



engro polymer & chemicals

**FINANCIAL STATEMENTS FOR THE  
PERIOD ENDED JUNE 30, 2020**

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## COMPANY INFORMATION

<b>Chairman</b>	Mr. Ghiasuddin Khan
<b>Chief Executive Officer</b>	Mr. Jahangir Piracha
<b>Directors</b>	Mr. Eram Hasan Mr. Feroz Rizvi Mr. Noriyuki Koga Mr. Nadir Salar Quershi Mr. Nazoor Ali Baig Mr. Rizwan Masood Raja
<b>Board Audit Committee</b>	Mr. Feroz Rizvi Mr. Noriyuki Koga Mr. Nazoor Ali Baig Mr. Eram Hasan
<b>Chief Financial Officer</b>	Mr. Syed Abbas Raza
<b>Company Secretary</b>	Mr. Khawaja Haider Abbas
<b>Corporate Audit Manager</b>	Mr. Kalimuddin A. Khan
<b>Bankers / Lenders</b>	Allied Bank Ltd Askari Bank Ltd Al Baraka Bank (Pakistan) Limited Bank Alfalah Ltd Bank Al Habib Ltd Bank of China Bank Islami Pakistan Ltd Citi NA Dubai Islamic Bank Pakistan Ltd Faysal Bank Ltd Habib Bank Ltd Habib Metropolitan Bank Ltd Industrial & Commercial Bank of China Ltd JS Bank Ltd MCB Bank Ltd MCB Islamic Bank Ltd Meezan Bank Ltd National Bank of Pakistan Standard Chartered Bank Ltd Summit Bank Ltd Samba Bank Ltd The Bank of Punjab United Bank Ltd
<b>Auditors</b>	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
<b>Registered Office</b>	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal. Karach
<b>Plant</b>	EZ/1/P-11-1, Eastern Zone, Bin Qasim, Karachi
<b>Regional Sales Office</b>	Office No. 601, 6th Floor, Haly Tower, Lalik Chowk, DHA, Lahore UAN: 111 211 211
<b>Share Registrar</b>	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
<b>Website</b>	<a href="http://www.engropolymer.com">www.engropolymer.com</a>

**ENGRO POLYMER & CHEMICALS LIMITED**  
**DIRECTOR'S REVIEW TO THE SHAREHOLDERS**  
**ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**

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 six months ended June 30, 2020

**Business Review**

International commodity market remained turbulent during Q2'2020 amid COVID related lockdowns. International PVC prices saw a steep decline largely driven by weakening demand due to the pandemic and accumulation of inventory in China. However, the trajectory reversed near the end of the quarter with improvement in demand worldwide. On the other hand, Ethylene prices demonstrated huge drop due to lower demand and steep decline in crude oil prices. However, later in the quarter, prices started to increase as demand for plastics emanated from easing lockdowns in China and recovery in crude oil prices.

As the COVID-19 pandemic swept across the country, in Q2 2020, demand in general dampened in domestic market. EPCL's operations were also temporarily suspended in response to government mandated restrictions. The production activities resumed on April 20<sup>th</sup> after formalization of standard operating procedures, processes, and tools in line with GoS guidelines to ensure the safety of our employees and stakeholders. As the lockdown conditions started easing off, demand for PVC also started recovering in May and June.

Textile segment was also adversely impacted by the pandemic. Although, it was recognized as an essential industry by the government, demand in textile sector remained lower than usual due to marketplaces shutdown. Textile exports also suffered due to the impact of slowdown at the regional and global level. Resultantly, demand for Chlor-Alkali products was also slower than usual.

Construction work related to PVC expansion and VCM debottlenecking projects were also temporarily suspended due to government mandated lockdowns. However, post the implementation of SOPs, construction work resumed effective May 21<sup>st</sup>, 2020. Completion timelines with respect to ongoing projects have been revised, and we are now targeting COD of PVC expansion and VCM DBN in the first quarter of 2021. Currently work on other announced projects is on hold and the timelines are being reviewed. The Company remains committed to these projects and will inform the shareholders once there is further visibility of the impact on project completion timelines.

In the context of COVID 19 and resultant impact on business, the Company, in 1H 2020, recorded a revenue of Rs. 12,874 million compared to Rs. 18,600 million in the same period last year. The Company posted a Profit After Tax of Rs. 223 million translating into an Earnings Per Share of Rs. 0.24 compared to a Profit After Tax of Rs. 1,544 million translating into Earnings Per Share of Rs. 1.70 for the same period last year. Plant shutdown due to gas leakage, suspension of operations due to COVID-19 and low demand for PVC and Caustic owing to market shutdown resulted in the decline of Revenue and Profitability. The Company, on the other hand, saw a surge in demand of its products post plant opening after the government announced lockdown was eased.

**Future Outlook**

With lockdowns easing worldwide and declining cases in Pakistan, we foresee an improvement in domestic demand. However, government interventions related to COVID 19 would play a key role in industry performance going forward. International market, on the other hand, would be dominated by the pandemic's situation as fears of second wave and hopes for vaccine development continue to cloud the judgement of traders globally.

Ensuring safe operations at base plant by following GoS mandated SOPs developed to prevent the spread of COVID-19, completion of on-going projects safely and within communicated timelines, and optimizing of fixed cost would be key focus areas for the Company during 2<sup>nd</sup> half of 2020.



Jahangir Piracha  
Chief Executive



Feroz Rizvi  
Director

**ENGRO POLYMER AND CHEMICALS LIMITED  
CONSOLIDATED CONDENSED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2020**



**INDEPENDENT AUDITORS' REVIEW REPORT**

**To the members of Engro Polymer and Chemicals Limited**

**Report on review of Consolidated Condensed Interim Financial Statements**

**Introduction**

We have reviewed the accompanying consolidated condensed interim statement of financial position of Engro Polymer and Chemicals Limited and its subsidiaries (the Group) as at June 30, 2020 and the related consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows, and notes to the consolidated condensed interim financial statements for the half year then ended (here-in-after referred to as the "consolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these consolidated condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

The figures of the consolidated condensed interim statement of profit or loss and consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2020.


**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Farrukh Rehman.

  
**Chartered Accountants  
Karachi  
Date: August 26, 2020**

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

(Amounts in thousand)

	Note	(Unaudited) June 30, 2020	(Audited) December 31, 2019
-----Rupees-----			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	35,120,165	31,433,441
Right-of-use asset		2,539,819	2,747,801
Intangible assets		97,673	78,966
Financial assets at amortized cost	7	5,881,750	5,421,150
Long-term loans and advances		36,624	72,078
Deferred tax asset	8	382,598	115,822
		<u>44,058,629</u>	<u>39,869,258</u>
<b>Current Assets</b>			
Stores, spares and loose tools		1,538,287	1,568,929
Stock-in-trade	9	4,198,228	4,302,841
Trade debts - considered good	10	391,242	469,613
Loans, advances, deposits, prepayments and other receivables	11	1,499,718	1,035,144
Income tax payments less provision		269,089	85,522
Financial assets at fair value through profit and loss		9,478,913	9,395,853
Cash and bank balances		554,286	792,057
		<u>17,929,763</u>	<u>17,649,959</u>
<b>TOTAL ASSETS</b>		<u><u>61,988,392</u></u>	<u><u>57,519,217</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Unappropriated profits		4,852,798	4,811,970
		<u>17,816,984</u>	<u>17,776,156</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	12	19,873,278	19,388,880
Lease liabilities		4,368,657	4,543,830
		<u>24,241,935</u>	<u>23,932,710</u>
<b>Current Liabilities</b>			
Current portion of lease liabilities		1,101,752	987,487
Service benefit obligations		48,255	61,049
Short-term borrowings		3,063,782	2,158,836
Trade and other payables	13	8,908,931	6,547,455
Unclaimed dividend		29,297	31,333
Derivative financial instruments		-	154
Accrued interest / mark-up		754,564	366,272
Provisions	14	6,022,892	5,657,765
		<u>19,929,473</u>	<u>15,810,351</u>
		<u>44,171,408</u>	<u>39,743,061</u>
<b>Contingencies and Commitments</b>	15		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>61,988,392</u></u>	<u><u>57,519,217</u></u>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



**Chief Executive**  
**Jahangir Piracha**



**Chief Financial Officer**  
**Syed Abbas Raza**



**Director**  
**Feroz Rizvi**

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**

(Amounts in thousand except for earnings per share)

	Quarter ended		Half year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	-----Rupees-----			
Net revenue	5,816,352	9,256,687	12,874,294	18,600,321
Cost of sales	(5,245,380)	(7,286,786)	(10,968,700)	(14,715,359)
<b>Gross profit</b>	<b>570,972</b>	<b>1,969,901</b>	<b>1,905,594</b>	<b>3,884,962</b>
Distribution and marketing expenses	(40,878)	(56,800)	(113,203)	(150,289)
Administrative expenses	(133,058)	(163,295)	(246,983)	(282,670)
Other expenses	(101,905)	(963,974)	(640,188)	(1,088,639)
Other income	325,357	227,157	687,506	437,613
<b>Operating profit</b>	<b>620,488</b>	<b>1,012,989</b>	<b>1,592,726</b>	<b>2,800,977</b>
Finance costs	(599,221)	(459,224)	(1,366,881)	(727,588)
<b>Profit for the period before taxation</b>	<b>21,267</b>	<b>553,765</b>	<b>225,845</b>	<b>2,073,389</b>
Taxation	8,515	(101,829)	(3,224)	(528,995)
<b>Profit for the period after taxation</b>	<b>29,782</b>	<b>451,936</b>	<b>222,621</b>	<b>1,544,394</b>
<b>Earnings per share - basic and diluted</b>	<b>0.03</b>	<b>0.50</b>	<b>0.24</b>	<b>1.70</b>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



**Chief Executive**  
**Jahangir Piracha**



**Chief Financial Officer**  
**Syed Abbas Raza**



**Director**  
**Feroz Rizvi**



**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
-----Rupees-----				
<b>Profit for the period after taxation</b>	29,782	451,936	222,621	1,544,394
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Gain on cashflow hedge during the period	-	353,050	-	353,050
Deferred tax charge relating to cashflow hedge	-	(102,385)	-	(102,385)
Other comprehensive income for the period - net of tax	-	250,665	-	250,665
<b>Total comprehensive income for the period</b>	<b>29,782</b>	<b>702,601</b>	<b>222,621</b>	<b>1,795,059</b>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



**Chief Executive**  
**Jahangir Piracha**



**Chief Financial Officer**  
**Syed Abbas Raza**



**Director**  
**Feroz Rizvi**

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**


(Amounts in thousand)

	CAPITAL		RESERVES		Total
	Share capital	Share premium	Hedging reserve	Unappropriated profit	
-----Rupees-----					
<b>Balance as at January 1, 2019 (Audited)</b>	9,089,233	3,874,953	-	1,933,964	14,898,150
<b>Transaction with owners</b>					
Final cash dividend for the year ended December 31, 2018 - Re. 0.30 per share	-	-	-	(272,677)	(272,677)
<b>Total comprehensive income for the half year ended June 30, 2019</b>					
Profit for the half year ended June 30, 2019	-	-	-	1,544,394	1,544,394
Other comprehensive income for the half year ended June 30, 2019	-	-	250,665	-	250,665
	-	-	250,665	1,544,394	1,795,059
<b>Balance as at June 30, 2019 (Unaudited)</b>	9,089,233	3,874,953	250,665	3,205,681	16,420,532
<b>Transaction with owners</b>					
Interim cash dividend for the year ended December 31, 2019 - Re. 0.60 per share	-	-	-	(545,354)	(545,354)
<b>Total comprehensive income for the half year ended December 31, 2019</b>					
Profit for the half year ended December 31, 2019	-	-	-	2,151,643	2,151,643
Other comprehensive loss for the half year ended December 31, 2019	-	-	(250,665)	-	(250,665)
	-	-	(250,665)	2,151,643	1,900,978
<b>Balance as at December 31, 2019 (Audited)</b>	9,089,233	3,874,953	-	4,811,970	17,776,156
<b>Transaction with owners</b>					
Final cash dividend for the year ended December 31, 2019 - Re. 0.20 per share	-	-	-	(181,793)	(181,793)
<b>Total comprehensive income for the half year ended June 30, 2020</b>					
Profit for the half year ended June 30, 2020	-	-	-	222,621	222,621
Other comprehensive income for the half year ended June 30, 2020	-	-	-	-	-
	-	-	-	222,621	222,621
<b>Balance as at June 30, 2020 (Unaudited)</b>	9,089,233	3,874,953	-	4,852,798	17,816,984

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



**Chief Executive**  
**Jahangir Piracha**



**Chief Financial Officer**  
**Syed Abbas Raza**



**Director**  
**Feroz Rizvi**

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**

(Amounts in thousand)

	Note	Half year ended	
		June 30, 2020	June 30, 2019
-----Rupees-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	16	4,698,621	5,271,713
Long-term loans and advances		35,454	(9,055)
Retirement benefits paid		(39,086)	(36,382)
Income tax paid		(453,567)	(126,269)
<b>Net cash generated from operating activities</b>		<b>4,241,422</b>	<b>5,100,007</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(4,249,653)	(6,756,329)
Purchases of intangible assets		-	(75,551)
Proceeds from disposal of property, plant and equipment		-	204
Income on short-term investment and bank deposits		627,328	408,194
<b>Net cash utilized in investing activities</b>		<b>(3,622,325)</b>	<b>(6,423,482)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of long-term borrowings		-	(7,500,000)
Proceed from issuance of Sukuk bonds - net of transaction cost		-	8,601,540
Finance costs paid		(830,902)	(388,752)
Lease rentals paid		(664,023)	(576,499)
Dividend payment		(183,829)	(299,344)
<b>Net cash utilized in financing activities</b>		<b>(1,678,754)</b>	<b>(163,055)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,059,657)</b>	<b>(1,486,530)</b>
Cash and cash equivalents at the beginning of the period		8,029,074	9,160,054
<b>Cash and cash equivalents at the end of the period</b>	17	<b>6,969,417</b>	<b>7,673,524</b>

The annexed notes 1 to 24 form an integral part of these consolidated condensed interim financial statements.



**Chief Executive**  
**Jahangir Piracha**



**Chief Financial Officer**  
**Syed Abbas Raza**



**Director**  
**Feroz Rizvi**

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL**  
**STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**

(Amounts in thousand)

**1. LEGAL STATUS AND OPERATIONS**

- 1.1 The "Group" consists of Engro Polymer and Chemicals Limited and its wholly owned subsidiary companies, Think PVC (Private) Limited, Engro Peroxide (Private) Limited and Engro Plasticizer (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 The registered office of the Company is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/II/P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the 6th Floor, Haly Tower Office, Lalik Chowk, Phase II, DHA, Lahore.
- 1.4 During the period, major turnaround maintenance was planned resulting in closure of plant. Further, on March 6, 2020, the Company's management reported an isolated incident of gas leak occurred at the Engro Polymer & Chemicals Plant, Port Qasim happened on March 6, 2020, through Pakistan Stock Exchange (PSX). On March 9, 2020, the Company's management reported through PSX that a notice under Section 21(2) of Sindh Environmental Protection Act, 2014 was received from the Environmental Protection Agency of Government of Sindh directed the Company to stop all production activities at the plant and fixed a hearing on March 10, 2020. On March 16, 2020, the Company's management reported through PSX the resumption of production activities in its plant. Due to the incident the production facilities of the Company were closed from March 9, 2020 to March 16, 2020.
- 1.5 On February 14, 2020, the shareholders of the Company in the Extra Ordinary General Meeting has passed a special resolution to authorize Company to issue perpetual, cumulative, convertible listed preference shares of Rs. 3,000,000,000 by way of pre-IPO placements and public offering at a price of Rs. 10 per share in cash, carrying markup of 6 months KIBOR + 3.5%. The Company will have an option to call and redeem in full or in part after the expiry of twelve months from the issue date. The preference shares may be convertible into ordinary shares of the Company at the option of the preference shares holder after the expiry of eighty months from the issue date based on 1:1 ratio. The Company is in the process of fulfilling the legal formalities before the issue.
- 1.6 Furthermore, during the period, Engro Plasticizer in their meeting held on February 4, 2020 have approved to discontinue the Chlorine Paraffin Wax project.

**(Amounts in thousand)****2. BASIS OF PREPARATION****2.1 Statement of compliance**

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

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

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

- 2.2 These consolidated condensed interim financial statements for the half year ended June 30, 2020 are unaudited. However, these have been subjected to limited scope review by the statutory auditors of the Company and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Limited and section 237 of the Act.

These consolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended December 31, 2019.

- 2.3 These condensed interim financial statements denote the consolidated financial statements of the Group. The unconsolidated condensed interim financial statements of the Company and its subsidiary have been presented separately.

**3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN**

- 3.1 The significant accounting policies and the methods of computation applied in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual audited consolidated financial statements of the Group for the year ended December 31, 2019.

There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2020. These are considered not to have any significant effect on the Group's financial reporting and operations and are, therefore, not disclosed in these consolidated condensed interim financial statements.

- 3.2 The financial risk management objectives and policies of the Group are also consistent with those disclosed in the annual audited consolidated financial statements of the Group for the year ended December 31, 2019.

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

**4. ACCOUNTING ESTIMATES**

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

**(Amounts in thousand)**

The significant estimates, judgments and assumptions made by the management in the preparation of the consolidated condensed interim financial statements are the same as those that were applied in the audited financial statements of the Group as at and for the year ended December 31, 2019 except for changes in the management assessment in relation to projections of future taxable income and tax planning strategies for recognition of deferred tax asset. However, the change has no material impact on the consolidated condensed interim financial statements.

**5. IMPACT OF COVID-19**

During the period, the World Health Organisation (WHO) declared COVID-19 (the Virus) a pandemic. Covid-19 has impacted the global economy significantly. Due to the COVID situation, as per the government directives there was a complete lockdown for a period of approximately 1 month from March 23, 2020 and production facilities of the Company were closed till the end of April 2020. As a result of lockdown, significant decline was observed in the sales of the Company. Moreover, the production of goods by the Company was halted in the aforementioned period. Overall, costs came out on the higher side due to lower production volumes and higher gas prices versus same period last year. The above factors have majorly contributed to the decline in profits for the period.

On March 31, 2020, the Company's management reported a foreseeable delay in the Liner Alkyl Benzene Sulphonic Acid (LABSA) and Hydrogen Peroxide, through PSX, on account of COVID-19 in Pakistan. Further, on April 23, 2020, the Company's management reported foreseeable delays in PVC 3 & VCM Debottlenecking projects through PSX and has issued Force Majeure Notices to its contractors working on these projects, on account of COVID-19 in Pakistan. Moreover, the Company's management remains committed to these projects.

Expansion projects were also impacted as some of the equipment deliveries and project construction work was also suspended as a precautionary measure. From May, production and sales were resumed and business has recovered well to date. Activities on expansion projects have also been resumed and work is now progressing as per the schedule. Based on the Company's management assessment no impairment loss has been recognized.

	<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
-----Rupees-----		

**6. PROPERTY, PLANT AND EQUIPMENT**

Operating assets, at net book value - notes 6.1 and 6.2	18,703,606	18,305,349
Capital work-in-progress - note 6.3	16,352,767	13,064,300
Capital spares	63,792	63,792
	<u>35,120,165</u>	<u>31,433,441</u>

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

Leasehold land	-	939,528
Building on leasehold land	44,126	1,980
Plant and machinery	866,514	1,627,267
Pipeline - EDC	-	98,288
Furniture, fixtures and equipment	64,579	82,618
Vehicles	5,608	3,571
	<u>980,827</u>	<u>2,753,252</u>

**(Amounts in thousand)**

6.2 During the period, computer hardware equipment costing Rs. 424 (December 31, 2019: Rs. 10,091), having net book value of Rs. 322 (December 31, 2019: Rs. 3,607) was disposed off for Rs. Nil (December 31, 2019: Rs. 2,809). Further, as an outcome of physical verification exercise carried out in respect of furniture, fixtures and equipment and vehicles, assets having cost of Rs. 107,003 (December 31, 2019: Nil) having net book value of Rs. 5,440 (December 31, 2019: Nil) have been written off.

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

	<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
	-----Rupees-----	
Balance as the beginning of the period / year	13,064,300	2,751,067
Add: Additions during the period / year - note 6.3.1	4,249,653	13,114,040
Add: Borrowing cost capitalized during the period	56,706	-
Less: Write-off of plant and machinery items	(6,000)	-
Less: Transferred to:		
- Operating assets	(980,827)	(2,753,252)
- Intangible assets	(31,065)	(47,555)
	<u>16,352,767</u>	<u>13,064,300</u>

6.3.1 As at June 30, 2020, this includes procurement of goods from Chematur Engineering AB and China TianChen Engineering Corporation amounted to Rs. 513,111 (December 31, 2019: Rs 317,292) and Rs. 217,000 (December 31, 2019: Rs. Nil) respectively for Engro Peroxide (Private) Limited hydrogen peroxide plant. The plant is intended for construction on the land to be sub-let, subject to the approval of Port Qasim Authority, by the Company at Port Bin Qasim Industrial Area.

	<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
	-----Rupees-----	

**7. FINANCIAL ASSETS AT AMORTIZED COST**

Investment in Term Deposit Receipts - note 7.1	<u>5,881,750</u>	<u>5,421,150</u>
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7.1 These denote term deposits aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited. These carry profit at the rate of 2.79% per annum and are due to mature in six equal semi-annual installments of \$ 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

(Amounts in thousand)

<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
--	--

-----Rupees-----

**8. DEFERRED TAXATION**

Debit balances arising due to:

- recoupable carried forward tax losses	7,726	1,267
- recoupable minimum turnover tax - note 15.2	702,782	558,991
- recoupable alternative corporate tax	369,179	369,179
- unpaid liabilities	135,327	128,170
- leases recognized under IFRS 16	824,498	783,120
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,554,005	1,451,279
- provision for slow moving stores and spares	102,345	102,345
- provision for bad debts	2,055	2,055
- share issuance cost, net to equity	57,830	57,830
	3,755,747	3,454,236

Credit balances arising due to:

- accelerated tax depreciation	(3,373,194)	(3,338,459)
--------------------------------	-------------	-------------

	382,553	115,777
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**9. STOCK-IN-TRADE**

9.1 This includes stock held at Engro Vopak Terminal Limited, a related party, as at June 30, 2020 amounted Rs. 869,795 (December 31, 2019: 1,284,031).

9.2 This includes carrying value of trading product, net of realizable value reduction of Rs. 9,078 (December 31, 2019: Nil).

<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
--	--

-----Rupees-----

**10. TRADE DEBTS**

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	14,018	6,176
- Engro Powergen Thar (Private) Limited	-	599
	14,018	6,775



(Amounts in thousand)

Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees-----	

#### 11. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	532	2,119
- Sindh Engro Coal Mining Company Limited	-	53
- FrieslandCampina Engro Pakistan Limited	-	5
- Engro Corporation Limited	-	23,725
- Engro Energy Limited	-	1,531
- Engro Powergen Qadirpur Limited	-	9
	532	27,442
	532	27,442

#### 12. LONG-TERM BORROWINGS

- Loan from International Finance Corporation (IFC) - notes 12.1	5,811,695	5,343,839
- Bilateral Loan - notes 12.2	5,421,500	5,421,500
- Sukuk certificates - note 12.3	8,640,083	8,623,541
	19,873,278	19,388,880
Less: Current portion shown under current liabilities	-	-
	19,873,278	19,388,880
	19,873,278	19,388,880

- 12.1 In 2018, the Company had entered into a financing agreement with International Finance Corporation for a total of US Dollars 35,000 the draw down of which was made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

The borrowing is by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

- 12.2 In 2019, the Company entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). The principal is repayable in six semi-annual installments commencing from July 2021 and carries a markup at a rate of six months KIBOR plus 0%, payable semi annually.

The borrowing is secured by way of hypothecation charge of present and future fixed assets of the Company (except land and building), ranking subordinate and subservient to the charges created in favour of the existing creditors, and a lien and a right of set-off over the Term Deposit Receipt maintained with DIBPL as referred to in note 7.

- 12.3 In 2019, the Company issued sukuk bonds of Rs. 8,750,000 to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal annual installments of Rs. 1,750,000 each with the first repayment commencing in July 2024. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

(Amounts in thousand)

Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees-----	

**13. TRADE AND OTHER PAYABLES**

Include amounts due to the following related parties:

- Engro Corporation Limited	181,744	88,305
- Engro Fertilizers Limited	32,000	40,926
- Engro Powergen Thar (Private) Limited	613	613
- Engro Energy Limited	65	-
- Engro Vopak Terminal Limited	155,294	139,849
	<u>369,716</u>	<u>269,693</u>

**14. PROVISIONS**

- Provision for Gas Infrastructure Development Cess	5,505,500	5,140,373
- Provision for gas price revision	517,392	517,392
	<u>6,022,892</u>	<u>5,657,765</u>

**15. CONTINGENCIES AND COMMITMENTS**

- 15.1 The material change in the contingencies from those disclosed in the annual consolidated financial statements for the year ended December 31, 2019, is stated in following note.
- 15.2 Through the notice dated January 20, 2020 the Additional Commissioner Inland Revenue (ACIR) raised issues inter alia with respect to the adjustment of carried forward minimum taxes from the tax liability of Tax Year 2019 and required the Company to pay Rs. 552,331 being the amount short paid with the return. The Company filed a Constitutional Petition in the High Court of Sindh (SHC) challenging the notice, which through order dated February 4, 2020, dismissed the case based on the decision of the SHC in respect of another company. However, the SHC directed the department to refrain from passing the order on the bases of the aforesaid notice for a period of thirty days which was then extended for further 30 days to enable the Company to approach the Supreme Court (SC). The Company has filed Civil Petition for Leave to Appeal I against SHC order in Supreme Court, which was heard on March 18, 2020 and an interim stay has been granted to the Company subject to the submission of Bank Guarantee equivalent to the order amount, which has been duly submitted by the Company. The Company based on legal advisor view continues to recognise a deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 143,791 (December 31, 2019: Rs. 21,486) based on its financial projections, expects to recoup it in the ensuing years.
- 15.3 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at June 30, 2020 amounts to Rs. 3,248,000 (December 31, 2019: Rs. 3,248,000). The amount utilized there against as at June 30, 2020 is Rs.2,718,918 (December 31, 2019: Rs. 2,166,587).
- 15.4 The facility for opening letters of credit as at June 30, 2020 aggregates to Rs. 25,790,865 (December 31, 2019: Rs. 29,607,000). The amount utilized thereagainst as at June 30, 2020 Rs. 5,419,775 (December 31, 2019: Rs. 4,336,782). These facilities carry commission at rates running between 0.05% and 0.1% (December 31, 2019: 0.05% and 0.1%).
- 15.5 The Group has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited for the storage and handling of Ethylene Di Chloride (EDC) in respect of which future lease commitments aggregate to Rs. 4,950 (December 31, 2019 : Rs Nil). The rentals shall be settled within a period of 1 year.

(Amounts in thousand)

	<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
	-----Rupees-----	
15.6 Commitments in respect of capital commitments and other operational items	2,499,497	3,090,692
	<b>Unaudited June 30, 2020</b>	<b>Unaudited June 30, 2019</b>
	-----Rupees-----	
<b>16. CASH GENERATED FROM OPERATIONS</b>		
16.1 Profit for the period before taxation	225,845	2,073,389
<b>Adjustments for non-cash charges and other items:</b>		
Provision for staff retirement and other service benefits	26,292	22,258
Provision for GIDC	365,127	510,697
Write-off of trade debts	331	-
Provision for net realizable value of stock-in-trade, net	9,078	-
Write-off of stores and spares	4,330	-
Depreciation on operating assets	576,808	584,938
Write-off of operating assets	11,440	-
Depreciation on Right-of-use asset	207,982	200,024
Amortization on intangible asset	12,358	8,340
Income on short-term investments and bank deposits	(627,328)	(408,194)
Amortisation of transaction cost on sukuks and IFC loan	21,498	11,000
Gain on derivative financial instrument	(154)	(26,338)
Exchange loss on revaluation of financial asset and liabilities	447,940	781,871
Interest cost on IFRS 16	157,475	158,271
Finance costs	1,162,488	558,317
Loss/(gain) on disposal of operating assets - note 6.2	322	(161)
Working capital changes - note 16.2	2,096,789	797,301
	<u>4,698,621</u>	<u>5,271,713</u>
16.2 <b>Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	26,312	69,214
Stock-in-trade	95,535	(159,713)
Trade debts - considered good	78,040	(79,505)
Loans, advances, deposits, prepayments and other receivables - net	(464,574)	614,301
	(264,687)	444,297
<b>Increase in current liabilities</b>		
Trade and other payables	2,361,476	353,004
	<u>2,096,789</u>	<u>797,301</u>
<b>17. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	554,286	838,353
Financial assets at fair value through profit and loss	9,478,913	6,835,171
Short-term borrowings	(3,063,782)	-
	<u>6,969,417</u>	<u>7,673,524</u>

**(Amounts in thousand)****18. SEGMENT INFORMATION**

18.1 The basis of segmentation and reportable segments presented in these consolidated condensed interim financial statements are same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

	June 30, 2020				June 30, 2019			
	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								
At a point in time	10,957,451	1,784,056	-	12,741,507	15,635,994	2,930,263	-	18,566,257
Over time	-	-	37,742	37,742	-	-	34,064	34,064
	<u>10,957,451</u>	<u>1,784,056</u>	<u>37,742</u>	<u>12,779,249</u>	<u>15,635,994</u>	<u>2,930,263</u>	<u>34,064</u>	<u>18,600,321</u>
Cost of sales	(9,662,927)	(1,613,391)	(32,561)	(11,308,879)	(13,352,774)	(1,703,277)	(32,446)	(15,088,497)
Distribution and marketing expenses	(88,444)	(23,792)	-	(112,236)	(126,163)	(24,126)	-	(150,289)
Administrative expenses	(225,529)	(25,671)	-	(251,200)	(241,248)	(44,758)	-	(286,006)
Other operating expenses	(182,946)	(22,202)	(425)	(205,573)	(265,594)	(79,434)	(98)	(345,126)
Other operating income	384,572	301,511	1,423	687,506	302,859	134,733	21	437,613
Finance costs	(1,203,043)	(6,231)	(132)	(1,209,406)	(564,392)	(4,868)	(57)	(569,317)
Taxation	27,857	(68,179)	(1,661)	(41,983)	(330,811)	(350,474)	(431)	(681,716)
<b>Profit after tax</b>	<u>6,991</u>	<u>326,101</u>	<u>4,386</u>	<u>337,478</u>	<u>1,057,871</u>	<u>858,059</u>	<u>1,053</u>	<u>1,916,983</u>
Others, net of tax				(17,643)				-
Impact of IFRS 16 (post tax)				(97,214)				(372,589)
<b>Profit after tax</b>	<u>6,991</u>	<u>326,101</u>	<u>4,386</u>	<u>222,621</u>	<u>1,057,871</u>	<u>858,059</u>	<u>1,053</u>	<u>1,544,394</u>

	June 30, 2020				December 31, 2019			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
Total segment assets	33,787,565	8,704,520	35,302	42,527,387	31,479,624	4,866,795	17,886	36,364,305
Unallocated assets	-	-	-	19,461,005	-	-	-	21,154,912
<b>Total assets</b>				<u>61,988,392</u>				<u>57,519,217</u>

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

18.3 The segment results for the period are prepared in line with basis of allocation adopted in the annual financial statements for the year ended December 31, 2019.

**(Amounts in thousand)****19. TRANSACTIONS WITH RELATED PARTIES**

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

		<b>Unaudited</b>	<b>Unaudited</b>
		<b>Half year ended</b>	<b>Half year ended</b>
		<b>June 30,</b>	<b>June 30,</b>
		<b>2020</b>	<b>2019</b>
		-----Rupees-----	
<b>Nature of relationship</b>	<b>Nature of transactions</b>		
<b>Holding Company</b>			
- Engro Corporation Limited	Reimbursements made	8,424	6,853
	Reimbursements received	21,804	1,592
	Intangible asset - software	156,240	58,738
	Purchase of services	168,178	129,326
	Medical contribution	-	117
	Life insurance	-	342
<b>Associated Companies</b>			
- Mitsubishi Corporation	Purchase of goods	80,593	351,923
<b>Members of the Group</b>			
- Engro Fertilizers Limited	Sale of goods	-	6,667
	Sale of steam and electricity	58,185	51,246
	Reimbursement received	1,863	375
	Reimbursement made	5,464	6,885
	Purchase of services	40,198	-
	Payment against purchase of land	-	722,122
- Engro Vopak Terminal Limited	Purchase of services	812,112	713,621
	Reimbursement made	4,756	2,902
	Reimbursement received	-	662
- Engro Energy Limited	Reimbursement received	1,596	4,040
- Engro Digital Limited	Purchase of services	3,108	32
- Engro Powergen Thar (Private) Limited	Sale of goods	1,277	1,794
- Sindh Engro Coal Mining Company Limited	Reimbursements received	549	-
<b>Directors</b>	Fee	750	450
<b>Contribution to staff retirement benefits</b>	Managed and operated by the Holding Company		
	Provident fund	35,475	32,306
	Gratuity fund	37,186	22,322
	Pension fund	1,524	2,508
<b>Key management personnel</b>	Managerial remuneration	170,711	54,996
	Retirement benefit funds	8,885	11,039
	Bonus	23,504	14,243
	Other benefits	12,184	15,433

(Amounts in thousand)

**20. FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within the level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

<b>As at June 30, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	-----Rupees-----			
<b>Financial assets at fair value through profit or loss</b>				
- Units of mutual funds	-	750,000	-	750,000
- Term Deposit Receipt	-	2,000	-	2,000
- Treasury bills	-	8,726,913	-	8,726,913
	-----	-----	-----	-----
	-	9,478,913	-	9,478,913
	-----	-----	-----	-----
<b>As at December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	-----Rupees-----			
<b>Financial assets at fair value through profit or loss</b>				
- Treasury bills	-	7,617,915	-	7,617,915
- Pakistan Investment Bonds (PIBs)	-	1,700,045	-	1,700,045
	-----	-----	-----	-----
	-	9,317,960	-	9,317,960
	-----	-----	-----	-----

For the remaining assets and liabilities, the fair values are considered not to be materially different from their respective carrying amounts since the instruments are either short-term in nature or are periodically re-priced.

**21. CORRESPONDING FIGURES**

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

During the period, these reclassifications have been made:

<b>Description</b>	<b>Reclassified</b>		<b>Amount</b>	
	<b>From</b>	<b>To</b>	<b>Quarter ended</b>	<b>Half ye</b>
			<b>June 30, 2019</b>	
Sales promotion	Distribution and marketing expenses	Administrative expenses	15,246	
Purchased services	Administrative expenses	Cost of sales	56,743	
Accrued mark-up	Loans, advances, deposits prepayments and other receivables	Financial assets at fair value through profit and loss	77,893	

(Amounts in thousand)

**22. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD**

22.1 The Board of Directors of the Company in its meeting held on August 07, 2020 has approved an interim cash dividend of Rs. Nil per share for the period ended June 30, 2020 amounting to Rs. Nil. These consolidated condensed interim financial statements do not include the effect of the said interim dividend.

**23. DATE OF AUTHORIZATION FOR ISSUE**

These consolidated condensed interim financial statements were authorized for issue on August 7, 2020 by the Board of Directors of the Company.

**24. GENERAL**

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.



**Chief Executive  
Jahangir Piracha**



**Chief Financial Officer  
Syed Abbas Raza**



**Director  
Feroz Rizvi**

**ENGRO POLYMER AND CHEMICALS LIMITED  
UNCONSOLIDATED CONDENSED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2020**





A.F.FERGUSON&CO.

**INDEPENDENT AUDITORS' REVIEW REPORT**

**To the members of Engro Polymer and Chemicals Limited**

**Report on review of Unconsolidated Condensed Interim Financial Statements**

**Introduction**

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Engro Polymer and Chemicals Limited as at June 30, 2020 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of profit or loss and other comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the financial statements for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of profit or loss and other comprehensive income for the quarters ended June 30, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2020.


**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Farrukh Rehman.

  
**Chartered Accountants  
Karachi  
Date: August 26, 2020**

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**ENGRO POLYMER AND CHEMICALS LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

(Amounts in thousand)

	Note	(Unaudited) June 30, 2020	(Audited) December 31, 2019
-----Rupees-----			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	34,303,515	31,064,266
Right-of-use asset		2,539,819	2,747,801
Intangible assets		97,673	78,966
Long-term investments		1,625,000	1,625,000
Financial assets at amortized cost	7	5,881,750	5,421,150
Long-term loans and advances		36,624	72,078
Deferred tax asset	8	374,827	114,510
		<u>44,859,208</u>	<u>41,123,771</u>
<b>Current Assets</b>			
Stores, spares and loose tools		1,538,287	1,568,929
Stock-in-trade	9	4,198,228	4,302,841
Trade debts - considered good	10	391,242	469,613
Loans, advances, deposits, prepayments and other receivables	11	1,825,906	1,092,270
Income tax payments less provision		281,939	88,886
Financial assets at fair value through profit and loss		8,253,998	8,042,313
Cash and bank balances		545,816	777,823
		<u>17,035,416</u>	<u>16,342,675</u>
<b>TOTAL ASSETS</b>		<u><u>61,894,624</u></u>	<u><u>57,466,446</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Unappropriated profit		4,764,991	4,766,837
		<u>17,729,177</u>	<u>17,731,023</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	12	19,873,278	19,388,880
Lease liabilities		4,368,657	4,543,830
		<u>24,241,935</u>	<u>23,932,710</u>
<b>Current Liabilities</b>			
Current portion of lease liabilities		1,101,752	987,487
Service benefit obligations		48,255	61,049
Short-term borrowings		3,063,782	2,158,836
Trade and other payables	13	8,902,970	6,539,817
Unclaimed dividend		29,297	31,333
Derivative financial instruments		-	154
Accrued interest / mark-up		754,564	366,272
Provisions	14	6,022,892	5,657,765
		<u>19,923,512</u>	<u>15,802,713</u>
<b>Contingencies and Commitments</b>	15	44,165,447	39,735,423
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>61,894,624</u></u>	<u><u>57,466,446</u></u>

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.



**Chief Executive**  
Jahangir Piracha



**Chief Financial Officer**  
Syed Abbas Raza



**Director**  
Feroz Rizvi

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**

(Amounts in thousand except for earnings per share)

	Quarter ended		Half year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	-----Rupees-----			
Net revenue	5,816,352	9,256,687	12,874,294	18,600,321
Cost of sales	(5,162,020)	(7,286,786)	(10,968,700)	(14,715,359)
<b>Gross profit</b>	654,332	1,969,901	1,905,594	3,884,962
Distribution and marketing expenses	(35,062)	(56,800)	(90,910)	(150,289)
Administrative expenses	(132,936)	(163,295)	(246,774)	(282,670)
Other expenses	(100,775)	(963,946)	(638,968)	(1,088,611)
Other income	214,763	221,844	617,007	432,300
<b>Operating profit</b>	600,322	1,007,704	1,545,949	2,795,692
Finance costs	(599,221)	(459,223)	(1,366,876)	(727,587)
<b>Profit for the period before taxation</b>	1,101	548,481	179,073	2,068,105
Taxation	10,898	(101,005)	874	(528,171)
<b>Profit for the period after taxation</b>	11,999	447,476	179,947	1,539,934
<b>Earnings per share - basic and diluted</b>	0.01	0.49	0.20	1.69

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.



**Chief Executive**  
**Jahangir Piracha**



**Chief Financial Officer**  
**Syed Abbas Raza**



**Director**  
**Feroz Rizvi**

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**

(Amounts in thousand)

	Quarter ended		Half year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	-----Rupees-----			
<b>Profit for the period after taxation</b>	11,999	447,476	179,947	1,539,934
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Gain on cashflow hedge during the period	-	353,050	-	353,050
Deferred tax charge relating to cashflow hedge	-	(102,385)	-	(102,385)
Other comprehensive income for the period - net of tax	-	250,665	-	250,665
<b>Total comprehensive income for the period</b>	<b>11,999</b>	<b>698,141</b>	<b>179,947</b>	<b>1,790,599</b>

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.



**Chief Executive**  
**Jahangir Piracha**



**Chief Financial Officer**  
**Syed Abbas Raza**



**Director**  
**Feroz Rizvi**

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**

(Amounts in thousand)

	CAPITAL		RESERVES		Total
	Share capital	Share premium	Hedging reserve	Unappropriated profit	
-----Rupees-----					
<b>Balance as at January 1, 2019 (Audited)</b>	9,089,233	3,874,953	-	1,881,366	14,845,552
<b>Transaction with owners</b>					
Final cash dividend for the year ended December 31, 2018 - Re. 0.30 per share	-	-	-	(272,677)	(272,677)
<b>Total comprehensive income for the half year ended June 30, 2019</b>					
Profit for the half year ended June 30, 2019	-	-	-	1,539,934	1,539,934
Other comprehensive income for the half year ended June 30, 2019	-	-	250,665	-	250,665
	-	-	250,665	1,539,934	1,790,599
<b>Balance as at June 30, 2019 (Unaudited)</b>	9,089,233	3,874,953	250,665	3,148,623	16,363,474
<b>Transaction with owners</b>					
Interim cash dividend for the year ended December 31, 2019 - Re. 0.60 per share	-	-	-	(545,354)	(545,354)
<b>Total comprehensive income for the half year ended December 31, 2019</b>					
Profit for the half year ended December 31, 2019	-	-	-	2,163,568	2,163,568
Other comprehensive loss for the half year ended December 31, 2019	-	-	(250,665)	-	(250,665)
	-	-	(250,665)	2,163,568	1,912,903
<b>Balance as at December 31, 2019 (Audited)</b>	9,089,233	3,874,953	-	4,766,837	17,731,023
<b>Transaction with owners</b>					
Final cash dividend for the year ended December 31, 2019 - Re. 0.20 per share	-	-	-	(181,793)	(181,793)
<b>Total comprehensive income for the half year ended June 30, 2020</b>					
Profit for the half year ended June 30, 2020	-	-	-	179,947	179,947
Other comprehensive income for the half year ended June 30, 2020	-	-	-	-	-
	-	-	-	179,947	179,947
<b>Balance as at June 30, 2020 (Unaudited)</b>	9,089,233	3,874,953	-	4,764,991	17,729,177

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.



**Chief Executive**  
**Jahangir Piracha**



**Chief Financial Officer**  
**Syed Abbas Raza**



**Director**  
**Feroz Rizvi**

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**

(Amounts in thousand)

	Note	Half year ended	
		June 30, 2020	June 30, 2019
-----Rupees-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	16	4,454,754	5,271,749
Long-term loans and advances		35,454	(9,055)
Retirement benefits paid		(39,086)	(36,382)
Income tax paid		(452,496)	(125,711)
<b>Net cash generated from operating activities</b>		<b>3,998,626</b>	<b>5,100,601</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(3,801,969)	(6,756,329)
Purchases of intangible assets		-	(75,551)
Proceeds from disposal of property, plant and equipment		-	204
Income on short-term investment and bank deposits		556,829	402,881
<b>Net cash utilized in investing activities</b>		<b>(3,245,140)</b>	<b>(6,428,795)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of long-term borrowings		-	(7,500,000)
Proceed from issuance of Sukuk bonds - net of transaction cost		-	8,601,540
Finance costs paid		(830,902)	(388,751)
Lease rentals paid		(664,023)	(576,499)
Dividend payment		(183,829)	(299,344)
<b>Net cash utilized in financing activities</b>		<b>(1,678,754)</b>	<b>(163,054)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(925,268)</b>	<b>(1,491,248)</b>
Cash and cash equivalents at the beginning of the period		6,661,300	9,062,267
<b>Cash and cash equivalents at the end of the period</b>	17	<b>5,736,032</b>	<b>7,571,019</b>

The annexed notes 1 to 24 form an integral part of these unconsolidated condensed interim financial statements.



**Chief Executive**  
**Jahangir Piracha**



**Chief Financial Officer**  
**Syed Abbas Raza**



**Director**  
**Feroz Rizvi**

**ENGRO POLYMER AND CHEMICALS LIMITED**  
**NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL**  
**STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2020**

(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 The registered office of the Company is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/II-P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the 6th Floor, Haly Tower Office, Lalik Chowk, Phase II, DHA, Lahore.
- 1.4 During the period, major turnaround maintenance was planned resulting in closure of plant. Further, on March 6, 2020, the Company's management reported an isolated incident of gas leak occurred at the Engro Polymer & Chemicals Plant, Port Qasim happened on March 6, 2020, through Pakistan Stock Exchange (PSX). On March 9, 2020, the Company's management reported through PSX that a notice under Section 21(2) of Sindh Environmental Protection Act, 2014 was received from the Environmental Protection Agency of Government of Sindh directed the Company to stop all production activities at the plant and fixed a hearing on March 10, 2020. On March 16, 2020, the Company's management reported through PSX the resumption of production activities in its plant. Due to the incident the production facilities of the Company were closed from March 9, 2020 to March 16, 2020.
- 1.5 On February 14, 2020, the shareholders of the Company in the Extra Ordinary General Meeting has passed a special resolution to authorize Company to issue perpetual, cumulative, convertible listed preference shares of Rs. 3,000,000,000 by way of pre-IPO placements and public offering at a price of Rs. 10 per share in cash, carrying markup of 6 months KIBOR + 3.5%. The Company will have an option to call and redeem in full or in part after the expiry of twelve months from the issue date. The preference shares may be convertible into ordinary shares of the Company at the option of the preference shares holder after the expiry of eighty months from the issue date based on 1:1 ratio. The Company is in the process of fulfilling the legal formalities before the issue.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

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

**(Amounts in thousand)**

- 2.2 These unconsolidated condensed interim financial statements for the half year ended June 30, 2020 are unaudited. However, these have been subjected to limited scope review by the statutory auditors of the Company and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Limited and section 237 of the Act.

These unconsolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2019.

- 2.3 These unconsolidated condensed interim financial statements are the separate condensed interim financial statements of the Company in which investment in subsidiary companies namely Think PVC (Private) Limited, Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited have been accounted for at cost less accumulated impairment losses, if any. The consolidated condensed interim financial statements of the Company and its subsidiary companies have been presented separately.

**3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN**

- 3.1 The significant accounting policies and the methods of computation applied in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2019.

There are certain amendments to published International Financial Reporting Standards and interpretations that are mandatory for the financial year beginning on January 1, 2020. These are considered not to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these unconsolidated condensed interim financial statements.

- 3.2 The financial risk management objectives and policies of the Company are also consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2019.
- 3.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

**4. ACCOUNTING ESTIMATES**

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

The significant estimates, judgments and assumptions made by the management in the preparation of the unconsolidated condensed interim financial statements are the same as those that were applied in the audited financial statements of the Company as at and for the year ended December 31, 2019 except for changes in the management assessment in relation to projections of future taxable income and tax planning strategies for recognition of deferred tax asset. However, the change has no material impact on the unconsolidated condensed interim financial statements.



**(Amounts in thousand)****5 IMPACT OF COVID-19**

During the period, the World Health Organisation (WHO) declared COVID-19 (the Virus) a pandemic. Covid-19 has impacted the global economy significantly. Due to the COVID situation, as per the government directives there was a complete lockdown for a period of approximately 1 month from March 23, 2020 and production facilities of the Company were closed till the end of April 2020. As a result of lockdown, significant decline was observed in the sales of the Company. Moreover, the production of goods by the Company was halted in the aforementioned period. Overall, costs came out on the higher side due to lower production volumes and higher gas prices versus same period last year. The above factors have majorly contributed to the decline in profits for the period.

On March 31, 2020, the Company's management reported a foreseeable delay in the Liner Alkyl Benzene Sulphonic Acid (LABSA) project, through PSX, due to restrictions on mobilization of local and overseas resources, on account of COVID-19 in Pakistan. Further, on April 23, 2020, the Company's management reported foreseeable delays in the PVC 3 & VCM Debottlenecking projects through PSX and has issued Force Majeure Notices to its contractors working on these projects, on account of COVID-19 in Pakistan. Moreover, the Company's management remains committed to these projects.

Expansion projects were also impacted as some of the equipment deliveries and project construction work was also suspended as a precautionary measure. From May, production and sales were resumed and business has recovered well to date. Activities on expansion projects have also been resumed and work is now progressing as per the schedule. Based on the Company's management assessment no impairment loss has been recognized.

<b>Unaudited</b>	<b>Audited</b>
<b>June 30,</b>	<b>December 31,</b>
<b>2020</b>	<b>2019</b>
-----Rupees-----	

**6. PROPERTY, PLANT AND EQUIPMENT**

Operating assets, at net book value - notes 6.1 and 6.2	18,702,301	18,304,481
Capital work-in-progress - note 6.3	15,537,422	12,695,993
Capital spares	63,792	63,792
	<u>34,303,515</u>	<u>31,064,266</u>

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

Leasehold land	-	939,528
Building on leasehold land	44,126	1,980
Plant and machinery	866,514	1,627,267
Pipeline - EDC	-	98,288
Furniture, fixtures and equipment	63,933	81,726
Vehicles	5,608	3,571
	<u>980,181</u>	<u>2,752,360</u>

**6.2 During the period, computer hardware equipment costing Rs. 424 (December 31, 2019: Rs. 10,091), having net book value of Rs. 322 (December 31, 2019: Rs. 3,607) was disposed off for Rs. Nil (December 31, 2019: Rs. 2,809). Further, as an outcome of physical verification exercise carried out in respect of furniture, fixtures and equipment and vehicles, assets having cost of Rs. 107,003 (December 31, 2019: Nil) having net book value of Rs. 5,440 (December 31, 2019: Nil) have been written off.**

**(Amounts in thousand)**

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

	<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
	-----Rupees-----	
Balance as at the beginning of the period / year	12,695,993	2,751,067
Add: Additions during the period / year	3,801,969	12,744,841
Add: Borrowing cost capitalized during the period	56,706	-
Less: Write-off of plant and machinery items	(6,000)	-
Less: Transferred to:		
- Operating assets	(980,181)	(2,752,360)
- Intangible assets	(31,065)	(47,555)
	<u>15,537,422</u>	<u>12,695,993</u>

**7. FINANCIAL ASSETS AT AMORTIZED COST**

Investment in Term Deposit Receipts - note 7.1	<u>5,881,750</u>	<u>5,421,150</u>
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7.1 These denote term deposits aggregating to USD 35 million maintained with Dubai Islamic Bank Pakistan Limited. These carry profit at the rate of 2.79% per annum and are due to mature in six equal semi-annual installments of \$ 5.833 million starting from July 15, 2021 and ending on January 15, 2024.

	<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
	-----Rupees-----	

**8. DEFERRED TAXATION**

Debit balances arising due to:

- recoupable minimum turnover tax - note 15.2	702,782	558,991
- recoupable alternative corporate tax	369,179	369,179
- unpaid liabilities	135,327	128,170
- leases recognized under IFRS 16	824,498	783,120
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,554,005	1,451,279
- provision for slow moving stores and spares	102,345	102,345
- provision for bad debts	2,055	2,055
- share issuance cost, net to equity	57,830	57,830
	<u>3,748,021</u>	<u>3,452,969</u>

Credit balances arising due to:

- accelerated tax depreciation	(3,373,194)	(3,338,459)
	<u>374,827</u>	<u>114,510</u>

**9. STOCK-IN-TRADE**

9.1 This includes stock held at Engro Vopak Terminal Limited, a related party, as at June 30, 2020 amounted Rs. 869,795 (December 31, 2019: 1,284,031).

9.2 This includes carrying value of trading product, net of realizable value reduction of Rs. 9,078 (December 31, 2019: Nil).

(Amounts in thousand)

Unaudited June 30, 2020	Audited December 31, 2019
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-----Rupees-----

**10. TRADE DEBTS**

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	14,018	6,176
- Engro Powergen Thar (Private) Limited	-	599
	<u>14,018</u>	<u>6,775</u>

**11. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	532	2,119
- Think PVC (Private) Limited	16,727	2,212
- Engro Plasticizer (Private) Limited	3,299	3,109
- Sindh Engro Coal Mining Company Limited	-	53
- FrieslandCampina Engro Pakistan Limited	-	5
- Engro Peroxide (Private) Limited	319,766	70,036
- Engro Corporation Limited	-	23,725
- Engro Energy Limited	-	1,531
- Engro Powergen Qadirpur Limited	-	9
	<u>340,324</u>	<u>102,799</u>

**12. LONG-TERM BORROWINGS**

- Loan from International Finance Corporation (IFC) - note 12.1	5,811,695	5,343,839
- Bilateral Loan - note 12.2	5,421,500	5,421,500
- Sukuk certificates - note 12.3	8,640,083	8,623,541
	<u>19,873,278</u>	<u>19,388,880</u>
Less: Current portion shown under current liabilities	-	-
	<u>19,873,278</u>	<u>19,388,880</u>

- 12.1 In 2018, the Company had entered into a financing agreement with International Finance Corporation for a total of US Dollars 35,000 the draw down of which was made in December 2019. The principal is repayable in six semi-annual instalments commencing from July 2021 and carries markup at the rate of six months LIBOR plus 3.25% payable semi annually.

The borrowing is by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

- 12.2 In 2019, the Company entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL). The principal is repayable in six semi-annual installments commencing from July 2021 and carries a markup at a rate of six months KIBOR plus 0%, payable semi annually.

The borrowing is secured by way of hypothecation charge of present and future fixed assets of the Company (except land and building), ranking subordinate and subservient to the charges created in favour of the existing creditors, and a lien and a right of set-off over the Term Deposit Receipt maintained with DIBPL as referred to in note 7.

**(Amounts in thousand)**

- 12.3 In 2019, the Company issued sukuk bonds of Rs. 8,750,000 to eligible institutional and other investors by way of private placement. These are repayable over a period of 7.5 years in five equal annual installments of Rs. 1,750,000 each with the first repayment commencing in July 2024. These are secured by way of hypothecation charge of present and future fixed assets of the Company (excluding land and building) which shall rank pari passu with the charges created in favour of the existing creditors.

	<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
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-----Rupees-----

**13. TRADE AND OTHER PAYABLES**

Include amounts due to the following related parties:

- Engro Corporation Limited	181,744	88,305
- Engro Fertilizers Limited	32,000	40,926
- Engro Powergen Thar (Private) Limited	613	613
- Engro Energy Limited	65	-
- Engro Vopak Terminal Limited	155,294	139,849
	<u>369,716</u>	<u>269,693</u>

**14. PROVISIONS**

- Provision for Gas Infrastructure Development Cess	5,505,500	5,140,373
- Provision for gas price revision	517,392	517,392
	<u>6,022,892</u>	<u>5,657,765</u>

**15. CONTINGENCIES AND COMMITMENTS**

- 15.1 The material change in the contingencies from those disclosed in the annual unconsolidated financial statements for the year ended December 31, 2019, is stated in following note.
- 15.2 Through the notice dated January 20, 2020 the Additional Commissioner Inland Revenue (ACIR) raised issues inter alia with respect to the adjustment of carried forward minimum taxes from the tax liability of Tax Year 2019 and required the Company to pay Rs. 552,331 being the amount short paid with the return .The Company filed a Constitutional Petition in the High Court of Sindh (SHC) challenging the notice, which through order dated February 4, 2020, dismissed the case based on the decision of the SHC in respect of another company. However, the SHC directed the department to refrain from passing the order on the bases of the aforesaid notice for a period of thirty days which was then extended for further 30 days to enable the Company to approach the Supreme Court (SC). The Company has filed Civil Petition for Leave to Appeal I against SHC order in Supreme Court, which was heard on March 18, 2020 and an interim stay has been granted to the Company subject to the submission of Bank Guarantee equivalent to the order amount, which has been duly submitted by the Company. The Company based on legal advisor view continues to recognise a deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 143,791 (December 31, 2019: Rs. 21,486) based on its financial projections, expects to recoup it in the ensuing years.
- 15.3 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at June 30, 2020 amounts to Rs. 3,248,000 (December 31, 2019: Rs. 3,248,000). The amount utilized there against as at June 30, 2020 is Rs.2,715,418 (December 31, 2019: Rs. 2,163,090).

**(Amounts in thousand)**

15.4 The facility for opening letters of credit as at June 30, 2020 aggregates to Rs. 20,703,976 (December 31, 2019: Rs. 24,007,000). The amount utilized thereagainst as at June 30, 2020 was Rs. 4,578,322 (December 31, 2019: Rs. 3,120,000). These facilities carry commission at rates running between 0.05% and 0.1% (December 31, 2019: 0.05% and 0.1%).

15.5 The Company has entered into operating lease arrangements with Al-Rahim Trading Company (Private) Limited for the storage and handling of Ethylene Di Chloride (EDC) in respect of which future lease commitments aggregate to Rs. 3,175 (December 31, 2019 : Rs Nil). The rentals shall be settled within a period of 1 year.

	<b>Unaudited June 30, 2020</b>	<b>Audited December 31, 2019</b>
	-----Rupees-----	
15.6 Commitments in respect of capital commitments and other operational items	<u>2,499,497</u>	<u>3,090,692</u>
	<b>Unaudited June 30, 2020</b>	<b>Unaudited June 30, 2019</b>
	-----Rupees-----	

**16. CASH GENERATED FROM OPERATIONS**

16.1 Profit for the period before taxation	179,073	2,068,105
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**Adjustments for non-cash charges and other items:**

Provision for staff retirement and other service benefits	26,292	22,258
Provision for GIDC	365,127	510,697
Write-off of trade debts	331	-
Provision for net realizable value of stock-in-trade, net	9,078	-
Write-off of stores and spares	4,330	-
Depreciation on operating assets	576,599	584,938
Write-off of operating assets	11,440	-
Depreciation on Right-of-use asset	207,982	200,024
Amortization on intangible asset	12,358	8,340
Income on short-term investments and bank deposits	(556,829)	(402,881)
Amortisation of transaction cost on sukuks and IFC loan	21,498	11,000
Gain on derivative financial instrument	(154)	(26,338)
Exchange loss on revaluation of financial asset and liabilities	447,940	781,871
Interest cost on IFRS 16	157,475	158,271
Finance costs	1,162,488	558,316
Loss/(gain) on disposal of operating assets - note 6.2	322	(161)
Working capital changes - note 16.2	<u>1,829,404</u>	<u>797,309</u>
	<u>4,454,754</u>	<u>5,271,749</u>
<b>16.2 Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	26,312	69,214
Stock-in-trade	95,535	(159,713)
Trade debts - considered good	78,040	(79,505)
Loans, advances, deposits, prepayments and other receivables - net	<u>(733,636)</u>	<u>614,304</u>
	<u>(533,749)</u>	<u>444,300</u>
<b>Increase in current liabilities</b>		
Trade and other payables	2,363,153	353,009
	<u>1,829,404</u>	<u>797,309</u>

(Amounts in thousand)

**Unaudited**      **Audited**  
**June 30,**      **December 31,**  
**2020**              **2019**  
 -----Rupees-----

**17. CASH AND CASH EQUIVALENTS**

Cash and bank balances	545,816	836,526
Financial assets at fair value through profit and loss	8,253,998	6,734,493
Short-term borrowings	(3,063,782)	-
	<b>5,736,032</b>	<b>7,571,019</b>

**18. SEGMENT INFORMATION**

18.1 The basis of segmentation and reportable segments presented in these unconsolidated condensed interim financial statements are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2019.

	June 30, 2020				June 30, 2019			
	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								
At a point in time	10,957,451	1,784,056	-	12,741,507	15,635,994	2,930,263	-	18,566,257
Over time	-	-	37,742	37,742	-	-	34,064	34,064
	10,957,451	1,784,056	37,742	12,779,249	15,635,994	2,930,263	34,064	18,600,321
Cost of sales	(9,662,927)	(1,613,391)	(32,561)	(11,308,879)	(13,352,774)	(1,703,277)	(32,446)	(15,088,497)
Distribution and marketing expenses	(66,151)	(23,792)	-	(89,943)	(126,163)	(24,126)	-	(150,289)
Administrative expenses	(225,529)	(25,462)	-	(250,991)	(241,248)	(44,758)	-	(286,006)
Other operating expenses	(182,751)	(21,177)	(425)	(204,353)	(265,566)	(79,434)	(98)	(345,098)
Other operating income	378,754	236,830	1,423	617,007	297,546	134,733	21	432,300
Finance costs	(1,203,041)	(6,228)	(132)	(1,209,401)	(564,391)	(4,868)	(57)	(569,316)
Taxation	22,253	(58,477)	(1,661)	(37,885)	(329,987)	(350,474)	(431)	(680,892)
<b>Profit after tax</b>	<b>18,059</b>	<b>272,359</b>	<b>4,386</b>	<b>294,804</b>	<b>1,053,411</b>	<b>858,059</b>	<b>1,053</b>	<b>1,912,523</b>
Others, net of tax				(17,643)				-
Impact of IFRS 16 (post tax)				(97,214)				(372,589)
<b>Profit after tax</b>	<b>18,059</b>	<b>272,359</b>	<b>4,386</b>	<b>179,947</b>	<b>1,053,411</b>	<b>858,059</b>	<b>1,053</b>	<b>1,539,934</b>

	June 30, 2020				December 31, 2019			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
Total segment assets	33,862,590	9,777,636	35,302	43,675,528	31,534,624	6,068,487	17,886	37,620,997
Unallocated assets	-	-	-	18,219,096	-	-	-	19,845,449
<b>Total assets</b>				<b>61,894,624</b>				<b>57,466,446</b>

**(Amounts in thousand)**

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

18.3 The segment results for the period are prepared in line with basis of allocation adopted in the annual financial statements for the year ended December 31, 2019.

**19. TRANSACTIONS WITH RELATED PARTIES**

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

		<u>Unaudited</u>	<u>Unaudited</u>
		<u>Half year ended</u>	<u>Half year ended</u>
		June 30,	June 30,
		2020	2019
-----Rupees-----			
<b>Nature of relationship</b>	<b>Nature of transactions</b>		
<b>Holding Company</b>			
- Engro Corporation Limited	Reimbursements made	8,424	6,853
	Reimbursements received	21,804	1,592
	Intangible asset - software	156,240	58,738
	Purchase of services	168,178	129,326
	Medical contribution	-	117
	Life insurance	-	342
<b>Subsidiary Company</b>			
- Think PVC (Private) Limited	Expenses incurred for the Company	14,515	-
- Engro Plasticizer (Private) Limited	Expenses incurred for the Company	190	-
- Engro Peroxide (Private) Limited	Expenses incurred for the Company	249,730	-
<b>Associated Companies</b>			
- Mitsubishi Corporation	Purchase of goods	80,593	351,923
<b>Members of the Group</b>			
- Engro Fertilizers Limited	Sale of goods	-	6,667
	Sale of steam and electricity	58,185	51,246
	Reimbursement received	1,863	375
	Reimbursement made	5,464	6,885
	Purchase of services	40,198	-
	Payment against purchase of land	-	722,122
- Engro Vopak Terminal Limited	Purchase of services	812,112	713,621
	Reimbursement made	4,756	2,902
	Reimbursement received	-	662
- Engro Energy Limited	Reimbursement received	1,596	4,040
- Engro Digital Limited	Purchase of services	3,108	32
- Engro Powergen Thar (Private) Limited	Sale of goods	1,277	1,794
- Sindh Engro Coal Mining Company Limited	Reimbursements received	549	-
<b>Directors</b>	Fee	750	450
<b>Contribution to staff retirement benefits</b>	Managed and operated by the Holding Company		
	Provident fund	35,475	32,306
	Gratuity fund	37,186	22,322
	Pension fund	1,524	2,508
<b>Key management personnel</b>	Managerial remuneration	170,711	54,996
	Retirement benefit funds	8,885	11,039
	Bonus	23,504	14,243
	Other benefits	12,184	15,433

(Amounts in thousand)

**20. FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within the level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

<b>As at June 30, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	-----Rupees-----			
<b>Financial assets at fair value through profit or loss</b>				
- Units of mutual funds	-	750,000	-	750,000
- Term Deposit Receipt	-	2,000	-	2,000
- Treasury bills	-	7,501,998	-	7,501,998
	-	<u>8,253,998</u>	-	<u>8,253,998</u>
<b>As at December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	-----Rupees-----			
<b>Financial assets at fair value through profit or loss</b>				
- Treasury bills	-	6,342,268	-	6,342,268
- Pakistan Investment Bonds (PIBs)	-	1,700,045	-	1,700,045
	-	<u>8,042,313</u>	-	<u>8,042,313</u>

For the remaining assets and liabilities, the fair values are considered not to be materially different from their respective carrying amounts since the instruments are either short-term in nature or are periodically re-priced.

**21. CORRESPONDING FIGURES**

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

During the period, these reclassifications have been made:

<b>Description</b>	<b>Reclassified</b>		<b>Amount</b>	
	<b>From</b>	<b>To</b>	<b>Quarter ended</b>	<b>Half year ended</b>
			<b>June 30, 2019</b>	
Sales promotion	Distribution and marketing expenses	Administrative expenses	15,246	15,246
Purchased services	Administrative expenses	Cost of sales	56,743	121,031
Accrued mark-up	Loans, advances, deposits prepayments and other receivables	Financial assets at fair value through profit and loss	77,893	77,893



(Amounts in thousand)

**22. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD**

22.1 The Board of Directors in its meeting held on August 07, 2020 has approved an interim cash dividend of Rs. Nil per share for the period ended June 30, 2020 amounting to Rs. Nil. These unconsolidated condensed interim financial statements do not include the effect of the said interim dividend.

**23. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on August 7, 2020 by the Board of Directors of the Company.

**24. GENERAL**

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.



**Chief Executive  
Jahangir Piracha**



**Chief Financial Officer  
Syed Abbas Raza**



**Director  
Feroz Rizvi**

## اینٹرو پولیمر اینڈ کیمیکلز لمیٹڈ

حصص یافتگان (شیئر ہولڈرز) کے لئے 30 جون، 2020 کو ختم شدہ چھ ماہ کے حوالے سے غیر آڈٹ شدہ مجموعی عبوری مالیاتی گوشواروں پر ڈائریکٹرز کا جائزہ

ہم، اینٹرو پولیمر اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون، 2020 کو ختم شدہ چھ ماہ کے حوالے سے کمپنی کی غیر آڈٹ شدہ مالیاتی معلومات کو پیش کرنا چاہیں گے۔

### کاروباری تجزیہ

دوسرے عشرے (Q2' 2020) کے دوران COVID سے متعلق لاک ڈاؤنز میں بین الاقوامی اجناس کی مارکیٹ غیر مستحکم رہی۔ اس عالمی وباء اور چین میں انٹرنی کے جمع ہونے کی وجہ سے طلب میں کمی سے PVC کی قیمتوں میں بڑے پیمانے پر عمومی تنزلی دیکھنے میں آئی۔ ہرچند یہ کہ عشرے کے اختتام کے قریب یہ رفتار عالمی سطح پر طلب میں بہتری کے ساتھ واپس ہوئی۔ دوسری طرف، خام تیل کی کم طلب اور قیمتوں میں عمومی تنزلی کے سبب آٹھلین کی قیمتوں میں بڑے پیمانے پر کمی واقع ہوئی۔ تاہم اسی عشرے میں بعد ازاں، چین میں لاک ڈاؤنز میں نرمی اور خام تیل کی قیمتوں میں ریکوری سے پلاسٹک کی طلب میں اضافے کی وجہ سے قیمتوں میں اضافہ شروع ہوا۔ دوسرے عشرے (Q2 2020) میں COVID-19 وباء کے پورے ملک میں پھیلاؤ کے سبب عمومی طور مقامی مارکیٹ میں طلب کمی کا شکار رہی۔ حکومت کی جانب سے عائد لازمی پابندیوں کی وجہ سے EPCL کے آپریشنز بھی عارضی طور پر بند تھے۔ ملازمین اور اسٹیک ہولڈرز کے تحفظ کو یقینی بنانے کے لیے حکومت سندھ کی گائیڈ لائنز کے مطابق کام کرنے کے اسٹینڈرڈ طریقوں کے اطلاق کے بعد پیداواری سرگرمیاں مورخہ 20 اپریل، 2020 سے دوبارہ شروع ہوئیں۔ مئی اور جون کے مہینوں میں جیسے ہی لاک ڈاؤن کی شرائط میں نرمی شروع ہوئی، PVC کی طلب میں بھی بہتری آنا شروع ہو گئی۔

اس وباء سے ٹیکسٹائل کا شعبہ بھی بری طرح متاثر ہوا۔ اگرچہ اسے حکومت کی جانب سے ایک اہم صنعت کے طور پر تسلیم کیا گیا تھا تاہم مارکیٹ کے بند ہونے کی وجہ سے ٹیکسٹائل شعبہ کی طلب معمول کے مقابلے میں کم رہی۔ علاقائی اور عالمی سطح پر جاری سست روی کے اثرات کی وجہ سے ٹیکسٹائل کی برآمدات بھی متاثر ہوئی۔ جس کے نتیجے میں ہلکورالکھی پراڈکٹس کی طلب بھی معمول سے کم تھی۔

حکومت کی جانب سے عائد لازمی لاک ڈاؤنز کی وجہ سے PVC کی توسیع اور VCM ڈی بوئل نیٹنگ پراجیکٹس بھی عارضی طور پر معطل تھے۔ ہرچند یہ کہ SOPs کے اطلاق کے بعد مورخہ 21 مئی، 2020 سے تعمیراتی کام دوبارہ شروع ہوا۔ جاری پراجیکٹس کی تکمیل کی مقررہ معیاد کو دوبارہ طے کیا گیا ہے اور اب ہم سال 2021 کے پہلے عشرے میں PVC ایکسیٹیشن اور VCM DBN کی COD کو

اپنا ہدف بنا رہے ہیں۔ اس وقت دیگر اعلان شدہ پراجیکٹس پر کام روک دیا گیا ہے اور ان کی تکمیل کے حوالے سے مقررہ وقت کا دوبارہ جائزہ لیا جا رہا ہے۔ کمپنی ان پراجیکٹس کے حوالے سے اپنے وعدے پر قائم ہے اور پراجیکٹ کی تکمیل کے مقررہ وقت واضح ہوتے ہی حصص یافتگان (شیئر ہولڈرز) کو اس کے بارے میں مطلع کیا جائے گا۔

COVID-19 اور اس کے نتیجے میں کاروبار پر پڑنے والے اثرات کے تناظر میں، کمپنی نے 1H 2020 میں، گزشتہ سال کی اسی مدت کے 18,600 ملین روپے کے مقابلے میں، 12,874 ملین روپے کی آمدن ریکارڈ کی۔ کمپنی نے گزشتہ سال کی اسی مدت کے دوران ریکارڈ کی جانے والی 1,544 ملین روپے کے بعد از محصول نفع (جو کہ 1.70 روپے فی حصص کی آمدن میں تبدیل ہو رہا ہے) کے مقابلے میں اس سال 223 ملین روپے کا بعد از محصول نفع (جو کہ 0.24 روپے فی حصص کی آمدن میں تبدیل ہو رہا ہے) جاری کیا۔ گیس کی کٹیج، COVID-19 کی وجہ سے آپریشنز کے تعطل اور مارکیٹ بند ہونے کے سبب PVC اور کاسٹک کی طلب میں کمی رہی۔ دوسری طرف حکومت کی جانب سے لاک ڈاؤن میں نرمی کے اعلان کے بعد کمپنی نے اپنی پراجیکٹس کی طلب میں خاطر خواہ اضافہ دیکھا۔

## مستقبل بنی

دنیا بھر میں لاک ڈاؤنز میں نرمی اور پاکستان میں کیسز کی تعداد میں کمی سے مقامی طلب میں بہتری کے حوالے سے پُر امید ہیں۔ ہر چند یہ کہ COVID-19 سے متعلق حکومتی مداخلت اس صنعت کی کارکردگی کو بہتر بنانے میں اہم کردار ادا کرے گی۔ دوسری طرف، بین الاقوامی مارکیٹ اس وباء کی دوسری لہر کے خوف کے زیر اثر رہے گی اور اس کی ویکسین کی تیاری کی امیدوں کے سبب عالمی سطح پر تاجروں کے ابہام کا جاری ہے۔

COVID-19 کے پھیلاؤ کو روکنے کے لیے حکومت سندھ کے لازمی SOPs پر عمل درآمد کے ذریعے پلانٹ پر محفوظ آپریشنز کو یقینی بناتے ہوئے جاری پراجیکٹس کی بحفاظت اور اعلان شدہ وقت کے اندر تکمیل کا عمل جاری ہے نیز سال 2020 کی دوسری ششماہی کے دوران مختص شدہ لاگت کو بہتر بنانے کا عمل کمپنی کی توجہ کا مرکز رہے گا۔



فیروز رضوی  
ڈائریکٹر



جہانگیر پراچہ  
چیف ایگزیکٹو آفیسر