میں بھاری طلب کی وجہ سے شرح نمو میں مستقل اضافہ دیکھنے کو ملا۔ جنوبی ایشیا میں PVC کی طلب تقریباً 3.7 ملین ٹن تھی جبکہ رسد صرف 1.7 ٹن تھی، یعنی رسد کے مقابلے میں طلب 100 فیصد سے بھی زیادہ ہے۔ اس وجہ سے خطے کا مرکزی درآمد کنندہ کی حیثیت برقرار رہی۔ بڑھتی ہوئی آبادی اور کم فی کس کھپت سے خطے میں PVC کی مانگ میں مزید اضافہ ہوا اور مستقبل میں اس میں مزید اضافے کا امکان ہے۔ ہمارے اس یقین کو اس حقیقت سے مزید تقویت ملتی ہے کہ اس وقت جنوبی ایشیا میں PVC کا استعمال صرف چند روایتی شعبوں جیسے پائپوں اور فٹنگ جبکہ عالمی سطح پر اس کا استعمال پلاسٹک کی بوتلوں اور پیکیجنگ وغیرہ کے لیے بھی کیا جاتا ہے جو اس کی فروخت میں نمایاں اضافہ کرتا ہے۔



پاکستان

پاکستان میں جب بھی پلاسٹک کی بات کی جاتی ہے تو میٹریل میں ہمیشہ PVC پہلا انتخاب ہوتا ہے، ابتدائی طور پر پاکستان میں PVC کی مارکیٹ صرف پائپوں اور فٹنگ کی حد تک محدود تھی، تاہم، حالیہ برسوں میں متعدد نئی چیزوں میں اس کے استعمال سے ثابت ہوا کہ اس میں بھرپور صلاحیت موجود ہے اور اس شاندار امتزاج نے EPCL کو اپنی سیلز متنوع بنانے کے قابل بنایا ہے۔ 2018ء میں PVC فوم بورڈ اور PVC وال پینل بہترین مصنوعات ثابت ہوئیں، ان دونوں ہی میں double digit میں شرح نمو میں اضافہ دیکھا گیا اور مارکیٹ میں انھیں بہت زیادہ مقبولیت ملی۔

مجموعی طور پر معاشی محرکات کو دیکھا جائے تو حکومت کا ملک میں مکانوں کے انفرااسٹرکچر کو بہتر بنانے کا عزم اور PVC کے شعبے میں تیزی سے ہوتی ہوئی توسیع کو دیکھتے ہوئے امید کی جاتی ہے کہ PVC کی فی کس کھپت میں اضافہ جاری رہے گا، جس کے نتیجے میں PVC کی شرح نمو میں بہتری آئے گی۔

Anti-Dumping Duty (محصول مانع زیرفروختگی)

Dumping میں کمی کی ضرورت کو محسوس کرتے ہوئے نیشنل ٹیرف کمیشن نے Anti-Dumping پر فائنل ڈیوٹیز عائد کردیں جس کے تحت چین سے درآمد پر 3.44 فیصد سے 20.47 فیصد، تائیوان سے درآمد پر 16.68 فیصد، جنوبی کوریا سے درآمد پر 4 فیصد سے 14.97 فیصد اور تھائی لینڈ سے درآمد پر 13.98 فیصد ڈیوٹی عائد کی گئی ہے۔ گوکہ، اس اقدام سے مقامی مارکیٹ کو سہارا ملا، تاہم، درآمد کنندگان نے دنیا کے دوسرے خطوں جیسے شمالی امریکا، یورپ اور PVC کی پیداوار کے حامل دیگر ایشیائی ممالک کا رخ کیا جہاں Dumping کا عمل پہلے ہی شروع ہوچکا تھا۔ اس سلسلے میں حکومت سے مدد مانگی جا رہی ہے تاکہ EPCL ملکی مارکیٹ کی ضرورت پوری کرتا رہے جس کے لیے بھاری CAPEX صرف کیا جارہا ہے تاکہ EPCL کو اس قابل بنائے کہ PVC کی صنعت میں درآمدات کے تبادلے کے ذریعے ملک کو غیرملکی کرنسی کے ذخائر مہیا کرے۔

مارکیٹ کی ترقی کی سرگرمیاں

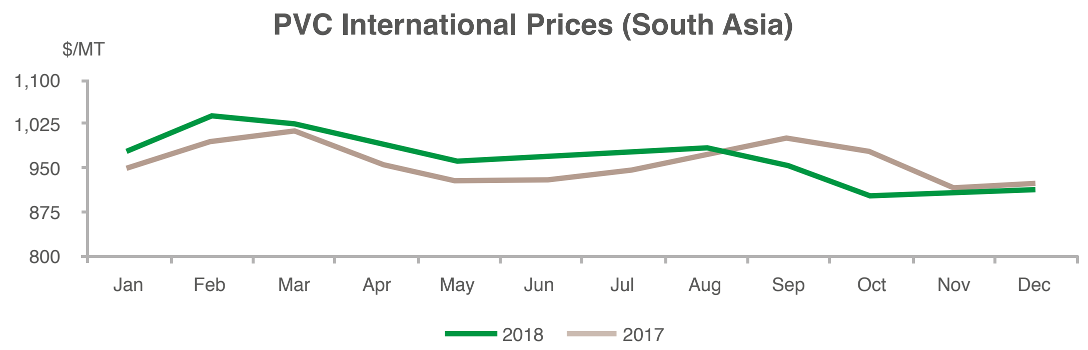
مارکیٹ میں PVC پیدا کرنے والے سب سے بڑے ادارے کی حیثیت سے ہم صنعت کی ترقی اور فروغ کے لیے مستقل کوشاں ہیں۔ اس سلسلے میں ہم مختلف تجارتی نمائشوں، صنعتی میلوں اور کانفرنسوں میں شرکت کررہے ہیں تاکہ ممکنہ صارفین کو معلومات دینے کے ساتھ ساتھ اپنی مصنوعات کی خصوصیات بھی بتاسکیں۔

اپنی روایات پر کاربند رہتے ہوئے ہم نے بلڈ ایشیا کانفرنس کے بعد آباد انٹرنیشنل ایکسپو میں بھی شرکت کی۔ ان نمائشوں میں PVC سے تیار کردہ معیاری مصنوعات جیسے دروازے اور کھڑکیاں، پائپ اور فٹنگ، گارڈن پائپ، چھتیں، وال پینلز، geo-membranes، فلورنگ، کیبلز، PVC میٹس، اسپائرو پائپ، PVC فوم بورڈ کے دروازے / کیبنیٹ وغیرہ کی نمائش کی گئی۔ ان نمائشوں میں EPCL نے PVC مصنوعات بنانے والوں اور صارفین جیسے آرکیٹیکٹ، بلڈرز اور کنٹریکٹرز کے درمیان ثالث کا کردار ادا کیا۔

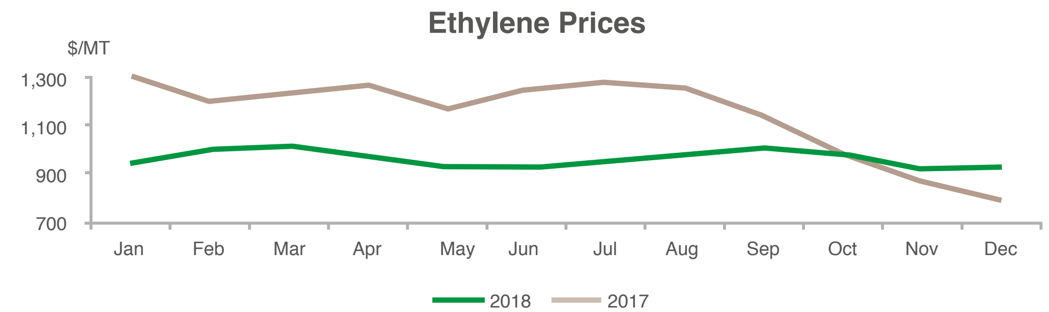
PVC مصنوعات میں جدت اور ترقی کے حوالے سے آگاہی اور صارفین کا ان ٹیکنالوجیز کے عالمی تیارکنندگان سے رابطہ یقینی بنانے کے لیے EPCL نے اپنے صارفین کے ایک وفد کے ہمراہ شنگھائی میں منعقدہ چائنا پلاس نمائش کا دورہ کیا تھا۔ اس اقدام کا مقصد نئی اور جدید مصنوعات متعارف کرانا اور جدید ٹیکنالوجی کی مدد سے موجودہ مصنوعات کو بہتر بنانا تھا جو صنعت کی ترقی کے لیے ناگزیر ہے۔

بین الاقوامی وینائل چین کی قیمتیں

PVC کی تجارت دنیا بھر میں کی جاتی ہے، اس کی قیمتیں مختلف خطوں میں تبدیل ہوتی رہتی ہیں۔ پاکستان میں جنوبی ایشیا کی قیمتوں کا اطلاق ہوتا ہے (ان قیمتوں کا اطلاق پاکستان کے ساتھ ساتھ بھارت، بنگلہ دیش سری لنکا پر بھی ہوتا ہے)۔ 2018ء میں PVC کی طلب بہت زیادہ رہی لیکن شمالی امریکا اور یورپ سے مال کی مستقل آمد نے مقامی قیمتوں کو قابو میں رکھا۔ شمالی امریکا اور یورپ سے آنے والے مال کے سبب ایشیا میں مقامی آپریٹرز خصوصاً پاکستان میں اپنی ممکنہ اقتصادی قدر سے محروم ہوگئے۔



PVC کے لیے بنیادی خام مال Ethylene ہے۔ 2018ء میں Ethylene کی عالمی مارکیٹ میں اتار چڑھاؤ دیکھا گیا۔ سال کا آغاز بہترین انداز میں ہوا اور خطے میں رسد میں تناؤ کے سبب تیسری سہ ماہی تک قیمتیں برقرار رہیں البتہ چوتھی سہ ماہی میں صورتحال میں بہتری دیکھی گئی اور نتیجتاً قیمتوں پر مجموعی دباؤ بھی کم ہوا۔



کلورالکلی مارکیٹ (Chlor Alkali)

کلورالکلی (Chlor Alkali) کی عالمی مارکیٹ اپنی مالیت اور حجم دونوں ہی کے حساب سے کیمیکل کی بڑی صنعتوں میں سے ایک ہے۔ کاسٹک سوڈا کی قیمتیں پورے سال کے دوران غیرمستحکم رہیں۔ ایشیا میں طلب پر دباؤ کی وجہ بھارتی حکام کی جانب سے کاسٹک سوڈا کے لیے متعارف کرائے گئے نئے درآمدی قوانین تھے جس کے تحت بیورو آف انڈین اسٹینڈرڈز (BIS) کا سرٹیفکیٹ درکار ہوتا ہے۔ اس نئے قانون کے سبب شمال مشرقی ایشیا میں پیداوار کرنے والوں نے بھارت جانے والے اپنے مال کو روک لیا۔ اس کے نتیجے میں جاپان میں پیداوار کرنے والوں کی انونٹری کی شرح میں اضافہ ہوا اور نتیجتاً قیمتوں میں کمی اور برآمدی کارگو کی دستیابی یقینی ہوئی۔ آگے چل کر جنوبی کوریا میں بڑے پیمانے پر توسیع متوقع ہے جس سے خطے میں کاسٹک سوڈا کی طلب میں اضافے میں مدد ملے گی۔

کاسٹک سوڈا کی مقامی صنعت کی بات کی جائے تو ٹیکسٹائل کے شعبے میں بہتری کے سبب یہ صنعت بدستور مضبوط رہی۔ البتہ، اس شعبے کے قدرتی گیس پر زیادہ انحصار کے سبب فراہمی کے مسائل اور گیس کی بڑھتی ہوئی قیمتیں ایک بڑا مسئلہ بنی ہوئی ہیں۔ کاسٹک سوڈا کی فراہمی رکنے سے ٹیکسٹائل کے شعبے پر براہ راست انتہائی برے اثرات مرتب ہوں گے اور برآمدات میں اضافے کے حکومتی ویژن کو دھچکا لگے گا۔

کلورالکلی کے سیگمنٹ میں شامل دیگر مصنوعات میں سوڈیم ہائپوکلورائٹ (جسے ٹیکسٹائل کی صنعت میں بلیچنگ ایجنٹ، disinfectant اور Water Treatment agent کے طور پر استعمال کیا جاتا ہے) اور ہائیڈروکلورک ایسڈ نے (جسے پاور پلانٹس، gelatin سیگمنٹ، galvinisingsteel کی صنعت، پانی کے فضلے کا ٹریٹمنٹ، چاول کے گلوکوز کی صنعت وغیرہ میں استعمال کیا جاتا ہے) سال بھر کے دوران بہتر کارکردگی دکھائی۔ ہمیں توقع ہے کہ آگے چل کر پانی کی صفائی کے لیے کلورین گیس کی جگہ سوڈیم ہائپوکلورائٹ لے گا جبکہ ملک میں نئے پاور پلانٹس آپریشنل ہونے کے بعد HCL کی کھپت بھی بہتر ہوگی۔

آپریشنل اہلیتیں

پورے سال آپریشنل اہلیت توجہ کا مرکز رہی۔ اہم اقدامات کے نتیجے میں پلانٹ کا استعمال 100 فیصد سے زائد رہا جہاں قابل ستائش آپریشنل اہلیت کی بدولت کمپنی نے اپنی اب تک کی سب سے زیادہ PVC اور VCM کی پیداوار کی۔ اس سال کے دوران پلانٹ کو مزید معتبر اور موثر بنانے کے حوالے سے متعدد منصوبے شروع کیے گئے جن میں پانچ electrolyzers کی membranes کی تبدیلی شامل ہے جس کے نتیجے میں کارکردگی میں بہتری اور قدرتی گیس کا تحفظ یقینی بنا۔

پلانٹ کے معیار کو برقرار رکھنے اور اس کا تحفظ یقینی بنانے کے لیے سائٹ پر سالانہ بنیادوں پر تمام چیزوں کا جائزہ لیا جاتا ہے تا کہ تمام اہم آلات کی افادیت کو مزید بہتر بنایا جا سکے جس سے آنے والے برسوں میں آپریشنل فضیلت کے حصول میں مدد ملے گی۔

توانائی کی مینجمنٹ اور تحفظ

توانائی کی قیمتیں کیمیکل سیکٹر کے پیداواری شعبے کے بڑے حصے پر مشتمل ہوتی ہیں۔ EPCL آپریشنل اہلیت کے حصول کے لیے توانائی کی مینجمنٹ اور اس کے تحفظ کو یقینی بنانے کے لیے کوشاں ہے۔ جیسے کہ اوپر ذکر کیا جا چکا ہے کہ اس سلسلے میں ہم نے 2018ء میں اپنی membranes تبدیل کی تھیں۔ البتہ توانائی کے تحفظ کے لیے ہماری کوششیں یہیں ختم نہیں ہوئیں۔ EPCL نے اس کے علاوہ متعدد اقدامات کیے ہیں جیسے کہ ٹرانسفر لائن ایکسچینجرز (TLEx) کی تنصیب، ہائیڈروجن وینٹنگ کی بحالی وغیرہ۔ یہ اقدامات نہ صرف ملک کی توانائی کے تحفظ کے عمل میں مدد کریں گے بلکہ گزشتہ سال کے دوران گیس کی قیمتوں میں 30 فیصد اضافے اور مالی گوشوارے میں مکمل طور پر فراہم کردہ گیس انفراسٹرکچر ڈیویلپمنٹ سیس (GIDC) کے اثرات سے بڑھتے ہوئے منافع پر پڑنے والے منفی اثرات کو بھی جزوی طور پر کم کریں گے۔ GIDC کو 2015ء میں نافذ کیا گیا تھا اور سندھ ہائی کورٹ میں اسے کمپنی کی جانب سے چیلنج کیا جا چکا ہے اور ہم مثبت نتائج کے لیے پرامید ہیں۔
ہم اپنے WWF گرین آفس سٹیفکیٹ کو اپنے لیے اعزاز سمجھتے ہیں اور اپنے ماحولیاتی اثرات کو کم کرنے کے لیے پرعزم ہیں۔ ہم سمجھتے ہیں کہ ماحول کو سرسبز رکھنا ہماری اخلاقی اور کاروباری ذمے داری ہے کیونکہ اس کے نتیجے میں سب کو کم لاگت اور بہتر ماحول میسر ہوتا ہے۔

مالیاتی جائزہ اور مینجمنٹ

2018ء کے دوران کمپنی نے 4 ہزار 930 ملین کا بعد از ٹیکس منافع حاصل کیا اس کے مقابلے میں 2017ء میں بعد از ٹیکس منافع 2 ہزار 53 ملین تھا۔ بہتر ہوتے ہوئے بین الاقوامی محرکات اور ملک میں تیزی سے بڑھتی ہوئی طلب وینائل کے شعبے کے لیے سودمند ثابت ہوئی۔ چوں کہ EPCL نے اپنے سپلائر بیس کو متنوع کیا جس کی بدولت وہ عالمی مارکیٹ سے ایتھائلین حاصل کرنے میں کامیاب رہا اور موثر طریقے سے پلانٹ کا آپریشن جاری رکھا۔ سال بہ سال، معتبر پلانٹ آپریشن کے ساتھ موثر تناسب نے نچلی سطح پر اور شیئر ہولڈر مالیت میں معاونت کی۔

منافع

صلاحیتوں اور استعداد کار کے بہترین استعمال اور مضبوط طلب کے شاندار امتزاج کے نتیجے میں بہت زیادہ منافع حاصل ہوا۔ کمپنی نے پورے سال مستقل PVC کی ریکارڈ پیداواری سطح تک رسائی یقینی بنائی اور یہ سب 178kt سے 195kt کی کامیاب de-bottlenecking کی بدولت ممکن ہوا۔ اس کے ساتھ معیار اور کارکردگی پر مستقل توجہ کے نتیجے میں اعلیٰ خدمت کا عنصر یقینی بنا اور پیداواری فضلے میں کمی ہوئی۔

عمارتوں کی کمزوری

2017ء میں کمپنی نے اپنی توسیع کے منصوبے کے حصے کے طور پر پلانٹ پر واقع ایک انتظامی عمارت کو ڈھانے کا منصوبہ بنایا تھا۔ لہذا کمپنی نے 31 دسمبر 2017ء کو ختم ہونے والے سال کے مالی گوشوارے میں عمارت کی کمزوری کی مد میں 108 ملین روپے کا نقصان ریکارڈ کرایا۔

البتہ 2018ء میں کمپنی کا PVC کی توسیع کے منصوبوں اور دیگر کاروباری سرگرمیوں کے لیے استعمال کی جانے والی زمین کی خریداری کے لیے اینگرو فرٹیلائزرز لمیٹڈ سے معاہدہ ہوا۔ لہٰذا درج بالا عمارت کو مسمار نہیں کیا گیا۔ اس کے نتیجے میں کمپنی نے عمارت گرانے کے سلسلے میں ہونے والے نقصان کی واپسی کے سلسلے میں مالی گوشوارے میں رقم کی کمی کے ساتھ 104 ملین ریکارڈ کرائی۔

لیکویڈیٹی اور کیش فلو

کمپنی کی بہتر مالیاتی کارکردگی کے نتیجے میں آپریشنز سے زیادہ نقد رقم کی پیداوار یقینی ہوئی۔ اس کے ساتھ ساتھ مستند حصص کے اجرا سے 5.4 ارب روپے نقد کی پیداوار سے کمپنی کو معقول نقد رقم دستیاب ہوئی۔ نقد کی دستیابی نے کمپنی کو اپنے غیر ملکی قرضے کو کم رکھنے میں مدد دی جس کی بدولت ان بڑے نقصانات سے بچنے میں مدد ملی جو سال بھر میں مقامی کرنسی کی قدر میں کمی کے نتیجے میں ہو سکتے تھے۔ علاوہ ازیں، زائد کیش کے T-Bills اور PIBs میں دوبارہ سرمایہ کاری کر دی گئی تھی جس نے نچلی سطح پر مزید مثبت اثرات مرتب کیے۔

فنانسنگ / مالیات

2017ء کے دوران کمپنی نے بڑے پیمانے پر توسیع اور متعدد معتبر اور موثر منصوبوں کا اعلان کیا تھا جس کے لیے 10.3 ارب روپے کی فنڈنگ درکار تھی۔ مذکورہ رقم میں سے 7.6 ارب روپے PVC کی توسیع اور VCM کی re-bottleneckeing کے منصوبے کے لیے مختص کیے گئے تھے جس میں سے 5.4 ارب روپے right shares کے اجرا کے ذریعے حاصل کیے جانے تھے۔ بقیہ CAPEX کو قرض اور اندرونی طور پر پیدا کردہ رقم کے امتزاج سے فنڈ کیا جانا تھا۔ اس سال کے دوران کمپنی نے right shares کے اجرا کو پایہ تکمیل تک پہنچایا۔ CAPEX کے جس حصے کو قرض کے ذریعے سے فنڈ کیا جانا تھا، اس کے لیے ICF کے ساتھ 35 ملین ڈالر مالیت کے ایک طویل المدتی مالیاتی معاہدے پر دستخط کیے گئے جس کے لیے دو سال کی رعایتی مدت (grace period) مقرر کی گئی تھی۔

بیلنس شیٹ ڈیٹ کے بعد کمپنی نے 8.75 ارب روپے کے سکوک (SUKUK) کا اجرا کامیابی سے مکمل کیا جسے ساڑھے 7 سال کی مدت میں ادا کیا جانا تھا، اس کے لیے ساڑھے پانچ سال کی رعایتی مدت دی گئی۔ ان سکوک کے اجرا کا مقصد کھاتوں میں نظر آنے والے کمپنی کے موجودہ طویل المدتی قرضوں کو re-profile کرنا تھا۔ سکوک کے اجرا کے بعد کمپنی کی طویل مدتی فنڈنگ کلی طور پر شریعت کے عین مطابق ہے۔

کریڈٹ ریٹنگ

ہمیں اس بات کا اعلان کرتے ہوئے انتہائی خوشی محسوس ہو رہی ہے کہ کمپنی کی کریڈٹ ریٹنگ کو سال میں دو مرتبہ اپ گریڈ کیا گیا۔ جنوری میں PACRA نے کمپنی کی طویل مدتی/قلیل مدتی ریٹنگ ''A1/A'' سے بڑھا کر ''A1+/A+'' کر دی۔ کمپنی کی مستحکم بنیاد اور مضبوط لیکویڈیٹی کو دیکھتے ہوئے PACRA نے ریٹنگ بڑھا دی اور VIS-JCR نے EPCL کو ''A1+/-AA'' کی کریڈٹ ریٹنگ دی جو کمپنی کی تاریخ میں سب سے بہترین ریٹنگ ہے

اب تک کی سب سے بہترین ریٹنگ کمپنی کی مضبوط مالی حالت، مینجمنٹ کی قوت اور ساکھ کا منہ بولتا ثبوت ہے جو سال بھر کے دوران مالیاتی ڈھانچے میں کیے جانے والے ردوبدل کے دوران سرمایہ کاروں کا اعتماد حاصل کرنے میں مددگار ثابت ہوئی۔ مضبوط ریٹنگ کے ثمرات ابھی سے سکوک کے مسابقتی ریٹ پر حتمی اجرا کی صورت میں سامنے آنے لگے ہیں تا کہ طویل المدتی قرضوں کی بیلنس شیٹ کی تاریخ کے بعد re-profiling کی جا سکے۔

سرمائے کا ڈھانچہ

کمپنی کے اثاثوں میں 21:79 کی شرح سے قرض اور ایکویٹی میں فنانسنگ کی گئی اس کے مقابلے میں 2017ء میں یہ 36:64 تھی۔

رسک مینجمنٹ فریم ورک (Risk Management Framework)

اینگرو پولیمر اور کیمیکلز لمیٹڈ نے 2011ء میں رسک مینجمنٹ فریم ورک کی آزاد انٹر پرائز کا اجرا کیا۔ یہ EPCL کی پالیسی کا لازمی جزو ہے کہ وہ ہمارے کارپوریٹ اہداف اور مقاصد کے حصول میں ممکنہ طور پر رکاوٹ کا سبب بننے والے رسک اور غیر یقینی صورتحال سے نمٹتے ہوئے رسک مینجمنٹ کو شیئر ہولڈر ویلیو کی تخلیق، حفاظت اور بہتری کے لیے اہم تصور کرے۔

ہم تسلیم کرتے ہیں کہ ہم ایک پیچیدہ کاروباری ماحول میں کام کر رہے ہیں اور کمپنی تنظیم کی حکمت عملی اور خطرے کی شدت کی جانچ کا حکم دیتی ہے کہ entity ادارے بھر میں مناسب طور پر ذمے داریاں تفویض کر کے تسلیم کرنے پر راضی ہے۔ EPCL تمام سطحوں پر جوابدہی کو تفویض کرتا ہے اور مستقل بنیاد پر خطرات کے ماحول میں نگرانی، ابلاغ اور رپورٹنگ کی تبدیلیوں اور تشخیص کردہ خطرات سے نمٹنے کے لیے موثر اقدامات کرنے کا مطالبہ کرتا ہے۔

خطرات کی تشخیص پوری تنظیم میں کی جاتی ہے اور اثرات اور امکانات کے لحاظ سے ان کی درجہ بندی کی جاتی ہے۔ خطرات کی پہچان کرنے کے بعد ایک حکمتِ عملی تیار کی جاتی ہے تا کہ اس کے منفی اثرات کو کم کیا جا سکے اور انتظامی کمیٹی باقاعدگی سے اس کی نگرانی کرتی ہے۔ خطرات سے نمٹنے کے طریقۂ کار کی نگرانی چیف رسک آفیسر (CRO) کی جانب سے کی جاتی ہے جس کی تصدیق بورڈ آڈٹ کمیٹی (BAC) کرتی ہے۔

کاروباری / آپریشنل خطرہ

اشیا کی بین الاقوامی قیمتیں

حکمت عملی	نتیجہ
ادارے کے اندر منظّم کاروباری انٹیلیجنس، olefin کے بین الاقوامی تجزیہ کاروں پر مشتمل نیٹ ورک کا قیام تا کہ قیمتوں کے بین الاقوامی رجحان اور مارکیٹ کی حرکیات کی وضاحت کرنے والے بنیادی عناصر کی بہتر بصیرت مل سکے	منیجمنٹ باقاعدگی سے حتمی مصنوعات اور بنیادی خام مال کی قیمتوں کا جائزہ لیتی ہے۔ اس کی بنیاد ادارے کے اندر کیے جانے والے قیمت کے تعین / خریداری کی حکمت عملی پر ہوتی ہے تا کہ مارکیٹ کی حرکیات پر سرمایہ کاری کی جائے

توانائی کی قیمتیں

حکمت عملی	نتیجہ
توانائی کو بچانے والے منصوبوں کا اطلاق کیا گیا اور قدرتی گیس کی مختلف قیمتوں کے مختلف درجوں کے لیے حکمت عملی اختراع کی گئی	گیس کی قیمتوں میں اضافے کے اثرات کو کارکردگی میں اضافے کے ذریعے سنبھالا جا رہا ہے۔

مالیاتی خطرہ

لکویڈیٹی رسک / بیلنس شیٹ پروفائل

حکمت عملی	نتیجہ
دورانیے کے اختتام کے بعد، EPCL نے موجودہ طویل المدتی قرضہ جات کو سکوک (SUKUK) سے تبدیل کر دیا ہے جس کی رعایتی مدت ساڑھے پانچ سال ہے	کمپنی کی بیلنس شیٹ مکمل طور re-profile ہو گئی جس میں اگلے ساڑھے پانچ سال کے لیے موجودہ طویل المدتی قرضوں کی مد میں کوئی بار نہیں ہے

زرمبادلہ کا خطرہ

حکمت عملی	نتیجہ
کلیدی معاشیاتی اشاروں پر باریک بینی سے نظر رکھنے کے ساتھ ہم مالیاتی اداروں کے اشتراک سے زرمبادلہ کی وجہ سے اپنے واجبات پر ہونے والے اثرات کی تلافی کے لیے کوشاں رہتے ہیں، اگر یہ وسائل دستیاب ہوں	روپے کی قدر میں پیش بینی کی وجہ سے ڈالر پر مبنی LCs میں کمی کر کے پاکستانی روپے کی قدر میں کمی کے باعث مرتب ہونے والے اثرات کو کم کیا

کاروباری تسلسل کا منصوبہ

ہم ممکنہ رکاوٹوں سے کاروباری امور کے تحفظ اور اس کو جاری رکھنے کی ذمہ داری کو محسوس کرتے ہیں۔ اس ویژن اور ارادے کے ساتھ ہم نے سال 2013ء میں کاروباری تسلسل کا منصوبہ تشکیل دیا اور 2018ء میں اس کو اپ گریڈ کیا۔ یہ منصوبہ کسی بھی نادیدہ خطرے یا تباہی کی صورت میں اہم کاروباری طریقہائے کار (processes) کو بلا رکاوٹ جاری رہنے کو یقینی بناتا ہے اور اس کے درج ذیل مقاصد ہیں:
خوشگوار نتائج اور ایک مؤثر ردعمل کی صلاحیت کو پروان چڑھانے کے لیے ایک فریم ورک فراہم کرنا جو برانڈ اور ویلیو میں اضافہ کرنے والی سرگرمیوں، ساکھ اور اہم اسٹیک ہولڈرز کی دلچسپی کا محافظ ہو۔

- اپنے کام / آپریشنز کو لاحق خطرات کی جانچ کرنا اور کاروباری ترجیحات اور ادارتی باہمی انحصار کو مدنظر رکھتے ہوئے اگر یہ حقیقت کا روپ دھارنے لگیں تو ان خطرات کے اثرات کو سمجھنا۔
- کسی بھی ممکنہ انتشار کے ردعمل اور انجام کا مؤثر اور موزوں طرز پر انتظام کرنا تا کہ اس کے اثرات کو کم سے کم کیا جا سکے۔
- کسی بھی حادثے کے نتیجے میں ہمارے اہم کاروباری امور یا سپورٹ سروسز میں انتشار پیدا ہونے کی صورت میں کاروباری امور کو پہلے سے طے شدہ وقت میں جلد از جلد قابل قبول سطح تک بحال کرنا۔
- کاروباری تسلسل میں مدد کرنے والے منصوبوں کی باضابطہ طور پر جانچ اور نظرثانی اور ضرورت کے مطابق اس کی تصحیح کرنا۔
- یہ منصوبہ ہماری حکمت عملی برائے ردعمل، آپریٹنگ کے کم سے کم مطالبات، BCP ٹیم کی آرگنائزیشن، نقصان کا تخمینہ اور سائٹ کی بحالی کے لیے بنیادی سرگرمیوں کا احاطہ کرتا ہے۔ یہ حادثات کی بحالی کے طریقہ کار کے کلیدی عناصر کی منظرکشی کرتے ہوئے قیمتی مواد کی حفاظت یقینی بناتا ہے۔ ہماری انتظامیہ اپنے کاروبار اور انفراسٹرکچر کو لاحق اندیشوں کی باقاعدگی سے جانچ کرتی ہے اور ایسی حکمت عمل تیار کرتی ہے جو کسی بھی غیر متوقع چیلنج کی صورت میں موزوں حل تلاش کر سکے

ذمہ دارانہ شہریت اور CSR سرگرمیاں

پسماندہ طبقات کی ترقی اور انھیں غربت سے نجات دلانے کے لیے کمپنی نے سال 2018ء میں 85 ملین مالیت کے متعدد اقدامات کیے۔

تعلیم

دی سٹیزنز فاؤنڈیشن (TCF) کے ساتھ اسکول کی تعمیر کا پروگرام

ایک مقصد کے تحت قائم کیے جانے دو نئے اسکول تعمیر کرنے کے لیے ہم دی سٹیزنز فاؤنڈیشن کے ساتھ اشتراک کا اعلان کرنے میں نہایت فخر محسوس کرتے ہیں۔ یہ کیمپس 50.5 ملین روپے کی لاگت سے تیار کیے جائیں گے تا کہ گھگر پھاٹک گاؤں اور اس کے اطراف کے علاقوں میں بسنے والی پسماندہ آبادیوں کے بچوں کو فائدہ پہنچایا جا سکے۔ ہمارا مقصد TCF کے ساتھ شراکت داری کرتے ہوئے 1200 سے زائد بچوں کو معیاری تعلیم فراہم کرنا ہے۔

مزید برآں ہم نے TCF کے ساتھ آسٹن کیمپس اسکول میں 180 سے زائد بچوں کی گنجائش کی حامل ایک اور شفٹ کے آغاز کے لیے بھی کام کیا۔

عطیات جمع کرنا اور ان کی تقسیم

عطیات EPCL کے صدر دفتر، پلانٹ اور اوشین ٹاور بلڈنگ سے اکٹھا کیے گئے جن میں اسکول بیگ، کتابیں، جوتے اور یونیفارم وغیرہ شامل ہیں اور انھیں محروم طبقے میں تعلیم کے فروغ کے لیے تقسیم کر دیا گیا تا کہ ان میں امید کی ایک کرن جگائی جائے۔

صحت عامہ

SINA کے ساتھ معاہدہ

EPCL نے SINA کے ساتھ ایک معاہدے پر دستخط کیے تا کہ بن قاسم ٹاؤن اور گھگر پھاٹک کے رہائشیوں اور قریبی کمیونٹیز کو صحت کی بہتر سہولیات فراہم کرنے کے لیے صحت عامہ کا ایک بنیادی مرکز قائم کیا جا سکے جس پر سرمایہ کاری کا خرچ تقریباً 16 ملین روپے تک آیا۔ یہ خدمات مکمل طور پر مفت فراہم کی گئیں۔

دی واٹر فاؤنڈیشن کے ساتھ شراکت داری کرتے ہوئے پانی کی صفائی کے لیے لگائے گئے پلانٹ

پینے کا صاف پانی دور دراز گاؤں اور دور پرے کے علاقوں میں رہنے والے ہمارے بہت سے بہن بھائیوں کے لیے ایک نعمت ہے۔ ہم نے اس سال دی واٹر فاؤنڈیشن کے ساتھ ایک معاہدے پر دستخط کیے جس کا مقصد ایسے دور دراز علاقوں میں رہنے والے عوام کو پینے کے صاف پانی تک رسائی میں مدد فراہم کرنا تھا۔ اس اقدام کے تحت بن قاسم ٹاؤن کراچی اور گھگر پھاٹک کے علاقوں کے ارد گرد رہنے والوں کے لیے پانی کی صفائی کے 5 پلانٹ نصب کیے گئے۔ پانی کی صفائی کے اس پلانٹ کی تنصیب سے 6000 سے زائد گھروں کو صاف پانی مل سکے گا۔

خون کا عطیہ دینے کی مہم

کمپنی نے انڈس ہسپتال کے ساتھ اشتراک کرتے ہوئے 2017ء اور 2018ء میں EPCL کے ہیڈ آفس اور پلانٹ پر خون کا عطیہ دینے کی مہم کا انعقاد کیا۔ ملازمین نے اس مہم میں حصہ لیتے ہوئے اس عظیم مقصد کے لیے عطیات دیے۔ ہم نے خون کے تقریباً 100 عطیات سے امداد کی۔

آؤٹی بی مٹاؤ

بین الاقوامی عالمی یوم صحت کے موقعے پر اینگرو پولیمر اور کیمیکلز لمیٹڈ نے انڈس ہسپتال میں کلینک قائم کیا۔ اس کلینک میں آنے والوں کو ٹیوبرکلوزز کی علامات اور علاج اور ان عوامل سے آگاہ کیا گیا جو اس کے ممکنہ مریض کو خطرات سے دوچار کر سکتے ہیں۔

ماحول

سبز پورٹ کا اقدام

جہازوں کی آمدورفت اور کارگو کے نقل و حمل کے سبب بندرگاہ پر ہونے والی آلودگی ایک باعث زحمت امر ہے جس نے ہماری ساحلی پٹی پر غیر ضروری اور ان چاہا ماحولیاتی دباؤ پیدا کر دیا ہے۔ اپنی بندرگاہ کے علاقوں کو سرسبز اور صاف ستھرا بنانے کے لیے ایک ہلکی سی کوشش میں کمپنی نے اپنے پورٹ قاسم پلانٹ پر شجرکاری مہم کو فروغ دیا۔

شجرکاری میں TCF اسکول کے طالبِ علم، PQA کے چیئرمین، EPCL کے چیف ایگزیکٹو آفیسر اور دیگر ملازمین شامل تھے تا کہ ماحولیاتی صفائی ستھرائی کی سمجھ اور نئی نسل میں رضاکاری کا جذبہ پیدا کیا جا سکے۔

کاروباری اخلاقیات اور اینٹی کرپشن

کاروباری اخلاقیات ہماری بنیادی اقدار ہیں اور جو کچھ بھی ہم کرتے ہیں یہ اس کے قلب میں بستا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے 'ضابطہ اخلاق' میں قابل قبول کاروباری ضابطہ عمل اور رویوں کو واضح طور پر رائج کیا ہے تا کہ اعلیٰ معیاری اخلاقی اقدار کو برقرار رکھتے ہوئے ہمارے تمام کاروباری معاملات کو یقینی بنایا جا سکے۔ ہم کسی بھی طرح کی غیر اخلاقی حرکت کو قطعاً برداشت نہیں کریں گے چاہے اس کا کتنا ہی برا نقصان کیوں نہ اٹھانا پڑے۔ اس کی تحقیق مؤثر طریقے سے تیار کردہ اور تعمیل شدہ آڈٹ پلانز اور ضمانتی طریقہ کار کے اطلاق کے ذریعے کی جاتی ہے جو کسی بھی قسم کے غیر اخلاقی رویے کو قانون کے تحفظ سے خارج کرتا ہے اور کاروباری ضابطے کی راہ میں آنے والے معاملات کو نمایاں کرتا ہے۔ مزید برآں، ہمارے اسٹیک ہولڈرز کے لیے متعدد ذرائع ہیں جن کے ذریعے وہ اپنی آواز پہنچانے کے ساتھ ساتھ ایسے معاملات اور رویوں کو بھی پہچان سکتے ہیں جو ہماری بنیادی اور مرکزی اقدار کے لیے ناقابلِ برداشت ہوں۔

کارپوریٹ گورننس ہماری کمپنی کے نظم و نسق اور دلچسپی رکھنے والے فریقوں کے ساتھ ہمارے تعلقات پر اثر انداز ہوتی ہے۔ انتظامیہ شفافیت اور اخلاقی ضابطوں پر خصوصی زور دیتی ہے جو ہمارے ملازمین اور گاہکوں اور خدمات فراہم کنندگان کی حیثیت میں ہم سے لین دین کرنے والوں کو ذمہ دار پروفیشنلز اور کارپوریٹ شہری بنانے میں بنیادی کردار ادا کرتے ہیں۔

صحت، سلامتی اور ماحول

حفاظت ہماری کمپنی کی اولین بنیادی اقدار میں سے ایک ہے۔ مینجمنٹ کا عزم اور احساس ذمہ داری اور ملازمین کی اصولوں اور طریقہائے کار سے وابستگی ایک اور محفوظ سال کی وجہ بنی۔ کمپنی نے 2018ء کے لیے متعین کردہ حفاظت کے تمام KPI کو پورا کیا۔ طبی امداد کے صرف ایک معاملے کے ساتھ ریکارڈ شدہ مجموعی انجری کی شرح (TRIR) 0.17 کے ہدف سے کہیں کم 0.05 پر بند ہوئی جس نے آئندہ سالوں کے لیے نئی بلندیوں اور اونچے معیارات کا تعین کیا۔ فلیٹ ایکسیڈنٹ فریکوئینسی ریٹ (FAFR) 0.994 پر بند ہوا۔ 2018ء کے لیے پراسیس سیفٹی سیفٹی ٹوٹل انسی ڈینٹ ریٹ (PSTIR) 1.60 تھا۔

آڈٹس کے روڈ میپ کا حصہ ہونے کے باعث کمپنی سیکنڈ اور تھرڈ پارٹی کی نگرانی کے آڈٹ سے گزری۔

- مارش اور مِک لینن کی جانب سے انشورر رسک سروے (Insurer Risk Survey) ہوا۔
- سیکنڈ پارٹی آڈٹ میں BSC فائیو اسٹار ماحولیاتی اسٹینڈرڈ میں 4 اسٹار کی کامیابی۔

دیگر متعدد کلیدی سرگرمیاں بھی منعقد ہوئیں جو پہلے سے مضبوط اور وقت سے ثابت شدہ سسٹم کی مؤثر مینجمنٹ میں مددگار رہیں جس میں شامل ہیں:

- EPCL PVC اور VCM DBN کی توسیع کے لیے سندھ EPA سے انوائرمنٹ امپیکٹ اسسمنٹ (EIA) کے NOC کی منظوری حاصل کی گئی۔
- منصوبے کے مطابق Process Hazard Analysis (PHA) کی مشق منعقد کی گئی جس کے ساتھ ساتھ PVC-III کی پہلے سے منظوری اور کاسٹک فلیکر پراجیکٹ (Caustic Flaker Project) کی بیس لائن PHA کے ساتھ ساتھ ڈیزائن PHA حاصل کیا گیا۔
- EPCL کی جانب سے 22 نومبر 2018 ء کو پاکستان میں سب سے پہلی CCPS کانفرنس کی میزبانی کی گئی جس میں وسط ایشیا، جنوبی افریقہ اور جاپان کے نمائندوں کے ساتھ ساتھ ملک بھر سے مختلف صنعتوں اور اداروں کی میزبانی بھی کی گئی۔

انفارمیشن سسٹمز

2018ء میں بورڈ آف ڈائریکٹرز نے ایک تین سالہ 2020 ڈیجیٹائزیشن کی حکمت عملی کی منظوری دی۔ EPCL کی انفارمیشن ٹیکنالوجی کی حکمت عملی پراسیسز اور معلومات کی ڈیجیٹائزیشن پر مبنی ہے تا کہ آرگنائزیشن کو paperless اور wireless بنا دیا جائے جس سے ملازمین کو کہیں سے بھی، کسی بھی وقت اور کسی بھی ڈیوائس سے کام کرنے کے قابل بنایا جا سکے۔ یہ خودکاری کو استعمال کرتے ہوئے 'انسانی امداد کے بغیر فروخت کے آپریشنز' بھی فراہم کرے گی۔ یکم جنوری 2018 ء سے EPCL کے انفارمیشن ٹیکنالوجی کے آپریشن کو ECORP انفارمیشن ٹیکنالوجی میں ضم کیا گیا جس کی بدولت تمام اینگرو کمپنیوں کے لیے انفارمیشن ٹیکنالوجی کی ایک ہی سروس متعارف کروائی گئی۔ 2020 ڈیجیٹائزیشن حکمت عملی کے نفاذ کا اہتمام CFO کی سربراہی میں بزنس (EPCL) اور انفارمیشن ٹیکنالوجی پر مشتمل ایک اسٹیئرنگ کمیٹی کے ساتھ ساتھ ECORP IT کے ذمہ ہے۔ IT کا انضمام اپنے ساتھ تجربہ اور تکنیکی مہارت لے کر آیا جس نے دیگر اینگرو کمپنیز کے ساتھ ساتھ EPCL کے سولیوشنز کا ایک معیار مرتب کیا۔

2020 ڈیجیٹائزیشن کا مقصد EPCL کو ڈیجیٹل خطوط پر استوار ماڈل کمپنی بنانا ہے۔ یہاں نافذ ہونے والے سولیوشنز اینگرو کی تمام کمپنیوں پر نافذ ہوں گے۔ اوپر دیے گئے تمام شعبوں میں کام جاری ہے اور 2019 ء کے دوران اس کام کو مکمل کر لیا جائے گا۔ مزید برآں، ملازمین کے تربیتی پروگرام اور اس کے ساتھ ساتھ موبائل ایپلیکیشن پر مبنی سولیوشنز بنا کر روزانہ کی بنیاد پر ایمپلائی سروسز کو ڈیجیٹائز کرنے پر توجہ مرکوز کی جائے گی۔

صنعتی تعلقات

ہیومن ریسورس

اس سال متعدد نئے کاروباری اقدامات اور منصوبوں کی منظوری لی گئی اور اس کے مطابق نئے اقدامات کیے گئے تا کہ مؤثر طریقے سے کاروبار انجام دینے، آرگنائزیشن کی سطح پر ابلاغ کو مضبوط بنانے اور بالآخر اپنے کاروباری اہداف حاصل کرنے کے لیے لوگوں کی صلاحیتوں کو پروان چڑھاتے ہوئے انھیں مصروف کیا جائے۔

2018ء میں کیریئر کی تمام سطحوں کے لیے سیکھنے کے نئے فریم ورک کا اجرا کیا گیا جو نہ صرف سپروائزرز اور افراد کے مینیجرز بلکہ انفرادی شراکت داروں کے لیے مخصوص پروگرام پر مشتمل تھا۔ 'ہارورڈ مینیج مینٹر' کے اشتراک سے لوگوں کے لیے شروع کیے گئے آن لائن ڈیجیٹل لرننگ پروگرام کو بہت پسند کیا گیا جس نے ملازمین کے لیے ایسی لچک فراہم کی جہاں وہ ہارورڈ کی جانب سے تیار کی گئی کلاس موڈیول میں سیکھنے اور آگے بڑھنے کے من چاہے دائرۂ کاروں کا انتخاب کر سکیں۔

EPCL Cares کا علم بردار اقدام ملازمین میں سب سے زیادہ مقبول رہا جو ملازمین کے دلوں کو چھو جانے والے تجربات اور اشارات کے امتزاج پر مشتمل اقدام تھا جس نے اس بات کو واضح کیا کہ کمپنی کو اپنے ملازمین اور ان کے خاندانوں کی فکر ہے۔ ملازمین اور ان کی فیملیز نے اپنی زندگیوں کے خاص موقعوں پر خوشیاں منانے کے لیے بھیجے گئے مختلف تحفوں کی پذیرائی کی۔ ہیومن ریسورس EPCL Cares کے پلیٹ فارم کو مزید بہتر بنانے اور ملازمین اور ان کی فیملیز کے لیے مزید قریب کرنے والے اقدامات کا اضافہ کرنے کی منصوبہ سازی کر رہا ہے۔

ہیومن ریسورس نے اپنی روایت کو جاری رکھتے ہوئے ماہانہ روبرو skip level اجلاسوں کا انعقاد کیا تا کہ دسمبر 2018ء تک معاملات کے 91 فیصد تک ریزولوشن ریٹ (resolution rate) کے ساتھ تمام سطحوں پر بلا تعطل ابلاغ کو جاری رکھا جا سکے۔

پلانٹ پر اندرونی گیمنگ اور جمنازیم کے کمرے کا افتتاح کیا گیا تا کہ ہماری افرادی قوت وقفوں کے دوران آرام کر سکے اور صحتمندانہ انداز میں اپنے ساتھیوں کے ساتھ پُرسکون ماحول میں میل جول کر سکیں۔

سال 2018ء کے دوران دباؤ میں کمی سارا سال برقرار رہی۔

اسٹیک ہولڈرز کی مشغولیت اور تعلقات

کمپنی اس امر پر یقین رکھتی ہے کہ اسٹیک ہولڈرز کو ہر سطح پر مطلع کرنا چاہیے، اس سال کے دوران ہم نے پریس ریلیز وں، سہ ماہی اور سالانہ نتائج کی سیکیورٹیز تجزیہ کاروں کی بریفنگ، اسٹاک ایکسچینج میں اسٹریٹجک مواقع کی تشہیر، پلانٹ کی سیر اور متعلقہ اسٹیک ہولڈرز کے ساتھ غیر رسمی گفت وشنید کے ذریعے اس کو یقینی بنایا۔

کمپنی تمام انضباطی ضروریات پر عمل پیرا ہے اور اس ضمن میں متعلقہ نگران اداروں کے ساتھ قریبی روابط قائم رکھے ہوئے ہے جن میں اسٹاک ایکسچینج، ٹیکس حکام اور پاکستان کی سیکیوریٹیز اور ایکسچینج کمیشن شامل ہیں۔

EPCL کے پاس سینکڑوں خدمات فراہم کنندگان اور گاہک ہیں اور ہم انھیں اپنے ساتھ مشغول رکھنے کے لیے وقتاً فوقتاً رسمی اور غیر رسمی اجلاس اور کانفرنسز کی کوششوں میں مصروف ہیں۔ اپنی صنعت کے مفاد میں ہم اپنے گاہکوں کو باقاعدگی کے ساتھ رابطے میں رکھنے کے لیے ان کے کاروباروں سے متعلق تکنیکی امداد فراہم کرتے ہیں۔

کمپنی اپنے ملازمین کو ترقی کا جزو لازم سمجھتی ہے، ہم ملازمین کی ترغیب وتسلی کی پیمائش متعدد معیارات اور نتائج سے کرتے ہیں اور ان نتائج کو متعلقہ مینیجرز کے سامنے رکھتے ہیں جس کے بعد ہیومن ریسورس کی حکمت عملی کو نشان زد کیے گئے حصوں کو بہتر کرنے کی مناسبت سے تبدیل کیا جاتا ہے۔

حکومت کی جانب سے ضروری سپورٹ

گیس کی بڑھتی ہوئی قیمتیں کمپنی کو درپیش اہم چیلنجز میں سے ایک ہے جس کے لیے حکومتی سپورٹ کی ضرورت ہے۔ 2018ء کی آخری سہ ماہی میں حکومت نے قدرتی گیس کی قیمتوں میں 30 فیصد تک اضافہ کیا جس کے نتیجے میں مصنوعات کے لیے بچت کے تناسب میں کمی واقع ہوئی۔ مقامی صنعتوں کی مدد کرنے اور انھیں بین الاقوامی کھلاڑیوں کے مدمقابل کھڑا کرنے کے لیے ضروری ہے کہ حکومت توانائی کی قیمتوں پر نظر رکھے۔

Category of Shareholding

Information of shareholding required under the reporting framework is as follow:

1. Associated Companies, Undertaking and Related Parties

Shareholders' Category	
Engro Corporation Limited	510,733,450
Mitsubishi Corporation	100,053,562
EPCL Employees' Trust	1,040,840
	611,827,852

2. Modarabas and Mutual Funds

Name of Shareholders	
CDC - TRUSTEE ABL INCOME FUND - MT	9,500
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	58,699
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	78,699
CDC - TRUSTEE ABL STOCK FUND	1,973,870
CDC - TRUSTEE AKD INDEX TRACKER FUND	103,497
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	7,108,454
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	3,229,041
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	2,129,890
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	5,946,972
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	123,000
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1,362,000
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	984,000
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	3,527,500
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	119,000
CDC - TRUSTEE ALFALAH GHP SOVEREIGN FUND - MT	137,500
CDC - TRUSTEE ALFALAH GHP STOCK FUND	2,145,000
CDC - TRUSTEE ALFALAH GHP VALUE FUND	937,500
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	4,671,614
CDC - TRUSTEE APF-EQUITY SUB FUND	150,000
CDC - TRUSTEE APIF - EQUITY SUB FUND	164,500
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	25,000
CDC - TRUSTEE ATLAS INCOME FUND - MT	6,500
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	680,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	2,550,000
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	180,500

مستقبل کی توقعات

2018ء میں EPCL نے مجموعی طور پر ایک حکمت عملی تیار کی جس کا مقصد انٹرنیشنل فوٹ پرنٹ میں پاکستان کو پولیمرز اور الائیڈ کیمیکلز میں سب سے آگے لے جانے کے اپنے خواب کو پایہ تکمیل تک پہنچانا تھا۔ اس ضمن میں متعدد منصوبوں کو کامیابی سے مکمل کیا گیا، نئے منصوبوں کا اعلان کیا گیا اور مختلف تحقیقات کا آغاز کیا گیا۔ یہاں اس نکتہ پر غور کرنے کی ضرورت ہے کہ 2018ء میں ہم نے کمپنی کی آمدن اور خرچ کا ایک صحتمند گوشوارہ اس طرح بنایا کہ ادائیگیوں کو 2024ء تک دھکیل دیا گیا ہے جس کے باعث ہم نہ صرف اپنے اعلان کیے گئے منصوبوں کو مکمل کرنے کے قابل ہوں گے بلکہ ایسے منفرد مواقع میں سرمایہ کاری بھی کر سکیں گے جو شیئر ہولڈر ویلیو کو زیادہ سے زیادہ کرنے کے ہمارے خواب اور مقصد سے ہم آہنگ ہیں۔ب

منصوبوں کی تازہ ترین معلومات درج ذیل ہیں:

- PVC/VCM کی توسیع: میگا منصوبے میں 100,000 میٹرک ٹن (295,000 میٹرک ٹن کی کُل گنجائش لیتے ہوئے) کی گنجائش کے ساتھ PVC پلانٹ کی شمولیت اور VCM پلانٹ کی کشادگی کے لیے 50,000 میٹرک ٹن کی اضافی گنجائش شامل ہیں۔ چین میں EPC کنٹریکٹرز کے ساتھ پہلا اجلاس منعقد کیا گیا اور کنٹریکٹر کے لیے ایک Letter of Credit قائم کیا گیا جس میں انجینئرنگ کی تمام تفصیلات درج تھیں۔ مزید برآں، VCMde-bottlenecking کے لیے de-bottlenecking کی خریداری بھی احسن طریقے سے جاری ہے۔
- کاسٹک فلیکر پلانٹ: کلور الکلی کے سیگمنٹ میں فلیکر (flaker) ہماری نئی پروڈکٹ لائن ہوگی، 20,000 میٹرک ٹن کا منصوبہ 2019ء کی پہلی ششماہی میں آن لائن آنے کی امید ہے۔ اس منصوبے سے کمپنی جنوبی مارکیٹ کے لیے قریبی ذاتی فوائد پر سرمایہ کاری کرنے اور سمندر کے ذریعے برآمدات بڑھانے کے قابل ہو سکے گی۔
- آکسیجن پر مبنی VCM کی پیداوار: EPCL مستقبل میں کامیابی کے ساتھ ویلیو کو بڑھانے کے لیے تکنیکی فروغ کی اہمیت کو تسلیم کرتا ہے، اس ضمن میں، بورڈ آف ڈائریکٹرز نے VCM کی پیداوار کے لیے منصوبے کو ہوا پر مبنی روایتی طریقے سے تبدیل کر کے تکنیکی طور پر جدید آکسیجن پر مبنی طریقہ کار اختیار کرنے کی منظوری دی ہے۔ اس منصوبے سے خام مال کے خرچ میں 2 فیصد تک کی کمی کی توقع ہے اور اس کے 2020ء کے اختتام تک آن لائن آنے کی توقع ہے اور CAPEX کی مالی امداد اندرونی طور پر جمع کی گئی رقم سے کی جائے گی۔
- ہائیڈروجن پر آکسائیڈ: EPCL اپنے کاسٹک کے مینوفیکچرنگ پراسس سے ہائیڈروجن اخذ کرتا ہے۔ فی الحال ہائیڈروجن بڑے پیمانے پر ایندھن کے طور پر استعمال ہو رہی ہے جو دستیاب ہائیڈروجن کے لیے بہترین ویلیو پیدا نہیں کرتا۔ لہٰذا، بورڈ آف ڈائریکٹرز نے فیصلہ کیا ہے کہ گرین فیلڈ مینوفیکچرنگ سہولت کے ذریعے ہائیڈروجن پر آکسائیڈ کا کاروبار شروع کیا جائے۔

آگے بڑھتے ہوئے یہ منصوبہ جات ترجیحی طور پر ہمارے مرکزِ نگاہ رہیں گے۔ مزید برآں، اس سال کے دوران کلور الکلی کی متعلقہ مصنوعات کی de-bottlenecking کی استعداد کی تکمیل اور membrane کی تبدیلی کے ساتھ ہم مؤثر انداز میں پیداواری عمل کی روانی سے حاصل ہونے والے فوائد کی توقع رکھتے ہیں۔ جاری منصوبوں کے ساتھ ساتھ، کمپنی اپنی مستحکم آپریشنل کارکردگی کا مظاہرہ کرنے میں پُراعتماد اور 2019ء میں PVC مارکیٹ کی مستحکم ترقی جاری رہنے اور مجموعی طور پر مثبت معاشی رجحان کے لیے پُر امید ہے۔

Corporate Review

Shareholding in the Company

The shareholding in the company as at December 31, 2018 is as follow:

Shareholders Category	No. of Shareholders	No. of Shares held	% of holding
Directors, Chief Executive Officer, spouse and minor children	7	7	0.00
Associated Companies, undertaking and related parties	3	611,827,852	67.31
Banks, DFIs, Non-Banking Financial Institutions	5	4,080,696	0.45
Insurance Companies	19	21,480,062	2.36
Modarabas and Mutual Funds	90	130,031,659	14.31
Shareholders holding 10%	2	610,787,012	67.20
General Public (Individuals)			
a. Local	29,064	95,316,858	10.49
b. Foreign	0		
Others	227	46,186,199	5.08

Name of Shareholders	No. of Shares held
CDC - TRUSTEE NAFA MULTI ASSET FUND	379,123
CDC - TRUSTEE NAFA STOCK FUND	7,470,069
CDC - TRUSTEE NIT INCOME FUND - MT	8,000
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	632,687
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	96,000
CDC - TRUSTEE PICIC GROWTH FUND	2,443,699
CDC - TRUSTEE PICIC INVESTMENT FUND	1,283,462
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	497,368
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	109,613
CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND - MT	125,500
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	650,372
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	4,292,898
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1,517,644
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1,176,990
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	4,054,248
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	88,000
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1,872,066
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	668,357
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	109,000
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	30,000
MC FSL TRUSTEE JS - INCOME FUND	84,000
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1,397,175
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	503,000
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	5,000
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	105,000
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	707,690
MCBFSL-TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	165,000
TOTAL	**129,785,460**

Name of Shareholders	No. of Shares held
CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	575,000
CDC - TRUSTEE FAYSAL MTS FUND - MT	38,000
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	2,500
CDC - TRUSTEE FAYSAL STOCK FUND	325,000
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	20,000
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	25,000
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	74,000
CDC - TRUSTEE FIRST HABIB STOCK FUND	80,000
CDC - TRUSTEE HBL - STOCK FUND	2,572,079
CDC - TRUSTEE HBL EQUITY FUND	154,596
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	149,885
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	558,931
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	472,452
CDC - TRUSTEE HBL MULTI - ASSET FUND	55,000
CDC - TRUSTEE HBL PF EQUITY SUB FUND	140,814
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	81,000
CDC - TRUSTEE JS LARGE CAP. FUND	488,500
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	130,000
CDC - TRUSTEE KSE MEEZAN INDEX FUND	879,771
CDC - TRUSTEE LAKSON EQUITY FUND	2,502,080
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	117,616
CDC - TRUSTEE LAKSON TACTICAL FUND	488,778
CDC - TRUSTEE MCB DCF INCOME FUND	3,500
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	2,795,536
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	14,385,155
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1,300,761
CDC - TRUSTEE MEEZAN BALANCED FUND	2,038,954
CDC - TRUSTEE MEEZAN ISLAMIC FUND	18,880,721
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	3,176,709
CDC - TRUSTEE NAFA INCOME FUND - MT	523,500
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	709,000
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	984,916
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	2,813,500
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	16,029
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	3,351,980

8. Details of purchase/sale of shares by Directors, Executives and their spouse/minor children

Name	Shares Purchased	Shares Sold	Rate	Date of Purchase / Sale
Ahsen Aqeel	2,000	-	38.4	24.4.2018
Syed Muhammad Farooq Ahmed	-	20,000	39.29	25.4.2018
Ibrar ahmed	-	28,000	7.85	5.7.2018
Ibrar ahmed	-	301	7.61	5.7.2018
Hussain Hasanali	110,986	-	22	20.7.2018
Muhammad Bilal Ahmed	135,034	-	22	18.7.2018
Ali Mohsin Bhagat	7,070	-	22	23.7.2018
Afsheen Nouman	235	-	22	16.7.2018
Rizwan Ahmed Taqi	62,892	-	22	23.7.2018

3. Directors and their spouse and minor children

Shareholders' Category	No. of Shares held
Mr. Ghias Uddin Khan	1
Mr. Imran Anwer	1
Mr. Noriyuki Koga	1
Mr. Hasnain Moochhala	1
Mr. Nadir Salar Qureshi	1
Mr. Mohammad Asif Sultan Tajik	1
Mr. Feroz Rizvi	1

4. Executives

Shareholders' Category	No. of Shares held
Executives (approximately)	829,311

5. Public sector companies and corporations

Shareholders' Category	No. of Shares held
Public sector companies and corporations	250,000

6. Banks, Development Finance Institutions, Insurance, Takaful, Modarabas & Pension Funds

Shareholders' Category	No. of Shares held
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance, Takaful, Modarabas & Pension Funds	28,664,861

7. Shareholding five percent or more voting interest in the Company

Shareholders' Category	No. of Shares held	% of holding
Engro Corporation Limited	510,733,450	56
Mitsubishi Corporation	100,053,562	11

No. of Shareholders	Size of Holding		No. of Share
	From	To	
5	155,001	160,000	788,674
6	160,001	165,000	978,217
3	165,001	170,000	501,892
1	175,000	180,000	175,000
2	180,001	185,000	362,000
5	185,001	190,000	937,164
7	195,001	200,000	1,397,948
1	200,001	205,000	200,500
6	205,001	210,000	1,243,219
2	210,001	215,000	429,500
1	215,001	220,000	217,000
3	225,000	230,000	681,042
4	230,001	235,000	930,936
1	235,001	240,000	237,000
1	240,001	245,000	244,512
7	250,000	255,000	1,760,385
6	270,001	275,000	1,645,973
1	285,001	290,000	286,000
5	295,000	300,000	1,495,000
2	300,001	305,000	602,095
2	315,001	320,000	636,134
4	325,000	330,000	1,309,094
2	335,001	340,000	676,995
1	340,001	345,000	344,589
1	360,001	365,000	362,892
1	370,001	375,000	373,991
1	375,001	380,000	379,123
1	380,001	385,000	381,532
2	395,001	400,000	797,999
2	410,000	415,000	820,986
2	430,001	435,000	864,188
1	455,001	460,000	458,147
1	465,001	470,000	465,707
1	470,001	475,000	472,452

9. Pattern of Shareholding – As At December 31, 2018

No. of Shareholders	Size of Holding		No. of Share
	From	To	
531	1	100	13,719
18,377	101	500	8,709,847
6,076	501	1,000	4,486,094
2,581	1,001	5,000	6,395,776
622	5,001	10,000	4,795,361
265	10,001	15,000	3,428,645
162	15,001	20,000	2,953,733
106	20,001	25,000	2,453,690
95	25,001	30,000	2,661,793
64	30,001	35,000	2,134,220
27	35,001	40,000	1,036,147
35	40,001	45,000	1,487,485
47	45,001	50,000	2,301,231
27	50,001	55,000	1,431,168
18	55,001	60,000	1,046,717
16	60,001	65,000	1,012,573
24	65,001	70,000	1,648,563
13	70,001	75,000	960,174
15	75,001	80,000	1,174,160
9	80,001	85,000	740,649
6	85,001	90,000	524,512
7	90,001	95,000	652,380
27	95,001	100,000	2,669,852
9	100,001	105,000	928,971
9	105,001	110,000	978,502
6	110,001	115,000	683,796
4	115,001	120,000	472,062
8	120,001	125,000	991,353
6	125,001	130,000	762,000
3	130,001	135,000	396,955
13	135,001	140,000	1,789,459
4	140,001	145,000	568,858
9	145,001	150,000	1,341,243
6	150,001	155,000	913,804

No. of Shareholders	Size of Holding		No. of Share
	From	To	
1	1,280,001	1,285,000	1,283,462
1	1,300,001	1,305,000	1,300,761
1	1,360,001	1,365,000	1,362,000
1	1,365,001	1,370,000	1,369,956
1	1,395,001	1,400,000	1,397,175
1	1,475,001	1,480,000	1,475,914
1	1,515,001	1,520,000	1,517,644
1	1,545,001	1,550,000	1,545,118
1	1,575,001	1,580,000	1,576,956
1	1,620,001	1,625,000	1,624,543
1	1,725,001	1,730,000	1,728,199
1	1,765,001	1,770,000	1,765,197
1	1,830,000	1,835,000	1,830,000
1	1,870,001	1,875,000	1,872,066
1	1,945,001	1,950,000	1,947,000
1	1,970,001	1,975,000	1,973,870
1	2,005,001	2,010,000	2,008,500
1	2,035,001	2,040,000	2,038,954
1	2,125,001	2,130,000	2,129,890
1	2,145,000	2,150,000	2,145,000
1	2,300,000	2,305,000	2,300,000
1	2,440,001	2,445,000	2,443,699
1	2,500,001	2,505,000	2,502,080
1	2,550,000	2,555,000	2,550,000
1	2,570,001	2,575,000	2,572,079
1	2,795,001	2,800,000	2,795,536
1	2,810,001	2,815,000	2,813,500
1	3,175,001	3,180,000	3,176,709
1	3,225,001	3,230,000	3,229,041
1	3,350,001	3,355,000	3,351,980
1	3,450,000	3,455,000	3,450,000
1	3,525,001	3,530,000	3,527,500
1	3,730,001	3,735,000	3,732,501
1	4,050,001	4,055,000	4,054,248

No. of Shareholders	Size of Holding		No. of Share
	From	To	
2	485,001	490,000	977,278
2	495,001	500,000	997,368
2	500,001	505,000	1,003,034
1	505,001	510,000	507,286
1	510,001	515,000	512,500
1	520,001	525,000	523,500
1	530,001	535,000	530,173
1	540,000	545,000	540,000
1	555,001	560,000	558,931
1	575,000	580,000	575,000
1	620,001	625,000	624,500
2	630,001	635,000	1,267,015
1	650,001	655,000	650,372
2	665,000	670,000	1,333,357
3	680,000	685,000	2,049,956
1	685,001	690,000	689,088
3	705,001	710,000	2,125,064
1	730,001	735,000	733,121
1	750,000	755,000	750,000
1	770,001	775,000	772,214
1	775,001	780,000	778,278
1	790,001	795,000	792,041
1	820,001	825,000	821,973
2	845,001	850,000	1,696,905
1	875,001	880,000	879,771
1	910,001	915,000	914,462
1	925,001	930,000	928,000
2	935,001	940,000	1,875,677
3	980,001	985,000	2,953,216
2	1,000,000	1,005,000	2,000,000
1	1,040,001	1,045,000	1,040,840
1	1,065,001	1,070,000	1,067,813
1	1,150,000	1,155,000	1,150,000
1	1,175,001	1,180,000	1,176,990

engro polymer & chemicals

Board Composition

Male	7
Female	None

Categories	Names
Independent	Mr. Feroz Rizvi
Executive – CEO	Mr. Imran Anwer
Non Executive	Mr. Ghias Uddin Khan
	Mr. Noriyoki Koga
	Mr. Hasnain Moochhala
	Mr. Nadir Salar Qureshi
	Mr. Asif Sultan Tajik

Board Audit Committee	
Mr. Feroz Rizvi	Chairman
Mr. Noriyoki Koga	Member
Mr. Hasnain Moochhala	Member

Board Compensation Committee	
Mr. Ghias Uddin Khan	Chairman
Mr. Noriyoki Koga	Member
Mr. Feroz Rizvi	Member
Mr. Nadir Salar Qureshi	Member

ڈائریکٹرز کی تنخواہ

بورڈ اور کمیٹی میٹنگز میں بورڈ کے اراکین کی حاضری کے لیے انھیں دیے جانے والے معاوضے کی بورڈ آف ڈائریکٹرز باقاعدہ منظوری دیتا ہے۔ ڈائریکٹرز کو دیے جانے والے معاوضے کی مجموعی رقم کی تفصیلات مالیاتی گوشوارے میں بتادی گئی ہیں۔

DIRECTORS' REPORT

engro polymer & chemicals

No. of Shareholders	Size of Holding		No. of Share
	From	To	
1	4,055,001	4,060,000	4,059,196
1	4,290,001	4,295,000	4,292,898
1	4,670,001	4,675,000	4,671,614
1	4,760,001	4,765,000	4,763,582
1	4,860,001	4,865,000	4,863,345
1	5,945,001	5,950,000	5,946,972
1	7,105,001	7,110,000	7,108,454
1	7,470,001	7,475,000	7,470,069
1	9,025,001	9,030,000	9,027,516
1	12,475,001	12,480,000	12,476,620
1	14,385,001	14,390,000	14,385,155
1	18,880,001	18,885,000	18,880,721
1	100,050,001	100,055,000	100,053,562
1	137,920,001	137,925,000	137,923,461
1	372,805,001	372,810,000	372,809,989
29,415			**908,923,333**

Board Meetings and Attendance

In 2018, the Board of Directors held 9 meetings to cover its complete cycle of activities. The attendance record of the directors is as follows:

Director's Name	Meetings Attended
Mr. Ghias Uddin Khan	7/9
Mr. Imran Anwer	9/9
Mr. Hasnain Moochhala	8/9
Mr. Noriyoki Koga	7/9
Mr. Nadir Salar Qureshi	6/9
Mr. Feroze Rizvi	8/9
Mr. Muhammad Asif Sultan Tajik	8/9

اہم فیصلوں کے دائرۂ کار

انکم ٹیکس، مال کی قبل از وقت ذخیرہ اندوزی، ناگہانی صورتحال/ذمہ داری، مؤخر شدہ ٹیکس اثاثہ جات اور داخلی فیصلوں سے متعلق دیگر اہم دائرۂ کاروں اور مالیاتی گوشواروں پر مرتب ہونے والے واضح اثرات کی ساری تفصیلات اکاؤنٹ کے بیانات میں درج ہیں۔

اکاؤنٹنگ کے معیارات

یہ مالیاتی گوشوارے پاکستان میں نافذ العمل اکاؤنٹنگ اور رپورٹنگ کے معیارات کے مطابق تیار کیے گئے ہیں۔ پاکستان میں نافذ العمل اکاؤنٹنگ اور رپورٹنگ کے معیارات مندرجہ ذیل پر مشتمل ہیں:

- کمپنیز ایکٹ 2017 کے تحت بیان کیے گئے انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز بورڈ (IASB) سے جاری کردہ بین الاقوامی معیارات برائے مالیاتی رپورٹنگ (IFRSs)
- کمپنیز ایکٹ 2017 کے تحت جاری کردہ دفعات اور ہدایات،

جو کمپنیز ایکٹ 2017 کے تحت جاری کردہ دفعات اور ہدایات IFRSs سے مختلف ہیں وہ کمپنیز ایکٹ 2017 کے تحت جاری کردہ دفعات اور ہدایات مندرجہ ذیل ہیں

پرووِیڈینٹ فنڈ

2013ء میں کمپنی نے اپنے پرووِیڈینٹ فنڈ کو ہولڈنگ کمپنی اینگرو کارپوریشن لمیٹڈ کے تحت منضبط اور چلنے والے پرووِیڈینٹ فنڈ سے تبدیل کر دیا تھا۔ چنانچہ، ذیل میں دی گئی معلومات 30 جون 2017ء میں ہولڈنگ کمپنی کی جانب سے منضبط کیے گئے فنڈ کے تازہ ترین آڈٹ شدہ مالیاتی گوشواروں اور 30 جون 2018ء کے غیر آڈٹ شدہ مالیاتی گوشواروں پر مبنی ہیں۔

Provident - Fund (Rs. 000)	June 30, 2018	June 30, 2017
Size of the fund - Total assets	3,875,500	3,941,927
Cost of the Investment made	3,560,571	2,493,496
Percentage of Investments made	97%	92%
Fair Value of Investments	3,749,409	3,643,638

ڈائریکٹرز رپورٹ

engro polymer & chemicals

کارپوریٹ گورننس کی تعمیل

بورڈ آف ڈائریکٹرز نے کمپنی کے تمام اہم امور کی جانچ پڑتال کی ہے۔ ان میں کمپنی کی اسٹریٹجک ہدایات، سالانہ کاروباری منصوبے اور اہداف، طویل مدتی سرمایہ کاری کے حوالے سے فیصلے اور قرضہ جات شامل ہیں۔ بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کے وعدے کا پاسدار ہے۔

بورڈ آف ڈائریکٹرز یہ بتاتے ہوئے نہایت مسرت محسوس کرتا ہے کہ:

- انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے اس کے معاملات کی حالت، عملی امور کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کو صحیح طور پر پیش کرتے ہیں۔
- موزوں کھاتوں کی کتابیں (books of accounts) باقاعدہ طور پر قائم رکھی ہوئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب حکمت عملی یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط طور پر رکھی گئی ہے۔
- پاکستان میں نافذ العمل بین الاقوامی اکاؤنٹنگ معیارات پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کیے گئے ہیں اور وہاں سے کسی بھی قسم کی روگردانی کو موزوں طریقے سے منکشف کیا جاتا ہے۔
- سسٹم ایک مستحکم اور ٹھوس اندرونی کنٹرول کے نظام کا حامل ہے اور مؤثر طریقے سے اس کا اطلاق کیا جاتا اور اس پر نظر رکھی جاتی ہے۔
- کمپنی کو ایک جاری رہنے والے ادارے کے طور پر مسلسل چلتے رہنے میں کوئی شبہ نہیں۔
- لسٹنگ ریگولیشنز میں درج تفصیلات کے مطابق کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی بھی قسم کی روگردانی نہیں پائی جاتی۔

حصص کی تجارت اور اوسط قیمتیں

اس سال کے دوران پاکستان اسٹاک ایکسچینج پر کمپنی کے 1,617 ملین شیئرز کی تجارت کی گئی۔ روزانہ closing rates کی بنیاد پر کمپنی کے حصص کی اوسطاً قیمت 33.14 روپے رہی۔ 2018ء کے 52 ہفتوں کے دوران حصص کی کم از کم قیمت 25.49 روپے فی شیئر اور زیادہ سے زیادہ 40.73 روپے فی شیئر رہی۔

ڈیویڈنڈ

اس سال کے دوران 0.8 روپے فی شیئر کے ڈیویڈنڈ کا اعلان کر دیا گیا۔ اس کے ساتھ ساتھ بورڈ آف ڈائریکٹرز کی جانب سے 3% روپے کے سالانہ ڈیویڈنڈ کا جو کہ فی شیئر 0.3 روپے بنتا ہے، اعلان کیا گیا اور سالانہ جنرل میٹنگ میں شیئر ہولڈرز کی جانب سے اس کی منظوری ملنا باقی ہے۔

آڈیٹرز

موجودہ آڈیٹرز .M/s A.F Ferguson & Co ریٹائر ہو گئے ہیں اور انھوں نے اپنی دوبارہ تعیناتی کی پیشکش کی ہے۔ بورڈ آڈٹ کمیٹی نے ان کی دوبارہ تعیناتی کی سفارش کی ہے اور بورڈ آف ڈائریکٹرز نے اس سفارش کی تصدیق کر دی ہے۔

Feroz Rizvi Director	Imran Anwar Chief Executive Officer