engro polymer & chemicals

Financial Information for the Period
ended March 31, 2015

CONTENTS

COMPANY INFORMATION

Chairman	Muhammad Aliuddin Ansari
President and Chief Executive	Khalid Siraj Subhani
Directors	Shahzada Dawood Kimihide Ando Shoichi Ogiwara Feroz Rizvi Naz Khan Asif Saad Asad Said Jafar
Board Audit Committee	Feroz Rizvi Kimihide Ando Naz Khan Asif Saad
Chief Financial Officer	Mohsin Ali Mangi
Company Secretary	Schaane Ansari
Corporate Audit Manager	Muneeza Kassim
Bankers / Lenders	Allied Bank Ltd. Askari Bank Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. Barclays Bank PLC., Pakistan Burj Bank Ltd. Citibank N.A. Deutsche Bank AG Faysal Bank Ltd. Habib Bank Ltd. Industrial and Commercial Bank of China Ltd. International Finance Corporation MCB Bank Ltd. Meezan Bank Ltd. NIB Bank Ltd. National Bank of Pakistan Pak Oman Investment Co. Ltd. Soneri Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. Summit Bank Ltd. The Bank of Punjab United Bank Ltd.
Auditors	A. F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi
Registered Office	16th Floor, The Harbour Front Building, HC-3, Marine Drive, Block-4, Clifton, Karachi-75600.
Plant	EZ/1/P-II-1, Eastern Zone, Bin Qasim, Karachi
Share Registrar	FAMCO Associates (Private) Limited 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahra-e-Faisal, Karachi-74000 Tel: +92(21) 34380101-5 lines
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engro polymer & chemicals

DIRECTORS' REVIEW & UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED MARCH 31, 2015

ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDING MARCH 31, 2015

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited Financial Information of the Company for the first quarter ending March 31, 2015.

Business Review

After int'l PVC prices bottomed out during last quarter of 2014 the customers moved out of the wait and see mode during 1Q 2015 resulting in considerable recovery in PVC domestic sales. Caustic domestic sales also improved during the quarter as the Company capitalized on the supply shortfall in the north market. Company's PVC domestic sales increased by 61% to 40.3 kilo ton and Caustic domestic sales increased by 9% to 23.7 kilo ton as compared to same period last year. During the quarter 13.6 kilo ton of PVC and 2.9 kilo ton of VCM was also exported. The Company sold 3.1 kilo tons of Sodium Hypochlorite, 4.0 kilo tons of HCL and 337 kilo Nm^3 of Hydrogen during the first quarter.

PVC – Ethylene core delta was on the high side during 1Q 2015 due to low Ethylene prices as int'l crude oil prices fell sharply. However, Caustic prices remained under pressure due to competitive pressures and high energy prices in the domestic market which adversely effected margins of all products. Imposition of 5% regulatory duty lastyear on imports of Ethylene and EDC by the Federal Board of Revenue (FBR) continued to increase Company's raw material cost and impacted financial performance. The Company is in close coordination with FBR to obtain duty withdrawal on Ethylene and EDC.

Towards end of 1Q 2015 the Company undertook a routine maintenance shutdown and plant startups are expected in first week of April 2015. PVC resin production during the quarter increased by 23.4% to 41.2 kilo ton as the Company realized full benefit of PVC debottlenecking projects that were completed last year. Due to higher PVC capacity the Company consumed 90% of Vinyl Chloride Monomer (VCM) available for PVC production. Caustic production during the quarter was 26.0 kilo ton.

The Company recorded a revenue of Rs.6,701 million in 1Q 2015 compared to Rs.5,367 million in same period last year. The Company posted a Loss After Tax (LAT) of Rs.107 million in 1Q 2015 as compared to a Profit After Tax(PAT) of Rs.148 million in same period last year. The Loss per Share for 1Q 2015 stood at Rs.0.16 as compared to a Earnings per Share of Rs.0.22 in same period last year. Despite higher sales volumes, loss was incurred due to higher energy prices, duty impact on raw material and high cost raw material inventory carried from last year.

The Company continued to maintain its focus on safe operations and initiated procedures benchmarking with international standards and worldwide leading operators.

Future Outlook

Domestic PVC and Caustic demand is expected to remain stable during 2Q 2015, however, core PVC and Ethylene margins are expected to witness pressure due to rise in Ethylene prices as Ethylene plants in the region undergo turnarounds. Company's product margins will remain under pressure due to high energy prices and any further increase in energy prices could be a possible challenge during next quarter.

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

Karachi
April 16, 2015

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2015

	Note	(Unaudited) March 31, 2015	(Audited) December 31, 2014
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	16,761,828	16,923,190
Intangible assets		48,809	51,847
Long term loans and advances		77,663	66,351
Deferred taxation	6	1,053,253	966,120
		17,941,553	18,007,508
Current Assets			
Stores, spares and loose tools		1,562,561	1,476,761
Stock-in-trade		2,589,171	3,897,503
Trade debts - considered good	7	300,910	554,666
Loans, advances, deposits, prepayments and other receivables	8	387,939	545,081
Taxes recoverable	9	1,141,260	1,092,307
Short term investments		514,637	218,872
Cash and bank balances		525,775	544,017
		7,022,253	8,329,207
TOTAL ASSETS		24,963,806	26,336,715
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(32,860)	(29,757)
Accumulated loss		(1,710,973)	(1,603,926)
		5,854,884	5,965,034
Non-Current Liabilities			
Long term borrowings	10	6,122,755	6,098,708
Derivative financial instruments	11	49,046	44,414
		6,171,801	6,143,122
Current Liabilities			
Current portion of long term borrowings	10	3,027,716	3,016,196
Derivative financial instruments - at fair value through profit or loss	11	4,137	119,571
Service benefit obligations		13,405	39,737
Short term borrowings	12	1,200,000	600,000
Trade and other payables	13	7,138,567	9,346,087
Accrued interest / mark-up		301,251	92,785
Provisions	14	1,252,045	1,014,183
		12,937,121	14,228,559
TOTAL EQUITY AND LIABILITIES		24,963,806	26,336,715
Commitments	15		

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

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

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

	Quarter ended March 31, 2015	Quarter ended March 31, 2014
	Rupees	
Net revenue	6,701,446	5,366,876
Cost of sales	(5,933,689)	(4,607,684)
Gross profit	767,757	759,192
Distribution and marketing expenses	(378,149)	(322,340)
Administrative expenses	(141,855)	(138,340)
Other operating expenses	(67,804)	(36,483)
Other income	6,424	18,908
Operating profit	186,373	280,937
Finance costs	(311,504)	(23,357)
Profit / (Loss) before taxation	(125,131)	257,580
Taxation	18,084	(109,310)
Profit / (Loss) for the period	(107,047)	148,270
Earnings / (Loss) per share - basic and diluted	(0.16)	0.22

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

	Quarter ended	
	March 31, 2015	March 31, 2014
	Rupees	
Profit / (Loss) for the period	(107,047)	148,270
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve		
Gain / (Loss) arising during the period	(13,794)	73,231
Reclassification adjustments for (gains) / losses included in profit and loss	9,162	(26,254)
Income tax relating to hedging reserve	1,529	(15,972)
Other comprehensive gain / (loss) for the period - net of tax	(3,103)	31,005
Total comprehensive income / (loss) for the period	(110,150)	179,275

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
	Rupees				
Balance as at January 1, 2014 (Audited)	6,634,688	964,029	(52,804)	(492,960)	7,052,953
Total comprehensive income for the three months ended March 31, 2014	-	-	31,005	148,270	179,275
Balance as at March 31, 2014 (Unaudited)	6,634,688	964,029	(21,799)	(344,690)	7,232,228
Total comprehensive income for the nine months ended December 31, 2014	-	-	(7,958)	(1,259,236)	(1,267,194)
Balance as at December 31, 2014 (Audited)	6,634,688	964,029	(29,757)	(1,603,926)	5,965,034
Total comprehensive income for the three months ended March 31, 2015	-	-	(3,103)	(107,047)	(110,150)
Balance as at March 31, 2015 (Unaudited)	6,634,688	964,029	(32,860)	(1,710,973)	5,854,884

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

	Note	Quarter ended March 31, 2015	Quarter ended March 31, 2014
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	29,723	(536,591)
Finance costs paid		(89,348)	(40,553)
Long term loans and advances		(11,312)	(9,312)
Income tax (paid) / refunded		(116,473)	(125,000)
Net cash utilized in operating activities		(187,410)	(711,456)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(152,479)	(184,803)
Proceeds from disposal of property, plant and equipment		2,415	3,659
Purchases of short term investments		(67,902)	100,008
Proceeds from disposal of short term investments		68,982	-
Income on short term investments and bank deposits		13,573	18,710
Net cash utilized in investing activities		(135,411)	(62,426)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings		600,000	-
Net cash generated from financing activities		600,000	-
Net (decrease) / increase in cash and cash equivalents		277,179	(773,882)
Cash and cash equivalents at beginning of the period		694,029	998,978
Cash and cash equivalents at end of the period	17	971,208	225,096

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

1. LEGAL STATUS AND OPERATIONS

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

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

The Company is a subsidiary of Engro Corporation Limited (the Holding Company). The address of its registered office is 16th Floor, The Harbor Front Building, HC-3, Marine Drive,Block 4 Clifton, Karachi. 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 supply of surplus power generated from its power plants to Engro Fertilizers Limited.

2. BASIS OF PREPARATION

This consolidated condensed interim financial information of the Company for the three months period ended March 31, 2015 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance takes precedence.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2014.

4. ACCOUNTING ESTIMATES

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

During the preparation of this consolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited financial statements for the year ended December 31, 2014.

(Amounts in thousand)

	(Unaudited) March 31, 2015	(Audited) December 31, 2014
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	16,164,925	16,472,475
Capital work-in-progress	512,847	366,659
Capital spares	84,056	84,056
	16,761,828	16,923,190
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	1,100	3,611
Plant and machinery	4,498	849,384
Furniture, fixtures and equipment	693	29,149
	6,291	882,144

5.2 During the period, assets costing Rs. 9,660 (December 31, 2014: Rs. 34,586), having net book value of Rs. 2,717 (December 31, 2014: Rs. 11,002) were disposed off for Rs. 2,415 (December 31, 2014: Rs. 12,024) and assets costing NIL (December 31, 2014: Rs. 42,747) having net book value of NIL (December 31, 2014: Rs. 8,093) were written off.

	(Unaudited) March 31, 2015	(Audited) December 31, 2014
6. DEFERRED TAXATION	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(3,478,120)	(3,517,629)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 6.1	3,723,195	3,628,101
- recoupable minimum turnover tax - note 6.2	211,278	154,348
- unpaid liabilities	94,290	88,283
- provision against GIDC, custom duty and SED refundable	387,276	314,747
- provision for net realizable value of stocks	35,708	220,655
- provision for slow moving stores and spares	9,028	8,545
- fair value of hedging instruments	16,185	14,657
- share issuance cost, net to equity	54,413	54,413
	4,531,373	4,483,749
	1,053,253	966,120

(Amounts in thousand)

6.1 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 March 31, 2015 amount to Rs. 11,282,407 (December 31, 2014: Rs. 10,994,246).

6.2 Further, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the 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.

	(Unaudited) March 31, 2015	(Audited) December 31, 2014
	Rupees	
7. TRADE DEBTS - considered good		
Secured	196,102	464,597
Unsecured - note 7.1	104,808	90,069
	300,910	554,666

7.1 Includes amounts due from the following related parties:

- Engro Fertilizer Limited	5,203	4,752
- Engro Foods Limited	1,355	1,492
- Mitsubishi Corporation	-	135,342
	6,558	141,586

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

These include receivables from the following related parties:

Engro Fertilizers Limited	28,316	9,754
Engro Vopak Terminal Limited	2,098	-
Engro Elengy Limited	361	-
Engro Corporation Limited	266	-
Engro Foods Limited	34	-
Engro Powergen Qadirpur Limited	9	9
	31,084	9,763

9. TAXES RECOVERABLE

9.1 Tax Year 2008

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

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 ‘under protest’. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order 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 off 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 has filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, during last year, the tax department has also filed reference to 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 consultant, 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 condensed interim financial statements.

9.2 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. 36,689; 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 off by accepting Company’s position except for additions on account of SED provision of Rs. 36,689 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Company has filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, during the last year, the tax department has also filed reference to 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 consultant, 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 condensed financial statements.

(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

10.1

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited March 31, 2015	Audited December 31, 2014
				Rupees	
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	2,531,859	2,530,284
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	567,418	566,842
Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May, 2013	166,667	166,667
Syndicated term finance V	6 months KIBOR+1.5%	8 half yearly	June, 2015	1,323,878	1,322,136
Bilateral loan I	6 months KIBOR +2%	6 half yearly	June, 2016	542,864	542,388
Master Istisna III	6 months KIBOR + 2%	6 half yearly	June 2015	200,000	200,000
Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	April 2016	100,000	100,000
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	2,022,459	1,991,687
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	847,663	847,450
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	847,663	847,450
				9,150,471	9,114,904
Less: Current portion shown under current liabilities				(3,027,716)	(3,016,196)
				6,122,755	6,098,708

10.2 Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and Syndicate banks and under the bilateral loans agreements, the Company is required to comply with certain debt covenants. As at March 31, 2015, the Company is not in compliance with some of these debt covenants and has accordingly notified the concerned financial institutions. Further, the approval from the shareholders is sought for the issuance of preference shares in 2015 by way of right issue amounting to Rs. 4,000,000 to improve Company's financial ratios.

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at March 31, 2015, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 13,334 (December 31, 2014: US $ 13,334) to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

11.2 As at March 31, 2015, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US$ 40,028 (December 31, 2014 : US$ 52,339) to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates. As at March 31, 2015 the fair value of these derivatives is Rs. 4,137 (December 31, 2014 : Rs. 119,571).

12. SHORT TERM BORROWINGS

The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 2,950,000 (December 31, 2014: Rs.2,875,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 1% to 1.25% (December 31, 2014: relevant period KIBOR plus 1% to 1.25%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 8.93% to 10.81% (December 31, 2014: 10.77% to 11.69%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

(Amounts in thousand)

During the year 2014, the Company received a loan from Engro Corporation Limited (The Holding Company) currently amounting to Rs. 600,000, for meeting its working capital requirements. The loan is subordinated to the finances provided to the Company by its banking creditors and carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.

In addition to the above, the company has availed Export Refinance Facility (ERF Part-II) amounting to Rs. 600,000 during the period. The facility carries mark-up at the rate of 6% on rollover basis (180 days facility).

	(Unaudited) March 31, 2015	(Audited) December 31, 2014
	Rupees	
13. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 13.1	5,100,409	7,446,284
Accrued liabilities	1,080,371	1,253,221
Advances from customers - note 13.1	822,359	516,138
Retention money against project payments	11,427	8,733
Security deposits	41,040	35,614
Workers Welfare Fund	52,373	52,373
Withholding tax payable	7,421	8,912
Others - note 13.1	23,167	24,812
	7,138,567	9,346,087

13.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	3,794,825	5,920,255
- Engro Vopak Terminal Limited	92,417	95,479
- Engro Fertilizers Limited	1,284	-
- Engro Corporation Limited	-	1,100
	3,888,526	6,016,834

14. PROVISIONS

Provision for Gas Infrastructure Development Cess - note 14.1	1,161,627	923,765
Provision for duty on import of raw materials	90,418	90,418
	1,252,045	1,014,183

14.1 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. The Federal Government then revised GIDC rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance, 2002. The Company therefore filed a suit before the High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favor of the Company. The stay order restrained Sui Southern Gas Company Limited (SSGCL) from charging any amount of GIDC over and above Rs. 13 per MMBTU till the final decision on this matter.

(Amounts in thousand)

Effective January 1, 2014, GIDC rate was further enhanced to Rs. 100 per MMBTU which remained unchanged till June 30, 2014. Thereafter, through the Finance Act, 2014, the GIDC rate was again increased to Rs. 150 per MMBTU and Rs. 200 per MMBTU for industrial and captive power consumers, respectively.

On August 22, 2014 the Supreme Court of Pakistan upheld the decision of Peshawar High Court, declaring the entire levy of GIDC as unconstitutional against which Federal Government's review petition is pending. However, on September 24, 2014, the Federal Governement promulgated GIDC Ordinance, 2014, (the Ordinance) imposing GIDC on same rates as mentioned in Finance Act, 2014. The Ordinance also validates the levy from its inception notwithstanding any judgement or order of any court. The Company has obtained ad-interim stay order against the Ordinance from the High Court of Sindh.This stay order has restrained SSGCL from charging and / or recovering GIDC under the Ordinance till the final decision on this matter. Further, the enactment of the Ordinance requires approval of the Parliament of Pakistan, which is currently pending.

The Company, based on the advise of its legal council, is of the view that the aforementioned matter will ultimately be decided in its favour, however, based on prudence, the Company has recognized a provision of Rs. 1,161,627, being the financial exposure of differential GIDC as at March 31, 2015.

In the event the Supreme Court maintains its earlier decision by disposing the review petition of the Federal Government and the GIDC Ordinance, 2014 is not enacted retrospectively, the Company's aggregate pre-tax losses for the current year would reduce by Rs. 1,516,722 as a result of reversal of aforementioned GIDC provision of Rs. 1,161,627 and recovery of Rs. 355,095 on account of GIDC already paid.

15. COMMITMENTS

15.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2015 amounts to Rs. 1,165,000 (December 31, 2014: Rs. 1,165,000). The amount utilized there against is Rs. 1,080,939 (December 31, 2014: Rs. 1,080,939).

The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Dawood Hercules Corporation Limited – a related party, for storage and handling of Ethylene Di Chloride and Caustic soda. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till July 31, 2019. The future aggregate lease payments under these arrangements are as follows:

	(Unaudited) March 31, 2015	(Audited) December 31, 2014
	Rupees	
Not later than 1 year	19,967	14,788
Later than 1 year and no later than 5 years	48,000	51,600
	67,967	66,388

(Amounts in thousand)

	Unaudited Quarter ended March 31, 2015	Unaudited Quarter ended March 31, 2014
	Rupees	

16. CASH GENERATED FROM OPERATIONS

	March 31, 2015	March 31, 2014
Profit / (Loss) before taxation	(125,131)	257,580
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	(26,332)	(24,278)
Provision for GIDC	237,862	110,246
Provision for net realizable value of stock-in-trade	(606,545)	55,275
Provision for slow moving stores and spares	1,583	1,323
Depreciation and amortization	314,162	305,047
Income on short term investments and bank deposits	(16,610)	(21,680)
Dividend from subsidiary company	-	-
(Gain) / loss on revaluation of IFC loan	28,800	(191,240)
Net amortization of prepaid financial charges	6,767	1,424
Unrealized foreign exchange loss on derivatives held at fair value through profit and loss	(115,434)	256,088
Finance costs	297,814	236,344
Loss on disposal and Write-off of damaged operating assets	302	4,731
Working capital changes - note 16.1	32,485	(1,527,451)
	29,723	(536,591)

16.1 WORKING CAPITAL CHANGES

	March 31, 2015	March 31, 2014
Decrease / (Increase) in current assets		
Stores, spares and loose tools	(87,383)	18,893
Stock-in-trade	1,914,877	(1,186,310)
Trade debts - considered good	253,756	(23,075)
Loans,advances,deposits,prepayments and other receivables	158,755	(122,319)
	2,240,005	(1,312,811)
Decrease in current liabilities		
Trade and other payables	(2,207,520)	(214,640)
	32,485	(1,527,451)

17. CASH AND CASH EQUIVALENTS

	March 31, 2015	March 31, 2014
Cash and bank balances	525,775	225,096
Short term investments	445,433	-
	971,208	225,096

(Amounts in thousand)

18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this consolidated condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2014.

	Unaudited March 31, 2015				Unaudited March 31, 2014			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Revenue	5,438,045	1,247,809	15,592	6,701,446	4,149,557	1,203,900	13,419	5,366,876
Profit/(Loss) before unallocated expenses	(7,250)	382,639	14,219	**389,608**	(76,164)	509,226	3,790	**436,852**
Unallocated expenses								
Administrative expenses				(141,855)				(138,340)
Other operating expenses				(67,804)				(36,483)
Other operating income				6,424				18,908
Finance costs				(311,504)				(23,357)
Taxation				18,084				(109,310)
Profit/(Loss) after taxation				**(107,047)**				**148,270**

	Unaudited March 31, 2014				Audited December 31, 2013			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	13,944,420	6,045,014	12,827	20,002,261	15,560,768	6,218,330	12,907	21,792,005
Unallocated assets				4,961,545				4,544,710
Total assets				**24,963,806**				**26,336,715**

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

(Amounts in thousand)

19. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Quarter ended March 31, 2015	Unaudited Quarter ended March 31, 2014
		Rupees	
Holding company	Purchase of services	-	13,814
	Mark up on subordinated loan	18,287	20,134
	Use of operating assets	-	85
	Reimbursement made	14,829	10,799
	Reimbursements received	566	159
	Medical contribution	61	165
	Pension fund contribution	577	559
	Provident fund contribution	2,448	1,821
	Gratuity fund contribution	1,690	1,741
Associated companies	Purchase of goods	2,142,338	1,329,225
	Sale of goods	52,395	-
Related parties by virtue of common directorship	Purchase of services	243,779	249,166
	Sale of goods	17,709	22,466
	Sale of services	-	126
	Sale of steam and electricity	20,687	18,481
	Use of operating assets	923	1,317
	Annual Subscription	103	34
	Reimbursement made	16,570	6,460
	Reimbursement received	3,394	2,499
Other related party	Purchase of services	131	-
	Annual Subscription	12	-
Directors' fee		150	300
Key management	Managerial remuneration	20,065	17,472
	Retirement benefits	1,822	3,364
	Bonus	6,949	7,178
	Other benefits	3,748	3,957
Contribution to staff retirement benefits	Provident fund	7,516	10,165
	Gratuity fund	6,261	8,419

20. CORRESPONDING FIGURES

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

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which is not material.

21. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on April 16, 2015 by the Board of Directors of the Company.

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

engro polymer & chemicals

UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED MARCH 31, 2015

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2015

	Note	(Unaudited) March 31, 2015	(Audited) December 31, 2014
		Rupees	
ASSETS			
Non-Current Assets			
Helvetica-LightProperty, plant and equipment	5	16,761,828	16,923,190
Intangible assets		48,809	51,847
Long term investment - at cost		50,000	50,000
Long term loans and advances		77,663	66,351
Deferred taxation	6	1,053,253	966,120
		17,991,553	18,057,508
Current Assets			
Stores, spares and loose tools		1,562,561	1,476,761
Stock-in-trade		2,589,171	3,897,503
Trade debts - considered good	7	300,910	554,666
Loans, advances, deposits, prepayments and other receivables	8	378,548	535,690
Taxes recoverable	9	1,141,277	1,091,859
Short term investments		445,433	150,012
Cash and bank balances		517,972	537,185
		6,935,872	8,243,676
TOTAL ASSETS		24,927,425	26,301,184
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(32,860)	(29,757)
Accumulated loss		(1,737,897)	(1,629,890)
		5,827,960	5,939,070
Non-Current Liabilities			
Long term borrowings	10	6,122,755	6,098,708
Derivative financial instruments	11	49,046	44,414
		6,171,801	6,143,122
Current Liabilities			
Current portion of long term borrowings	10	3,027,716	3,016,196
Derivative financial instruments - at fair value through profit or loss	11	4,137	119,571
Service benefit obligations		13,405	39,737
Short term borrowings	12	1,200,000	600,000
Trade and other payables	13	7,129,110	9,336,520
Accrued interest / mark-up		301,251	92,785
Provisions	14	1,252,045	1,014,183
		12,927,664	14,218,992
TOTAL EQUITY AND LIABILITIES		24,927,425	26,301,184
Commitments	15		

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

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

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

	Quarter ended	
	March 31, 2015	March 31, 2014
	Rupees	
Net revenue	6,701,446	5,366,876
Cost of sales	(5,933,689)	(4,607,684)
Gross profit	767,757	759,192
Distribution and marketing expenses	(378,149)	(322,340)
Administrative expenses	(141,855)	(138,340)
Other operating expenses	(67,683)	(36,364)
Other income	4,870	119,056
Operating profit	184,940	381,204
Finance costs	(311,504)	(26,449)
Profit / (Loss) before taxation	(126,564)	354,755
Taxation	18,557	(109,294)
Profit / (Loss) for the period	(108,007)	245,461
Earnings / (Loss) per share - basic and diluted	(0.16)	0.37

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

	Quarter ended	
	March 31, 2015	March 31, 2014
	Rupees	
Profit / (Loss) for the period	(108,007)	245,461
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Hedging reserve		
Gain / (Loss) arising during the period	(13,794)	73,231
Reclassification adjustments for (gains) / losses included in profit and loss	9,162	(26,254)
Income tax relating to hedging reserve	1,529	(15,972)
Other comprehensive gain / (loss) for the period - net of tax	(3,103)	31,005
Total comprehensive income / (loss) for the period	(111,110)	276,466

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Accumulated loss	Total
	Rupees				
Balance as at January 1, 2014 (Audited)	6,634,688	964,029	(52,804)	(612,103)	6,933,810
Total comprehensive income for the three months ended March 31, 2014	-	-	31,005	245,461	276,466
Balance as at March 31, 2014 (Unaudited)	6,634,688	964,029	(21,799)	(366,642)	7,210,276
Total comprehensive income for the nine months ended December 31, 2014	-	-	(7,958)	(1,263,248)	(1,271,206)
Balance as at December 31, 2014 (Audited)	6,634,688	964,029	(29,757)	(1,629,890)	5,939,070
Total comprehensive income for the three months ended March 31, 2015	-	-	(3,103)	(108,007)	(111,110)
Balance as at March 31, 2015 (Unaudited)	6,634,688	964,029	(32,860)	(1,737,897)	5,827,960

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

	Note	Quarter ended March 31, 2015	Quarter ended March 31, 2014
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	29,900	(537,670)
Finance costs paid		(89,348)	(40,549)
Long term loans and advances		(11,312)	(9,312)
Income tax (paid) / refunded		(116,465)	(124,971)
Net cash utilized in operating activities		(187,225)	(712,502)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(152,479	(184,803)
Proceeds from disposal of property, plant and equipment		2,415	3,659
Income on short term investments and bank deposits		13,497	18,651
Net cash utilized in investing activities		(136,567)	(162,493)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings		600,000	-
Dividend from subsidiary		-	100,000
Net cash generated from financing activities		600,000	100,000
Net (decrease) / increase in cash and cash equivalents		276,208	(774,995)
Cash and cash equivalents at beginning of the period		687,197	994,273
Cash and cash equivalents at end of the period	17	963,405	219,278

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

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

ENGRO POLYMER & CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015

1. LEGAL STATUS AND OPERATIONS

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

The Company is a subsidiary of Engro Corporation Limited (the Holding Company). The address of its registered office is 16th Floor, The Harbor Front Building, HC-3, Marine Drive,Block 4 Clifton, Karachi. 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 supply of surplus power generated from its power plants to Engro Fertilizers Limited.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the three months period ended March 31, 2015 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance takes precedence.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended December 31, 2014.

4. ACCOUNTING ESTIMATES

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

During the preparation of this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited financial statements for the year ended December 31, 2014.

(Amounts in thousand)

	(Unaudited) March 31, 2015	(Audited) December 31, 2014
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	16,164,925	16,472,475
Capital work-in-progress	512,847	366,659
Capital spares	84,056	84,056
	16,761,828	16,923,190
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	1,100	3,611
Plant and machinery	4,498	849,384
Furniture, fixtures and equipment	693	29,149
	6,291	882,144

5.2 During the period, assets costing Rs. 9,660 (December 31, 2014: Rs. 34,586), having net book value of Rs. 2,717 (December 31, 2014: Rs. 11,002) were disposed off for Rs. 2,415 (December 31, 2014: Rs. 12,024) and assets costing NIL (December 31, 2014: Rs. 42,747) having net book value of NIL (December 31, 2014: Rs. 8,093) were written off.

	(Unaudited) March 31, 2015	(Audited) December 31, 2014
6. DEFERRED TAXATION	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(3,478,120)	(3,517,629)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 6.1	3,723,195	3,628,101
- recoupable minimum turnover tax - note 6.2	211,278	154,348
- unpaid liabilities	94,290	88,283
- provision against GIDC, custom duty and SED refundable	387,276	314,747
- provision for net realizable value of stocks	35,708	220,655
- provision for slow moving stores and spares	9,028	8,545
- fair value of hedging instruments	16,185	14,657
- share issuance cost, net to equity	54,413	54,413
	4,531,373	4,483,749
	1,053,253	966,120

(Amounts in thousand)

6.1 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 March 31, 2015 amount to Rs. 11,282,407 (December 31, 2014: Rs. 10,994,246).

6.2 Further, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the 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.

		(Unaudited) March 31, 2015	(Audited) December 31, 2014
		Rupees	
7.	**TRADE DEBTS - considered good**		
	Secured	196,102	464,597
	Unsecured - note 7.1	104,808	90,069
		300,910	554,666
7.1	Includes amounts due from the following related parties:		
	- Engro Fertilizer Limited	5,203	4,752
	- Engro Foods Limited	1,355	1,492
	- Mitsubishi Corporation	-	135,342
		6,558	141,586
8.	**LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**		
	These include receivables from the following related parties:		
	Engro Fertilizers Limited	28,316	9,754
	Engro Vopak Terminal Limited	2,098	-
	Engro Elengy Limited	361	-
	Engro Corporation Limited	266	-
	Engro Foods Limited	34	-
	Engro Powergen Qadirpur Limited	9	9
		31,084	9,763

9. TAXES RECOVERABLE

9.1 Tax Year 2008

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

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 'under protest'. Through his appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order 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 off 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 has filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, during last year, the tax department has also filed reference to 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 consultant, 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 condensed interim financial statements.

9.2 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. 36,689; 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 off by accepting Company's position except for additions on account of SED provision of Rs. 36,689 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Company has filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, during the last year, the tax department has also filed reference to 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 consultant, 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 condensed financial statements.

(Amounts in thousand)

10. LONG TERM BORROWINGS, secured

10.1

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	Unaudited March 31, 2015 (Rupees)	Audited December 31, 2014 (Rupees)
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	2,531,859	2,530,284
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	567,418	566,842
Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May, 2013	166,667	166,667
Syndicated term finance V	6 months KIBOR+1.5%	8 half yearly	June, 2015	1,323,878	1,322,136
Bilateral loan I	6 months KIBOR +2%	6 half yearly	June, 2016	542,864	542,388
Master Istisna III	6 months KIBOR + 2%	6 half yearly	June 2015	200,000	200,000
Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	April 2016	100,000	100,000
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	2,022,459	1,991,687
Bilateral loan II	6 months KIBOR + 1.35%	6 half yearly	June 2017	847,663	847,450
Bilateral loan III	6 months KIBOR + 1.35%	6 half yearly	June 2017	847,663	847,450
				9,150,471	9,114,904
Less: Current portion shown under current liabilities				(3,027,716)	(3,016,196)
				6,122,755	6,098,708

10.2 Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and Syndicate banks and under the bilateral loans agreements, the Company is required to comply with certain debt covenants. As at March 31, 2015, the Company is not in compliance with some of these debt covenants and has accordingly notified the concerned financial institutions. Further, the approval from the shareholders is sought for the issuance of preference shares in 2015 by way of right issue amounting to Rs. 4,000,000 to improve Company's financial ratios.

11. DERIVATIVE FINANCIAL INSTRUMENTS

11.1 As at March 31, 2015, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 13,334 (December 31, 2014: US $ 13,334) to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

11.2 As at March 31, 2015, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US$ 40,028 (December 31, 2014 : US$ 52,339) to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates. As at March 31, 2015 the fair value of these derivatives is Rs. 4,137 (December 31, 2014 : Rs. 119,571).

12. SHORT TERM BORROWINGS

The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 2,950,000 (December 31, 2014: Rs.2,875,000). The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 1% to 1.25% (December 31, 2014: relevant period KIBOR plus 1% to 1.25%) per annum. During the period, the mark-up rates, net of prompt payment rebate, ranged from 8.93% to 10.81% (December 31, 2014: 10.77% to 11.69%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

(Amounts in thousand)

During the year 2014, the Company received a loan from Engro Corporation Limited (The Holding Company) currently amounting to Rs. 600,000, for meeting its working capital requirements. The loan is subordinated to the finances provided to the Company by its banking creditors and carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.

In addition to the above, the company has availed Export Refinance Facility (ERF Part-II) amounting to Rs. 600,000 during the period. The facility carries mark-up at the rate of 6% on rollover basis (180 days facility).

	(Unaudited) March 31, 2015	(Audited) December 31, 2014
	Rupees	
13. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 13.1	5,100,409	7,446,284
Accrued liabilities	1,079,523	1,252,263
Advances from customers - note 13.1	822,359	516,138
Retention money against project payments	11,427	8,733
Security deposits	41,040	35,614
Workers Welfare Fund	43,764	43,764
Withholding tax payable	7,421	8,912
Others - note 13.1	23,167	24,812
	7,129,110	9,336,520

13.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	3,794,825	5,920,255
- Engro Vopak Terminal Limited	92,417	95,479
- Engro Fertilizers Limited	1,284	-
- Engro Corporation Limited	-	1,100
	3,888,526	6,016,834

14. PROVISIONS

Provision for Gas Infrastructure Development Cess - note 14.1	1,161,627	923,765
Provision for duty on import of raw materials	90,418	90,418
	1,252,045	1,014,183

14.1 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. The Federal Government then revised GIDC rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance, 2002. The Company therefore filed a suit before the High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favor of the Company. The stay order restrained Sui Southern Gas Company Limited (SSGCL) from charging any amount of GIDC over and above Rs. 13 per MMBTU till the final decision on this matter.

(Amounts in thousand)

Effective January 1, 2014, GIDC rate was further enhanced to Rs. 100 per MMBTU which remained unchanged till June 30, 2014. Thereafter, through the Finance Act, 2014, the GIDC rate was again increased to Rs. 150 per MMBTU and Rs. 200 per MMBTU for industrial and captive power consumers, respectively.

On August 22, 2014 the Supreme Court of Pakistan upheld the decision of Peshawar High Court, declaring the entire levy of GIDC as unconstitutional against which Federal Government's review petition is pending. However, on September 24, 2014, the Federal Governement promulgated GIDC Ordinance, 2014, (the Ordinance) imposing GIDC on same rates as mentioned in Finance Act, 2014. The Ordinance also validates the levy from its inception notwithstanding any judgement or order of any court. The Company has obtained ad-interim stay order against the Ordinance from the High Court of Sindh.This stay order has restrained SSGCL from charging and / or recovering GIDC under the Ordinance till the final decision on this matter. Further, the enactment of the Ordinance requires approval of the Parliament of Pakistan, which is currently pending.

The Company, based on the advise of its legal council, is of the view that the aforementioned matter will ultimately be decided in its favour, however, based on prudence, the Company has recognized a provision of Rs. 1,161,627, being the financial exposure of differential GIDC as at March 31, 2015.

In the event the Supreme Court maintains its earler decision by disposing the review petition of the Federal Government and the GIDC Ordinance, 2014 is not enacted retrospectively, the Company's aggregate pre-tax losses for the current year would reduce by Rs. 1,516,722 as a result of reversal of aforementioned GIDC provision of Rs. 1,161,627 and recovery of Rs. 355,095 on account of GIDC already paid.

15. COMMITMENTS

15.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at March 31, 2015 amounts to Rs. 1,165,000 (December 31, 2014: Rs. 1,165,000). The amount utilized there against is Rs. 1,080,939 (December 31, 2014: Rs. 1,080,939).

15.2 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited and Dawood Hercules Corporation Limited – a related party, for storage and handling of Ethylene Di Chloride and Caustic soda. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till July 31, 2019. The future aggregate lease payments under these arrangements are as follows:

	(Unaudited) March 31, 2015		(Audited) December 31, 2014
		Rupees	
Not later than 1 year	19,967		14,788
Later than 1 year and no later than 5 years	48,000		51,600
	67,967		66,388

(Amounts in thousand)

16. CASH GENERATED FROM OPERATIONS

	Unaudited Quarter ended March 31, 2015	Unaudited Quarter ended March 31, 2014
	Rupees	
Profit / (Loss) before taxation	(126,564)	354,755
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	(26,332)	(24,278)
Provision for GIDC	237,862	110,246
Provision for net realizable value of stock-in-trade	(606,545)	55,275
Provision for slow moving stores and spares	1,583	1,323
Depreciation and amortization	314,162	305,047
Income on short term investments and bank deposits	(15,110)	(18,651)
Dividend from subsidiary company	-	(100,000)
(Gain) / loss on revaluation of IFC loan	28,800	(191,240)
Net amortization of prepaid financial charges	6,767	1,424
Unrealized foreign exchange loss on derivatives held at fair value through profit and loss	(115,434)	256,088
Finance costs	297,814	236,340
Loss on disposal and Write-off of damaged operating assets	302	4,731
Working capital changes - note 16.1	32,595	(1,528,730)
	29,900	(537,670)

16.1 WORKING CAPITAL CHANGES

	March 31, 2015	March 31, 2014
Decrease / (Increase) in current assets		
Stores, spares and loose tools	(87,383)	18,893
Stock-in-trade	1,914,877	(1,186,310)
Trade debts - considered good	253,756	(23,075)
Loans,advances,deposits,prepayments and other receivables	158,755	(123,540)
	2,240,005	(1,314,032)
Decrease in current liabilities		
Trade and other payables	(2,207,410)	(214,698)
	32,595	(1,528,730)

17. CASH AND CASH EQUIVALENTS

	March 31, 2015	March 31, 2014
Cash and bank balances	517,972	219,278
Short term investments	445,433	-
	963,405	219,278

(Amounts in thousand)

18. SEGMENT INFORMATION

18.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2014.

	Unaudited March 31, 2015				Unaudited March 31, 2014			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
				Rupees				
Revenue	5,438,045	1,247,809	15,592	6,701,446	4,149,557	1,203,900	13,419	5,366,876
Profit/(Loss) before unallocated expenses	(7,250)	382,639	14,219	**389,608**	(76,164)	509,226	3,790	**436,852**
Unallocated expenses								
Administrative expenses				(141,855)				(138,340)
Other operating expenses				(67,683)				(36,364)
Other operating income				4,870				119,056
Finance costs				(311,504)				(26,449)
Taxation				18,557				(109,294)
Profit/(Loss) after taxation				**(108,007)**				**245,461**

	Unaudited March 31, 2014				Audited December 31, 2013			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
				Rupees				
Total segment assets	13,944,420	6,045,014	12,827	20,002,261	15,560,768	6,218,330	12,907	21,792,005
Unallocated assets				4,925,164				4,509,179
Total assets				**24,927,425**				**26,301,184**

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

(Amounts in thousand)

19. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Quarter ended March 31, 2015	Unaudited Quarter ended March 31, 2014
		Rupees	
Holding company	Purchase of services	-	13,814
	Mark up on subordinated loan	18,287	20,134
	Use of operating assets	-	85
	Reimbursement made	14,829	10,799
	Reimbursements received	566	159
	Medical contribution	61	165
	Pension fund contribution	577	559
	Provident fund contribution	2,448	1,821
	Gratuity fund contribution	1,690	1,741
Associated companies	Purchase of goods	2,142,338	1,329,225
	Sale of goods	52,395	-
Related parties by virtue of common directorship	Purchase of services	243,771	249,166
	Sale of goods	17,709	22,466
	Sale of services	-	126
	Sale of steam and electricity	20,687	18,481
	Use of operating assets	923	1,317
	Annual Subscription	103	34
	Reimbursement made	16,578	6,460
	Reimbursement received	3,394	2,499
Other related party	Purchase of services	131	-
	Annual Subscription	12	-
Directors' fee		150	300
Key management	Managerial remuneration	20,065	17,472
	Retirement benefits	1,822	3,364
	Bonus	6,949	7,178
	Other benefits	3,748	3,957
Contribution to staff retirement benefits	Provident fund	7,516	10,165
	Gratuity fund	6,261	8,419

20. CORRESPONDING FIGURES

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

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which is not material.

21. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 16, 2015 by the Board of Directors of the Company.

Khalid Siraj Subhani
President & Chief Executive

Kimihide Ando
Director

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