

پر ذریعے پوشیدہ قوت کے جو اشراف

second quarterly report 2024



engro polymer & chemicals

enhancing Pakistan

company information

Chief Executive Officer

Mr. Abdul Qayoom

Chief Financial Officer

Ms. Rabia Wafah Khan

Company Secretary

Mr. Saqib Rafique

board of directors

Mr. Ahsan Zafar Syed | Mr. Masaaki Yokoyama | Mr. Tariq Nisar | Mr. Syed Shahzad Nabi
Ms. Ayesha Aziz | Mr. Kamran Nishat | Mr. Nazoor Ali Baig | Mr. Abdul Qayoom

bankers

Al Baraka Bank (Pakistan) Limited (Islamic)
Allied Bank Limited
Allied Bank Limited (Islamic)
Askari Bank Limited
Bank Alfalah Limited
Bank Alfalah Limited (Islamic)
Bank Al-Habib Limited
Bank Al-Habib Limited (Islamic)
Bank Islami Pakistan Limited
Bank of China
Bank of Khyber
Citibank, N.A.
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Habib Metropolitan Bank Limited (Islamic)
Industrial & Commercial Bank of China
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
Meezan Bank Limited
National Bank of Pakistan
SAMBA Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited / Bank Makramah Limited
The Bank of Punjab
United Bank Limited
United Bank Limited (Islamic)

shares registrar

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

registered office

12th Floor, Ocean Tower, G-3, Block 9,
Clifton, Khayaban-e-Iqbal,
Karachi-75600
PABX: +92-21-35166863-64
UAN: 111 411 411
Website: www.engropolymer.com

plant

EZ/1/P-ii-1, Eastern Zone, Bin Qasim, Karachi

lahore office

Office No. 601, 6th Floor, Haly Tower, Lalak Jan
Chowk, DHA, Lahore
UAN: 111 211 211

auditors

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

**ENGRO POLYMER & CHEMICALS LIMITED
DIRECTOR'S REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30th, 2024**

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited (the "Company"), we would like to present the unaudited financial information of the Company for the half year ended June 30th, 2024.

Business Review

During the first half of 2024 weak market fundamentals, including demand, continued to weigh on PVC pricing. Increased monomer prices coupled with higher energy costs kept producer margins under stress. The prolonged winter season, coupled with the Lunar New Year, dampened demand especially in mainland China, where construction activity remained lackluster despite the announcement of a stimulus package for the construction sector in mid-May. Early monsoon season further stifled demand in South and Southeast Asia.

During the first half, rising steel prices, coupled with high financing costs and availability of new housing inventory, further dampened downstream demand.

The ethylene market experienced a shift in sentiment in April. After a bullish run since mid-January, ethylene prices began a downward trend due to weak downstream demand. Ethylene Dichloride (EDC) market price remained muted amid slower demand and slight improvement in supply balance. VCM demand also tracked the slowdown in downstream PVC market.

International caustic soda prices surged post February on the back of limited supply due to holidays and firm freight rates. The caustic soda export market remained quiet as traders followed the demand cycle after the holidays, while the domestic textile sector has been struggling due to high energy prices and inflation dampening local caustic demand. Regardless, demand for caustic in domestic export-oriented industry increased in the second quarter.

The Company recorded a revenue of Rs. 34,385 million in 1H 2024, a decrease of ~7% compared to the same period last year on the back of lower volumetric sales and decreasing global PVC prices. During 1H 2024, the Company recorded an After-Tax Loss of Rs. 1,590 million primarily due to lower core delta and volumetric sales, translating into a basic Loss Per Share of Rs. 1.97, compared to a Profit After Tax of Rs. 2,745 million, translating into basic Earnings Per Share of Rs. 2.69 for the same period last year.

Work on our Hydrogen Peroxide and other efficiency projects is underway, despite the challenges posed by domestic macroeconomic uncertainty.

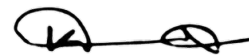
Outlook

We expect PVC prices to remain stable to slightly bearish on the back of oversupply and weak global demand. Ethylene prices are also expected to remain rangebound USD 900 to 1,000/T as supply and logistical constraints remain a concern. EDC prices will be driven by PVC demand and Caustic Soda dynamics and expected to remain stable to bearish.

Our key focus areas for the coming quarters will be to ensure safe and sustainable operations at our Plant, completing on-going projects safely within communicated timelines, and navigating through the turbulent economic situation.



Abdul Qayoom
Chief Executive Officer
Karachi, August 15, 2024



Kamran Nishat
Director



**consolidated
financial statements**



INDEPENDENT AUDITOR'S 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, 2024 and the related 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, 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 other comprehensive income for the quarters ended June 30, 2024 and 2023 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2024.

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 audit resulting in this independent auditor's report is Osama Kapadia.

**A. F. Ferguson & Co.
Chartered Accountants
Karachi**

Date: August 23, 2024

UDIN: RR202410080MOfe8Q6qP

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT JUNE 30, 2024

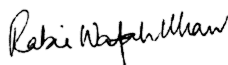
(Amounts in thousand)

	Note	Unaudited June 30, 2024	Audited December 31, 2023
Rupees			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	58,171,533	53,734,049
Right-of-use asset		967,629	1,206,266
Intangible assets		566,351	620,205
Long-term loans, advances and deposits		17,234	22,637
		<u>59,722,747</u>	<u>55,583,157</u>
Current Assets			
Stores, spares and loose tools		4,020,902	3,311,772
Stock-in-trade	6	17,839,820	16,985,039
Trade debts	7	1,356,778	1,629,173
Loans, advances, deposits, prepayments and other receivables	8	6,287,962	5,527,958
Income tax recoverable		2,051,053	-
Short-term investments		1,629,451	3,459,929
Cash and bank balances		2,999,939	4,100,782
		<u>36,185,905</u>	<u>35,014,653</u>
TOTAL ASSETS		<u><u>95,908,652</u></u>	<u><u>90,597,810</u></u>
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital		9,089,233	9,089,233
Preference shares		3,000,000	3,000,000
Share premium		3,874,953	3,874,953
Unappropriated profits		9,928,300	12,627,899
		<u>25,892,486</u>	<u>28,592,085</u>
Non-Current Liabilities			
Long-term borrowings	9	23,908,387	22,137,566
Government grant		1,141,565	1,298,853
Lease liabilities	10	928,120	1,361,414
Deferred tax liability - net	11	1,586,575	2,982,382
		<u>27,564,647</u>	<u>27,780,215</u>
Current Liabilities			
Trade and other payables	12	21,719,240	14,660,566
Service benefit obligations		59,516	85,166
Current portion of long-term borrowings	9	583,895	3,070,726
Current portion of government grant		251,357	216,632
Current portion of lease liabilities	10	826,687	1,173,036
Short-term borrowings		11,460,547	7,526,086
Accrued interest / mark-up		1,080,278	526,224
Unclaimed dividend		359,396	705,550
Taxes payable		-	150,921
Provisions		6,110,603	6,110,603
		<u>42,451,519</u>	<u>34,225,510</u>
Contingencies and Commitments	13	70,016,166	62,005,725
TOTAL EQUITY AND LIABILITIES		<u><u>95,908,652</u></u>	<u><u>90,597,810</u></u>

The annexed notes 1 to 23 form an integral part of these condensed consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

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, 2024

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

	Note	Quarter ended		Half year ended	
		June 30, 2024	June 30, 2023 (Restated)	June 30, 2024	June 30, 2023 (Restated)
		Rupees		Rupees	
Revenue from contracts with customers - net		17,812,468	19,044,034	34,384,676	37,022,364
Cost of sales		(16,376,445)	(13,379,360)	(31,882,978)	(27,610,216)
Gross profit		1,436,023	5,664,674	2,501,698	9,412,148
Distribution and marketing expenses		(185,316)	(139,422)	(329,494)	(285,485)
Administrative expenses		(542,395)	(514,153)	(1,219,886)	(972,445)
Other expenses		(30,249)	(380,123)	(53,473)	(1,118,305)
Other income		119,740	332,335	295,017	776,351
Operating profit		797,803	4,963,311	1,193,862	7,812,264
Finance costs		(2,125,564)	(1,551,273)	(3,793,656)	(2,728,342)
(Loss) / profit before income tax, minimum tax differential and final tax		(1,327,761)	3,412,038	(2,599,794)	5,083,922
Minimum tax differential	3.1	(279)	(61)	(279)	(61)
Final tax	3.1	(26,223)	(214,764)	(41,888)	(230,257)
(Loss) / profit before income tax		(1,354,263)	3,197,213	(2,641,961)	4,853,604
Income tax		665,829	(1,635,461)	1,052,285	(2,108,515)
(Loss) / profit for the period		(688,434)	1,561,752	(1,589,676)	2,745,089
Other comprehensive income for the period		-	-	-	-
Total comprehensive (loss) / income for the period		(688,434)	1,561,752	(1,589,676)	2,745,089
(Loss) / earnings per share - basic	14	(0.76)	1.39	(1.97)	2.69
(Loss) / earnings per share - diluted	14	(0.76)	1.29	(1.97)	2.27

The annexed notes 1 to 23 form an integral part of these condensed consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

(Amounts in thousand)

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		RESERVES		Total
	Ordinary share capital	Preference shares	CAPITAL Share premium	REVENUE Unappropriated profits	
	Rupees				
Balance as at January 1, 2023 (Audited)	9,089,233	3,000,000	3,874,953	11,157,529	27,121,715
Total comprehensive income for the half year ended June 30, 2023	-	-	-	2,745,089	2,745,089
Transactions with owners					
Final dividend for the year ended December 31, 2022					
- Rs. 2.5 per ordinary share	-	-	-	(2,272,308)	(2,272,308)
- Rs. 0.5 per preference share	-	-	-	(150,000)	(150,000)
First interim dividend for the year ended December 31, 2023					
- Rs. 1 per ordinary share	-	-	-	(908,923)	(908,923)
- Rs. 0.5 per preference share	-	-	-	(150,000)	(150,000)
	-	-	-	(3,481,231)	(3,481,231)
Balance as at June 30, 2023 (Unaudited)	9,089,233	3,000,000	3,874,953	10,421,387	26,385,573
Total comprehensive income for the half year ended December 31, 2023	-	-	-	6,187,205	6,187,205
Transactions with owners					
Second interim dividend for the year ended December 31, 2023					
- Rs. 1.5 per ordinary share	-	-	-	(1,363,385)	(1,363,385)
- Rs. 0.5 per preference share	-	-	-	(150,000)	(150,000)
Third interim dividend for the year ended December 31, 2023					
- Rs. 2.5 per ordinary share	-	-	-	(2,272,308)	(2,272,308)
- Rs. 0.65 per preference share	-	-	-	(195,000)	(195,000)
	-	-	-	(3,980,693)	(3,980,693)
Balance as at December 31, 2023 (Audited)	9,089,233	3,000,000	3,874,953	12,627,899	28,592,085
Total comprehensive income for the half year ended June 30, 2024	-	-	-	(1,589,676)	(1,589,676)
Transactions with owners					
Final dividend for the year ended December 31, 2023					
- Rs. 1 per ordinary share	-	-	-	(908,923)	(908,923)
- Rs. 0.67 per preference share	-	-	-	(201,000)	(201,000)
	-	-	-	(1,109,923)	(1,109,923)
Balance as at June 30, 2024	<u>9,089,233</u>	<u>3,000,000</u>	<u>3,874,953</u>	<u>9,928,300</u>	<u>25,892,486</u>


The annexed notes 1 to 23 form an integral part of these condensed consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

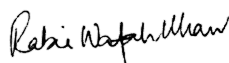
(Amounts in thousand)

	Note	Half year ended	
		June 30, 2024	June 30, 2023 (Restated)
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	7,869,488	10,148,962
Long-term loans and advances, net		5,403	-
Retirement benefits paid		(67,862)	(63,839)
Final tax paid		(41,888)	(230,257)
Minimum tax differential paid		(279)	(61)
Income tax paid		(2,545,496)	(2,571,159)
Net cash generated from operating activities		5,219,366	7,283,646
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(6,074,677)	(4,922,331)
Proceeds from disposal of property, plant and equipment		42,984	24,280
Purchase of short-term investments		(112,000)	(31,886,106)
Proceeds on sale / maturity of short-term investments		3,052,094	40,354,380
Income on short-term investments, intercompany balances and bank deposits		198,190	670,085
Net cash (utilised in) / generated from investing activities		(2,893,409)	4,240,308
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings - net of transaction costs		2,000,000	1,150,303
Repayments of long-term borrowings		(2,802,060)	(2,397,764)
Proceeds from short-term borrowings		399,000	-
Repayment of short-term borrowings		(324,360)	-
Proceeds of subordinated loan from the parent company		1,500,000	-
Repayment of subordinated loan to the parent company		(1,500,000)	-
Finance costs paid		(3,180,489)	(2,003,573)
Lease rentals paid		(812,036)	(1,167,115)
Dividend paid		(1,456,077)	(3,132,722)
Net cash utilised in financing activities		(6,176,022)	(7,550,871)
Net (decrease) / increase in cash and cash equivalents		(3,850,065)	3,973,083
Net foreign exchange differences		(5,228)	213,686
Cash and cash equivalents at beginning of the period		(2,695,581)	3,453,356
Cash and cash equivalents at end of the period	16	(6,550,874)	7,640,125

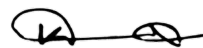
The annexed notes 1 to 23 form an integral part of these condensed consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

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, 2024

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

- 1.1 The "Group" consists of Engro Polymer and Chemicals Limited (here-in-after referred to as the 'Holding Company') and its wholly owned subsidiary companies, Think PVC (Private) Limited, Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited (here-in-after referred to as 'the Group').
- 1.2 The Holding Company was incorporated in Pakistan in 1997 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Holding Company is listed on the Pakistan Stock Exchange Limited (PSX). The Holding Company is a subsidiary of Engro Corporation Limited (the Parent Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Parent Company owns 56.19% shareholding in the Holding Company. The Holding 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 Holding 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 geographical location and addresses of all business units of the Group are as follows:

Business unit	Geographical location
Head office	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi, Pakistan
Manufacturing plant	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan
Regional sales unit	Office No. 601, 6th Floor, Haly Tower, Lalak Jan Chowk, DHA, Lahore, Pakistan
Branded Outlet	Plot 41 -C, Bukhari Commercial Lane 2, Phase VI, DHA, Karachi, Pakistan

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 the 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 directives issued under the Act.

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

- 2.2 These consolidated condensed interim financial statements for the half year ended June 30, 2024 are unaudited. However, these have been subjected to limited scope review by the statutory auditors of the Holding Company and are being submitted to the shareholders as required by the listing regulations of PSX and section 237 of the Act.

(Amounts in thousand)

These consolidated condensed interim financial statements do not include all the information required to be contained in the annual financial statements and, therefore, should be read in conjunction with the annual audited consolidated financial statements of the Holding Company for the year ended December 31, 2023.

2.3 These condensed interim financial statements represents the consolidated condensed interim financial statements of the Holding Company. The unconsolidated condensed interim financial statements of the Holding Company and its subsidiary companies have been presented separately.

3. MATERIAL ACCOUNTING POLICIES AND CHANGES THEREIN

3.1 The material accounting policies and the methods of computation adopted in the preparation of these consolidated condensed interim financial statements are same as those applied in the preparation of the annual audited consolidated financial statements of the Holding Company for the year ended December 31, 2023, except for the following:

The Institute of Chartered Accountants of Pakistan has issued application guidance on accounting for minimum and final taxes vide its circular No. 07/2024 dated May 15, 2024 (the Guidance), whereby unrecoverable minimum taxes in excess of normal tax liability and tax deducted at source under final tax regime are out of scope of IAS 12 'Income Taxes' and fall in the ambit of IFRIC 21 'Levies' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Accordingly, effective from January 1, 2024 the Group has changed its accounting policy to recognise such taxes as 'levies' which were previously being recognised as 'income tax'. This change has been accounted for retrospectively in line with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the corresponding figures in the consolidated condensed interim statement of profit and loss and other comprehensive income and consolidated condensed interim statement of cash flows have been restated. The change has no impact on (loss) / profit after tax or (loss) / earnings per share of the Group.

The effects of change in accounting policy are as follows:

	Had there been no change in accounting policy	Impact of change in accounting policy	After incorporating effects of change in accounting policy
	Rupees		
<i>Effect on consolidated condensed interim statement of profit or loss and other comprehensive income</i>			
For the quarter ended June 30, 2024			
Minimum tax differential	-	(279)	(279)
Final tax	-	(26,223)	(26,223)
Loss before income tax	(1,327,761)	(26,502)	(1,354,263)
Income tax	639,327	26,502	665,829
For the half year ended June 30, 2024			
Minimum tax differential	-	(279)	(279)
Final tax	-	(41,888)	(41,888)
Loss before income tax	(2,599,794)	(42,167)	(2,641,961)
Income tax	1,010,118	42,167	1,052,285

(Amounts in thousand)

	Had there been no change in accounting policy	Impact of change in accounting policy	After incorporating effects of change in accounting policy
Rupees			
For the quarter ended June 30, 2023			
Minimum tax differential	-	(61)	(61)
Final tax	-	(214,764)	(214,764)
Profit before income tax	3,412,038	(214,825)	3,197,213
Income tax	(1,850,286)	214,825	(1,635,461)
For the half year ended June 30, 2023			
Minimum tax differential	-	(61)	(61)
Final tax	-	(230,257)	(230,257)
Profit before income tax	5,083,922	(230,318)	4,853,604
Income tax	(2,338,833)	230,318	(2,108,515)

3.2 Initial application of standards, amendments or interpretations to existing standards

a) Standards and amendments to published accounting and reporting standards and interpretations that are effective during the period

There were certain amendments to accounting and reporting standards which became effective during the current period. However, these do not have any significant impact on the Holding Company's financial reporting and, therefore, have not been disclosed in these consolidated condensed interim financial statements.

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

There are certain standards and amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Holding Company's financial reporting and, therefore, have not been disclosed in these consolidated condensed interim financial statements.

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 Group'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 these consolidated condensed interim financial statements are the same as those that were applied in the annual audited consolidated financial statements of the Holding Company for the year ended December 31, 2023 except for:

4.1.1 Taxation

Deferred tax asset is recognised for all unused tax losses and available tax credits to the extent that it is probable that sufficient taxable temporary differences and taxable profits will be available against which such losses and credits can be utilised. Significant judgement is exercised to determine the amount of deferred tax asset to be recognised.

(Amounts in thousand)

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - notes 5.1 and 5.2	34,562,682	34,567,298
Capital work-in-progress - note 5.3	23,379,649	18,921,324
Capital spares	229,202	245,427
	<u>58,171,533</u>	<u>53,734,049</u>

5.1 Following additions, including transfers from capital work-in-progress, were made during the period / year:

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
Leasehold land	-	23,000
Building on leasehold land	105,314	86,169
Plant and machinery	1,119,512	2,960,220
Furniture, fixtures and equipment	86,897	96,493
Vehicles	312,296	20,856
	<u>1,624,019</u>	<u>3,186,738</u>

5.2 Operating assets costing Rs. 69,525 (December 31, 2023: Rs. 65,237) having net book value of Rs. 34,396 (December 31, 2023: Rs. 39,428) were disposed / written off for Rs. 42,984 (December 31, 2023: Rs. 44,328).

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
5.3 The movement in capital work-in-progress is as follows:		
Balance at beginning of the period / year	18,921,324	10,698,886
Additions during the period	6,088,340	11,447,328
Transferred from capital spares	46,049	-
Transferred to:		
- operating assets - note 5.1	(1,624,019)	(3,186,738)
- intangible assets	(22,221)	(38,152)
- capital spares	(29,824)	-
	<u>(1,676,064)</u>	<u>(3,224,890)</u>
Balance at end of the period / year	<u>23,379,649</u>	<u>18,921,324</u>

(Amounts in thousand)

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
6. STOCK-IN-TRADE		
Raw and packing materials - notes 6.1 and 6.2	9,717,760	10,752,527
Work-in-process	415,601	431,254
Finished goods - manufactured products and trading products	7,812,270	5,907,069
	<u>17,945,631</u>	<u>17,090,850</u>
Less: Provision against stock-in-trade	(105,811)	(105,811)
	<u>17,839,820</u>	<u>16,985,039</u>
6.1 This includes stocks held at storage facilities of following parties:		
- Engro Vopak Terminal Limited, a related party	2,590,602	2,788,703
- Al-Noor Petroleum (Private) Limited	6,449	34,959
- Al-Rahim Trading Company (Private) Limited	1,305,421	1,966,882
	<u>3,902,472</u>	<u>4,790,544</u>
6.2 This includes goods in transit amounting to Rs. 931,447 (December 31, 2023: Rs. 1,413,903).		
	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
7. TRADE DEBTS - Considered good		
Includes amounts due from the following related parties:		
- Engro Fertilizer Limited	37,575	34,915
- Engro Eximp FZE	86,358	468,441
	<u>123,933</u>	<u>503,356</u>
8. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
These include advances to and receivables from the following related parties		
Engro Corporation Limited	4,753	864
Engro Fertilizers Limited	6,059	3,583
Elengy Terminal (Private) Limited	34	-
Engro Energy Limited	5,664	36
Engro Energy Services Limited	205	205
Engro Enfrashare (Private) Limited	3	-
Engro Eximp FZE	24,297	-
Engro Powergen Qadirpur Limited	198	422
Engro Powergen Thar (Private) Limited	389	50
Engro Foundation	12,048	-
Engro Vopak Terminal Limited	1,780	2,819
Engro Elengy Terminal (Private) Limited	456	456
Sindh Engro Coal Mining Company Limited	558	9
Nimir Industrial Chemicals Limited	156,067	196,910
	<u>212,511</u>	<u>205,354</u>

(Amounts in thousand)

9. LONG-TERM BORROWINGS

Title	Mark-up rate per annum	Installments		June 30, 2024	December 31, 2023
		Number	Commencing	Rupees	
Loan from International Finance Corporation (IFC) - note 9.1.1	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	-	1,645,647
Bilateral Loan I - note 9.1.1	6 months KIBOR + 0%	6 half yearly	July 15, 2021	-	903,584
Islamic Long Term Financing Facility (ILTFF)	SBP rate + 1.2%	32 quarterly	December 14, 2022	1,513,133	1,633,332
Islamic Temporary Economic Refinance Facilities (ITERF)	Ranging from SBP rate + 0.75% to 1%	32 quarterly	June 12, 2023	3,307,508	3,395,059
Loan under diminishing musharka agreement I	3 months KIBOR + 0.4%	8 half yearly	June 28, 2023	250,000	300,000
Syndicated Long Term Islamic Financing Facility	3 months KIBOR + 0.3%	12 quarterly	March 27, 2028	8,735,177	8,733,733
Loan under diminishing musharka agreement II	3 months KIBOR + 0.3%	16 quarterly	March 30, 2026	6,000,000	6,000,000
Ijarah Facility from International Finance Corporation (IFC)	SOFR + 3.68%	7 half yearly	July 15, 2025	4,079,386	4,112,422
Bilateral Loan II - note 9.1.2	3 months KIBOR + 0.4%	28 quarterly	April 19, 2026	2,000,000	-
				25,885,204	26,723,777
Less: Current portion shown under current liabilities					
- Loans from International Finance Corporation				-	(1,645,647)
- Bilateral Loan I				-	(903,584)
- Islamic Long Term Financing Facility (ILTFF)				(243,750)	(243,750)
- Islamic Temporary Economic Refinance Facility (ITERF)				(240,145)	(177,745)
- Loan under diminishing musharka agreement I				(100,000)	(100,000)
				(583,895)	(3,070,726)
Less: Deferred income - Government grant				(1,392,922)	(1,515,485)
				23,908,387	22,137,566

9.1 As at June 30, 2024, there is no material change in the terms and conditions of the borrowings as disclosed in the note 18 of the annual audited consolidated financial statements of the Holding Company for the year ended December 31, 2023, except for the below.

9.1.1 During the period, the outstanding amounts pertaining to loan from IFC and bilateral loan I were repaid in entirety on the expiry of its contractual term and accordingly hypothecation charge on the Holding Company's assets was released.

9.1.2 During the period, the Holding Company entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL) for a loan facility amounting to Rs. 2,000,000. The borrowing is secured by way of hypothecation charge of present and future fixed assets of the Holding Company (except land and building) to the extent of Rs. 2,500,000, ranking subordinate and subservient to the charges created in favour of the existing creditors.

10. LEASE LIABILITIES

This includes lease liability in respect of storage arrangements with Engro Vopak Terminal Limited, a related party, amounting to Rs. 1,666,378 (December 31, 2023: Rs. 2,435,722).

(Amounts in thousand)

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
11. DEFERRED TAX LIABILITY - net		
Credit balances arising due to:		
- accumulated depreciation	5,962,279	6,007,188
Debit balances arising due to:		
- unpaid liabilities	469,753	451,480
- leases	278,875	440,128
- provisions	1,989,393	1,989,393
- shares issuance cost	77,771	77,771
- minimum tax carried forward	419,892	-
- accumulated business losses	1,140,020	66,034
	<u>(4,375,704)</u>	<u>(3,024,806)</u>
	<u>1,586,575</u>	<u>2,982,382</u>
12. TRADE AND OTHER PAYABLES		
Includes amounts due to following related parties:		
- Engro Corporation Limited	162,807	292,606
- Engro Fertilizers Limited	157,776	150,569
- Engro Energy Limited	-	250
- Engro Foundation	-	125,000
- Engro Vopak Terminal Limited	137,084	289,925
- Engro Eximp FZE	7,863,224	1,739,751
- Engro Powergen Qadirpur Limited	403	-
- Engro Powergen Thar (Private) Limited	15,724	-
- Engro Elengy Terminal (Private) Limited	22	-
- Sindh Engro Coal Mining Company Limited	260	-
- Nimir Industrial Chemicals Limited	-	46,292
	<u>8,337,300</u>	<u>2,644,393</u>
13. CONTINGENCIES AND COMMITMENTS		
13.1	As at June 30, 2024, there is no material change in the status of matters reported as contingencies in notes 26 and 27 of the audited annual consolidated annual financial statements of the Holding Company for the year ended December 31, 2023, except for the below.	
13.1.1	In respect of the matter stated in note 26.5 of the audited annual consolidated financial statements, during the period, the Federal Board of Revenue (FBR) had filed an appeal before the Supreme Court of Pakistan (SCP) stating that the Islamabad High Court (IHC) had no jurisdiction to entertain petitions of Sindh based companies, hence the petition and interim relief order passed by the IHC with respect to the retrospective rate enhancement of super tax charge of 6% should be annulled. SCP remanded the case back to IHC with the direction to pass a speaking order justifying the reasons for inapplicability of incremental 6% retrospective rate enhancement.	
	Later, IHC passed an order dated March 15, 2024, as per the directive of SCP, whereby the IHC decided that 6% incremental super tax is not applicable retrospectively on tax year 2023 and prior periods. Further, the IHC also ruled that super tax should be calculated excluding all the income which falls under the Final Tax Regime. The FBR has currently filed an intra court appeal in IHC against the said order, which is pending adjudication. Hence, the Holding Company on account of prudence has continued to maintain its provision in respect of 6% incremental super tax in these consolidated condensed interim financial statements.	

(Amounts in thousand)

- 13.1.2 In respect of the matter stated in note 26.6 of the audited annual consolidated financial statements, during the period, the Commission Inland Revenue - Appeals [CIR(A)] had passed an order in the favor of the Holding Company for tax years 2018, 2019, 2021 and 2022 in respect of demand of Rs. 114,547 raised on account of alleged non-withholding of taxes on payments made to various parties by remanding back the order to the Commission Inland Revenue (CIR). Being aggrieved the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the said decision of CIR(A). As at June 30, 2024, appeal for tax year 2020 in the above case is still pending before the CIR(A).
- 13.1.3 In respect of the matter stated in note 26.7 of the audited annual consolidated financial statements, during the period, the Holding Company has further paid demand amounting to Rs. 200,000 to the FBR under protest. However, as the Holding Company based on the advice of its tax consultant is still confident of a favourable outcome, accordingly, no provision in this respect has been recognised in these consolidated condensed interim financial statements.
- 13.1.4 During the period, the income tax department has ammended the assesment filed by the Holding Company for tax year 2022. The Holding Company has preferred an appeal thereagainst before the CIR(A) related to the disallowances mainly pertaining to adjustment in respect of exchange gain / loss that resulted in excess demand of Rs. 500,000, which has been paid by the Holding Company under protest. However, as the Holding Company based on the advice of its tax consultant is confident of a favourable outcome, accordingly, no provision in this respect has been recognised in these consolidated condensed interim financial statements.
- 13.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Group as at June 30, 2024 amounts to Rs. 10,821,500 (December 31, 2023: Rs. 7,300,000). The amount utilised there against as at June 30, 2024 is Rs. 8,366,728 (December 31, 2023: Rs. 6,391,001).
- Performance guarantees of Rs. 102,180 and Rs. 286,682 have been given are in respect of Sindh Development and Maintenance of Infrastructure Cess (SIDC) and greenfield application status of the Engro Peroxide (Private) Limited (EPPL) respectively. With regards to greenfield status, the Group is of the view that if any payment on account of sales tax and income tax which amounts to Rs. 149,620 is required to be made to the Government authorities the same will be recoupable in its tax returns for future periods. Accordingly, no provision has been made in this respect.
- 13.3 The facility for opening letter of credits as at June 30, 2024 aggregates to Rs. 35,448,000 (December 31, 2023: Rs. 36,237,214) out of which Rs. 13,748,645 (December 31, 2023: Rs. 7,707,035) have been utilised.
- 13.4 In 2021, EPPL entered into a contract with China National Air Separation Engineering Company Limited for design, procurement and engineering services for Hydrogen Peroxide manufacturing plant at a consideration of CNY 100,400. As at June 30, 2024, outstanding commitment for civil works and equipment procurement amounts to CNY 130 (December 31, 2023: CNY 12,547).
- 13.5 In 2021, EPPL entered into a contract with Etimead Engineering (Private) Limited for construction and installation services in respect of Hydrogen Peroxide manufacturing plant at a consideration of Rs. 927,000. During the period, additional contracts were entered into at a consideration of Rs. 365,000. As at June 30, 2024, outstanding commitment amounts to Rs. 239,721 (December 31, 2023: Rs. 196,265).
- 13.6 In May 2022, EPPL entered into a contract with Suria Engineering (Private) Limited for purchase of Hydrogen Peroxide steel structure in respect of the Hydrogen Peroxide manufacturing plant for a consideration of Rs. 470,000. As at June 30, 2024, outstanding commitment for equipment procurement amounts to Rs. 87,068 (December 31, 2023: Rs. 146,138).
- 13.7 In 2024, EPPL entered into a contract with Descon Engineering Limited for engineering services in respect of Hydrogen Peroxide manufacturing plant at a consideration of Rs. 96,362. As at June 30, 2024, outstanding commitment amounts to Rs. 7,364 (December 31, 2023: Nil).

(Amounts in thousand)

- 13.8 Commitments of Holding Company in respect of rentals of storage tanks at EVTL for the handling of (i) Ethylene aggregating to USD 5,400 (December 31, 2023: USD 10,584) are valid till March 31, 2026, (ii) Ethylene Di Chloride (EDC) aggregating to USD 2,727 (December 31, 2023: USD 4,770) are valid till December 31, 2028 and (iii) Vinyl Chloride Monomer (VCM) aggregating to USD 298 (December 31, 2023: USD 667) are valid till December 31, 2024.

Unaudited June 30, 2024	Audited December 31, 2023
Rupees	

- 13.9 Commitments in respect of expenditure of capital and other operational items

8,240,946	4,587,857
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14. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

- 14.1 Basic earnings per share has been calculated by dividing the loss / profit attributable to ordinary share holders of the Group by weighted average number of ordinary shares in issue during the period.

- 14.2 Diluted earnings per share presents the effect of conversion of potential ordinary shares (preference shares) where it leads to decrease in earnings per share or increase in loss per share.

Unaudited June 30, 2024	(Restated) Unaudited June 30, 2023
Rupees	

15. CASH GENERATED FROM OPERATIONS

(Loss) / profit before income tax	(2,641,961)	4,853,604
-----------------------------------	-------------	-----------

Adjustments for non cash-charges and other items:

Staff retirement and other service benefits	42,212	39,030
Depreciation:		
- operating assets	1,594,239	1,388,785
- right-of-use asset	238,637	237,954
Amortisation of intangible assets	55,101	54,796
Provision against slow moving stores and spares	(1,570)	(17,390)
Write-off of slow moving stores and spares	13,170	-
Unrealised foreign exchange (gain) / loss on financial assets and liabilities	(76,134)	274,413
Income on financial assets	(221,129)	(727,023)
Finance costs	3,793,656	2,728,342
Gain on disposal of operating assets	(8,588)	(2,147)
Default surcharge on GIDC	-	444,415
Remeasurement loss on provision against GIDC	-	129,122
Final tax	41,888	230,257
Minimum tax differential	279	61
Working capital changes - note 15.1	5,039,688	514,743
	7,869,488	10,148,962

(Amounts in thousand)

	Unaudited June 30, 2024	Unaudited June 30, 2023
Rupees		
15.1 WORKING CAPITAL CHANGES		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(720,730)	(327,129)
Stock-in-trade	(854,781)	(2,377,372)
Trade debts	272,395	1,315,220
Loans, advances, deposits, prepayments and other receivables - net	(715,870)	(1,862,832)
	<u>(2,018,986)</u>	<u>(3,252,113)</u>
Increase in current liabilities		
Trade and other payables	7,058,674	3,766,856
	<u>5,039,688</u>	<u>514,743</u>
16. CASH AND CASH EQUIVALENTS		
Short-term investments	1,510,734	389,500
Cash and bank balances	2,999,939	7,250,625
Running finances	(11,061,547)	-
	<u>(6,550,874)</u>	<u>7,640,125</u>
17. SEGMENT INFORMATION		

17.1 The basis of segmentation and reportable segments presented in these consolidated condensed interim financial statements are same as disclosed in the audited consolidated annual financial statements for the year ended December 31, 2023.

	June 30, 2024 (Unaudited)				June 30, 2023 (Unaudited)			
	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 from contract with customers - net								
- At a point	27,807,196	6,466,117	-	34,273,313	31,805,180	5,152,147	-	36,957,327
- Over time	-	-	111,363	111,363	-	-	65,037	65,037
	<u>27,807,196</u>	<u>6,466,117</u>	<u>111,363</u>	<u>34,384,676</u>	<u>31,805,180</u>	<u>5,152,147</u>	<u>65,037</u>	<u>37,022,364</u>
Less:								
Cost of sales	(27,401,658)	(4,390,797)	(90,523)	(31,882,978)	(24,297,331)	(3,254,444)	(58,441)	(27,610,216)
Distribution and marketing expenses	(203,247)	(125,957)	(290)	(329,494)	(193,572)	(91,913)	-	(285,485)
Administrative expenses	(986,467)	(229,467)	(3,952)	(1,219,886)	(835,395)	(137,050)	-	(972,445)
Other expenses	(20,955)	(32,439)	(79)	(53,473)	(725,554)	(389,363)	(3,388)	(1,118,305)
Other income	183,155	109,969	1,893	295,017	661,584	113,415	1,352	776,351
Finance costs	(3,067,731)	(713,648)	(12,277)	(3,793,656)	(2,349,022)	(374,591)	(4,729)	(2,728,342)
Minimum tax differential, final tax and income tax	812,885	193,975	3,258	1,010,118	(2,038,741)	(295,923)	(4,169)	(2,338,833)
(Loss) / profit for the period	<u>(2,876,822)</u>	<u>1,277,753</u>	<u>9,393</u>	<u>(1,589,676)</u>	<u>2,027,149</u>	<u>722,278</u>	<u>(4,338)</u>	<u>2,745,089</u>
	June 30, 2024 (Unaudited)				December 31, 2023 (Audited)			
	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								
Segment assets								
Total segment assets	63,395,481	27,815,167	64,024	91,274,672	57,746,002	25,446,940	60,743	83,253,685
Unallocated assets				4,633,980				7,344,125
				<u>95,908,652</u>				<u>90,597,810</u>

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

(Amounts in thousand)

17.3 Comparative figures of other assets have been reclassified to align with current internal reporting.

18. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited	Unaudited
		June 30, 2024	June 30, 2023
		Rupees	
Parent Company	Reimbursement made	782,613	918,493
	Reimbursement received	17,833	154
	Subordinated loan disbursed by the holding company	1,500,000	-
	Subordinated loan repaid by the holding company	1,500,000	-
	Mark-up on subordinated loan	12,224	-
	Expenses paid on behalf of the Group	-	94
	Dividend paid	510,733	1,787,567
Associated Companies	Dividend paid	100,054	350,187
	Sales of utilities	111,362	63,924
	Sales of goods	3,577,058	3,345,403
	Purchase of services	909,172	1,501,474
	Purchase of goods	16,068,440	16,025,827
	Reimbursement made	149,449	592,572
	Reimbursement received	116,173	6,162
	Late payment charges	-	14,825
Directors	Fee	12,134	9,266
	Dividend paid	6	21
Contribution to staff retirement benefits	Managed and operated by the Pension fund		
	Holding Company		
	- Provident fund	66,828	60,056
	- Gratuity fund	45,662	42,819
	- Pension fund	1,394	2,657
Key management personnel	Managerial remuneration	80,782	80,525
	Retirement benefit funds	13,073	13,655
	Bonus	32,479	32,444
	Other benefits	27,174	17,282

19. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

There have been no changes in the risk management policies during the period, consequently these consolidated condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual consolidated financial statements.

(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. Consequently, differences can arise between carrying values and the fair value estimates. As at the reporting date, the carrying value of all financial assets and liabilities approximate to their fair value. The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Short term investments in units of mutual funds				
- June 30, 2024	-	-	-	-
- December 31, 2023	-	100,118	-	100,118

For the remaining financial assets and financial 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. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

21.1 The Board of Directors of the Holding Company in its meeting held on August 15, 2024 has approved a first interim cash dividend of Nil per ordinary share for the year ending December 31, 2024 amounting to Nil. These consolidated condensed interim financial statements do not include the effects of the said interim dividend.

21.2 The Board of Directors of the Holding Company in its meeting held on August 15, 2024 has approved a first interim cash dividend of Nil per preference share for the year ending December 31, 2024 amounting to Nil. These consolidated condensed interim financial statements do not include the effects of the said interim dividend.

22. CORRESPONDING FIGURES

22.1 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 consolidated financial statements of preceding financial year, whereas 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 amounts of comparable period of immediately preceding financial year.

(Amounts in thousand)

22.2 Corresponding figures have been rearranged and reclassified for better presentation, wherever, considered necessary. The material reclassification made during the period are as follows:

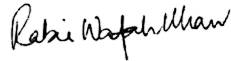
Description	Reclassified		Quarter ended	Half year ended
	from	to	June 30, 2023	June 30, 2023
			<u>Rupees</u>	
Purchased services	Cost of sales	Administrative expenses	212,760	368,948

23. DATE OF AUTHORISATION FOR ISSUE

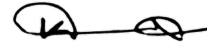
These consolidated condensed interim financial statements were authorised for issue on August 15, 2024 by the Board of Directors of the Holding Company.



Chief Executive Officer



Chief Financial Officer



Director



**standalone financial
statements**



INDEPENDENT AUDITOR'S 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, 2024 and the related 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 unconsolidated condensed interim financial statements for the half year then ended (here-in-after referred to as the "unconsolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated 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 unconsolidated condensed interim financial statements based on our review.

The figures of the unconsolidated condensed interim statement of profit or loss and other comprehensive income for the quarters ended June 30, 2024 and 2023 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2024.

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 unconsolidated 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 unconsolidated 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 audit resulting in this independent auditor's report is Osama Kapadia.

**A. F. Ferguson & Co.
Chartered Accountants
Karachi**

Date: August 23, 2024


UDIN: RR202410080XaZAE5TKh


ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT JUNE 30, 2024

(Amounts in thousand)

	Note	Unaudited June 30, 2024	Audited December 31, 2023
Rupees			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	47,462,834	44,794,643
Right-of-use asset		926,144	1,156,505
Intangible assets		566,351	620,205
Long-term investments		6,837,000	6,837,000
Long-term loans and advances		16,434	21,837
		<u>55,808,763</u>	<u>53,430,190</u>
Current Assets			
Stores, spares and loose tools		3,936,907	3,311,772
Stock-in-trade	6	17,295,227	16,620,634
Trade debts	7	1,339,053	1,612,111
Loans, advances, deposits, prepayments and other receivables	8	8,831,292	5,817,368
Income tax recoverable		1,959,623	-
Short-term investments		1,510,734	3,345,457
Cash and bank balances		2,886,508	3,985,495
		<u>37,759,344</u>	<u>34,692,837</u>
TOTAL ASSETS		<u><u>93,568,107</u></u>	<u><u>88,123,027</u></u>
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital		9,089,233	9,089,233
Preference shares		3,000,000	3,000,000
Share premium		3,874,953	3,874,953
Unappropriated profits		10,563,497	12,938,222
		<u>26,527,683</u>	<u>28,902,408</u>
Non-Current Liabilities			
Long-term borrowings	9	22,709,291	20,927,785
Government grant		158,929	195,232
Lease liabilities	10	905,053	1,331,168
Deferred tax liability	11	1,660,714	3,048,430
		<u>25,433,987</u>	<u>25,502,615</u>
Current Liabilities			
Trade and other payables	12	21,315,003	14,390,425
Service benefit obligations		59,516	85,166
Current portion of long-term borrowings	9	454,091	3,002,001
Current portion of government grant		47,549	49,053
Current portion of lease liabilities	10	807,739	1,155,904
Short-term borrowings		11,460,547	7,526,086
Accrued interest / mark-up		991,993	456,994
Unclaimed dividend		359,396	705,550
Taxes payable		-	236,222
Provisions		6,110,603	6,110,603
		<u>41,606,437</u>	<u>33,718,004</u>
		<u>67,040,424</u>	<u>59,220,619</u>
Contingencies and Commitments	13		
TOTAL EQUITY AND LIABILITIES		<u><u>93,568,107</u></u>	<u><u>88,123,027</u></u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chief Financial Officer


Director

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, 2024

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

	Note	Quarter ended		Half year ended	
		June 30, 2024	June 30, 2023 (Restated)	June 30, 2024	June 30, 2023 (Restated)
Rupees					
Revenue from contracts with customers - net		17,812,077	19,041,198	34,376,690	37,018,797
Cost of sales		(16,375,000)	(13,377,243)	(31,875,373)	(27,608,078)
Gross profit		<u>1,437,077</u>	<u>5,663,955</u>	<u>2,501,317</u>	<u>9,410,719</u>
Distribution and marketing expenses		(179,516)	(138,702)	(321,867)	(281,062)
Administrative expenses		(542,395)	(514,153)	(1,219,886)	(972,445)
Other expenses		(3,473)	(260,471)	(24,447)	(996,207)
Other income		299,304	332,056	584,415	769,899
Operating profit		<u>1,010,997</u>	<u>5,082,685</u>	<u>1,519,532</u>	<u>7,930,904</u>
Finance costs		(2,125,706)	(1,554,838)	(3,789,932)	(2,724,593)
(Loss) / profit before income tax and final tax		<u>(1,114,709)</u>	<u>3,527,847</u>	<u>(2,270,400)</u>	<u>5,206,311</u>
Final tax	3.1	(26,196)	(214,764)	(41,861)	(230,257)
(Loss) / profit before income tax		<u>(1,140,905)</u>	<u>3,313,083</u>	<u>(2,312,261)</u>	<u>4,976,054</u>
Income tax		660,418	(1,669,383)	1,047,459	(2,142,878)
(Loss) / profit for the period		<u>(480,487)</u>	<u>1,643,700</u>	<u>(1,264,802)</u>	<u>2,833,176</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive (loss) / income for the period		<u><u>(480,487)</u></u>	<u><u>1,643,700</u></u>	<u><u>(1,264,802)</u></u>	<u><u>2,833,176</u></u>
(Loss) / earnings per share - basic	14	<u>(0.53)</u>	<u>1.48</u>	<u>(1.61)</u>	<u>2.79</u>
(Loss) / earnings per share - diluted	14	<u>(0.53)</u>	<u>1.36</u>	<u>(1.61)</u>	<u>2.34</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chief Financial Officer


Director

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

(Amounts in thousand)

	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		RESERVES		Total
	Ordinary share capital	Preference shares	CAPITAL Share premium	REVENUE Unappropriated profits	
	Rupees				
Balance as at January 01, 2023 (Audited)	9,089,233	3,000,000	3,874,953	11,169,486	27,133,672
Total comprehensive income for the half year ended June 30, 2023	-	-	-	2,833,176	2,833,176
Transactions with owners					
Final dividend for the year ended December 31, 2022					
- Rs. 2.5 per ordinary share	-	-	-	(2,272,308)	(2,272,308)
- Rs. 0.5 per preference share	-	-	-	(150,000)	(150,000)
First interim dividend for the year ended December 31, 2023					
- Rs. 1 per ordinary share	-	-	-	(908,923)	(908,923)
- Rs. 0.5 per preference share	-	-	-	(150,000)	(150,000)
Balance as at June 30, 2023 (Unaudited)	<u>9,089,233</u>	<u>3,000,000</u>	<u>3,874,953</u>	<u>10,521,431</u>	<u>26,485,617</u>
Total comprehensive income for the half year ended December 31, 2023	-	-	-	6,397,484	6,397,484
Transactions with owners					
Second interim dividend for the year ended December 31, 2023					
- Rs. 1.5 per ordinary share	-	-	-	(1,363,385)	(1,363,385)
- Rs. 0.5 per preference share	-	-	-	(150,000)	(150,000)
Third interim dividend for the year ended December 31, 2023					
- Rs. 2.5 per ordinary share	-	-	-	(2,272,308)	(2,272,308)
- Rs. 0.65 per preference share	-	-	-	(195,000)	(195,000)
Balance as at December 31, 2023 (Audited)	<u>9,089,233</u>	<u>3,000,000</u>	<u>3,874,953</u>	<u>12,938,222</u>	<u>28,902,408</u>
Total comprehensive loss for the half year ended June 30, 2024	-	-	-	(1,264,802)	(1,264,802)
Transactions with owners					
Final dividend for the year ended December 31, 2023					
- Rs. 1 per ordinary share	-	-	-	(908,923)	(908,923)
- Rs. 0.67 per preference share	-	-	-	(201,000)	(201,000)
Balance as at June 30, 2024 (Unaudited)	<u>9,089,233</u>	<u>3,000,000</u>	<u>3,874,953</u>	<u>10,563,497</u>	<u>26,527,683</u>

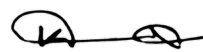
The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer



Director


ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2024

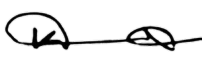
(Amounts in thousand)

	Note	Half year ended	
		June 30, 2024	June 30, 2023 (Restated)
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	8,132,989	10,374,426
Long-term loans and advances, net		5,403	-
Retirement benefits paid		(67,862)	(63,839)
Final tax paid		(41,861)	(230,257)
Income tax paid		(2,536,102)	(2,527,242)
Net cash generated from operating activities		5,492,567	7,553,088
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(4,319,036)	(2,761,973)
Proceeds from disposal of property, plant and equipment		42,973	24,280
Investment made in subsidiary companies		-	(1,110,000)
Disbursement of subordinated loan to subsidiary companies		(2,068,500)	(2,534,800)
Repayment of subordinated loan from subsidiary companies		-	1,600,000
Purchase of short-term investments		-	(31,886,106)
Proceeds on sale / maturity of short-term investments		2,940,094	40,354,380
Income on short-term investments, subordinated loan, intercompany balances and bank deposits		190,400	663,633
Net cash (utilised in) / generated from investing activities		(3,214,069)	4,349,414
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings - net of transaction costs		2,000,000	144,522
Repayments of long-term borrowings		(2,767,698)	(2,397,764)
Proceeds from short-term borrowings		399,000	-
Repayment of short-term borrowings		(324,360)	-
Proceeds of subordinated loan from the holding company		1,500,000	-
Repayment of subordinated loan to the holding company		(1,500,000)	-
Finance costs paid		(3,173,829)	(1,990,373)
Lease rentals paid		(803,743)	(1,160,774)
Dividend paid		(1,456,077)	(3,132,722)
Net cash utilised in financing activities		(6,126,707)	(8,537,111)
Net (decrease) / increase in cash and cash equivalents		(3,848,209)	3,365,391
Net foreign exchange differences		(5,228)	213,686
Cash and cash equivalents at beginning of the period		(2,810,868)	3,013,774
Cash and cash equivalents at end of the period	16	(6,664,305)	6,592,851

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chief Financial Officer


Director

**ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED NOTES TO AND FORMING PART OF
THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2024**

(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 repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is listed on the Pakistan Stock Exchange Limited (PSX).
- 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 Holding Company owns 56.19% of shareholding in the 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 geographical location and addresses of all business units of the Company are as follows:

Business unit	Geographical location
Head office	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi, Pakistan
Manufacturing plant	EZ/II/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan
Regional sales unit	Office No. 601, 6th Floor, Haly Tower, Lalak Jan Chowk, DHA, Lahore, Pakistan

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 the 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 directives issued under the Act.

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

- 2.2 These unconsolidated condensed interim financial statements for the half year ended June 30, 2024 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 PSX and section 237 of the Act.

(Amounts in thousand)

These unconsolidated condensed interim financial statements do not include all the information required to be contained in the annual financial statements and, therefore, should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2023.

- 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. MATERIAL ACCOUNTING POLICIES AND CHANGES THEREIN

- 3.1 The material accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2023, except for the following:

The Institute of Chartered Accountants of Pakistan has issued application guidance on accounting for minimum and final taxes vide its circular No. 07/2024 dated May 15, 2024 (the Guidance), whereby unrecoverable minimum taxes in excess of normal tax liability and tax deducted at source under final tax regime are out of scope of IAS 12 'Income Taxes' and fall in the ambit of IFRIC 21 'Levies' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Accordingly, effective from January 1, 2024 the Company has changed its accounting policy to recognise such taxes as 'levies' which were previously being recognised as 'income tax'. This change has been accounted for retrospectively in line with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the corresponding figures in the unconsolidated condensed interim statement of profit and loss and other comprehensive income and unconsolidated condensed interim statement of cash flows have been restated. The change has no impact on (loss) / profit after tax or (loss) / earnings per share of the Company.

The effects of change in accounting policy are as follows:

	Had there been no change in accounting policy	Impact of change in accounting policy Rupees	After incorporating effects of change in accounting policy
<i>Effect on unconsolidated condensed interim statement of profit or loss and other comprehensive income</i>			
For the quarter ended June 30, 2024			
Final tax	-	(26,196)	(26,196)
Loss before income tax	(1,114,709)	(26,196)	(1,140,905)
Income tax	634,222	26,196	660,418
For the half year ended June 30, 2024			
Final tax	-	(41,861)	(41,861)
Loss before income tax	(2,270,400)	(41,861)	(2,312,261)
Income tax	1,005,598	41,861	1,047,459

(Amounts in thousand)

	Had there been no change in accounting policy	Impact of change in accounting policy Rupees	After incorporating effects of change in accounting policy
For the quarter ended June 30, 2023			
Final tax	-	(214,764)	(214,764)
Profit before income tax	3,527,847	(214,764)	3,313,083
Income tax	(1,884,147)	214,764	(1,669,383)
For the half year ended June 30, 2023			
Final tax	-	(230,257)	(230,257)
Profit before income tax	5,206,311	(230,257)	4,976,054
Income tax	(2,373,135)	230,257	(2,142,878)

The related changes to the statement of cash flows with respect to the amount of profit before taxation have been made as well.

3.2 Initial application of standards, amendments or interpretations to existing standards

a) Standards and amendments to published accounting and reporting standards and interpretations that are effective during the period

There were certain amendments to accounting and reporting standards which became effective during the current period. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

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

There are certain standards and amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

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 these unconsolidated condensed interim financial statements are the same as those that were applied in the annual audited financial statements of the Company for the year ended December 31, 2023 except for:

4.1.1 Taxation

Deferred tax asset is recognised for all unused tax losses and available tax credits to the extent that it is probable that sufficient taxable temporary differences and taxable profits will be available against which such losses and credits can be utilised. Significant judgement is exercised to determine the amount of deferred tax asset to be recognised.

(Amounts in thousand)

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - notes 5.1 and 5.2	34,562,635	34,567,240
Capital work-in-progress - note 5.3	12,670,997	9,981,976
Capital spares	229,202	245,427
	47,462,834	44,794,643

5.1 Following additions, including transfers from capital work-in-progress, were made during the period / year:

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
Leasehold land	-	23,000
Building on leasehold land	105,314	86,169
Plant and machinery	1,119,512	2,960,220
Furniture, fixtures and equipment	86,897	96,493
Vehicles	312,296	20,856
	1,624,019	3,186,738

5.2 Operating assets costing Rs. 69,302 (December 31, 2023: Rs. 65,076) having net book value of Rs. 34,385 (December 31, 2023: Rs. 39,420) were disposed / written off for Rs. 42,973 (December 31, 2023: Rs. 44,320).

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
5.3 The movement in capital work in progress is as follows:		
Balance at beginning of the period / year	9,981,976	6,416,479
Additions during the period	4,319,036	6,790,387
Transferred from capital spares	46,049	-
Transferred to:		
- operating assets - note 5.1	(1,624,019)	(3,186,738)
- intangible assets	(22,221)	(38,152)
- capital spares	(29,824)	-
	(1,676,064)	(3,224,890)
Balance at end of the period / year	12,670,997	9,981,976

(Amounts in thousand)

	Unaudited June 30, 2024	Audited December 31, 2023
	<u>Rupees</u>	
6. STOCK-IN-TRADE		
Raw and packing materials - notes 6.1 and 6.2	9,173,167	10,388,122
Work-in-process	415,601	431,254
Finished goods - manufactured products and trading products	7,812,270	5,907,069
	<u>17,401,038</u>	<u>16,726,445</u>
Less: Provision against stock-in-trade	<u>(105,811)</u>	<u>(105,811)</u>
	<u>17,295,227</u>	<u>16,620,634</u>
6.1	This includes stocks held at storage locations of following parties:	
- Engro Vopak Terminal Limited, a related party	2,590,602	2,788,703
- Al-Noor Petroleum (Private) Limited	6,449	34,959
- Al-Rahim Trading Company (Private) Limited	1,305,421	1,966,882
	<u>3,902,472</u>	<u>4,790,544</u>
6.2	This includes goods in transit amounting to Rs. 931,447 (December 31, 2023: Rs. 1,413,903).	
	Unaudited June 30, 2024	Audited December 31, 2023
	<u>Rupees</u>	
7. TRADE DEBTS - Considered good		
Includes amounts due from the following related parties:		
Engro Fertilizer Limited	37,575	34,915
Engro Eximp FZE	86,358	468,441
	<u>123,933</u>	<u>503,356</u>

(Amounts in thousand)

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
8. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
8.1 This include advances to and receivables from the following related parties:		
Engro Corporation Limited	4,753	864
Engro Peroxide (Private) Limited	232,269	117,020
Think PVC (Private) Limited	8,304	5,502
Engro Plasticizer (Private) Limited	756	440
Engro Fertilizers Limited	6,059	3,583
Elengy Terminal (Private) Limited	34	-
Engro Energy Limited	5,664	36
Engro Energy Services Limited	205	205
Engro Enfrashare (Private) Limited	3	-
Engro Eximp FZE	24,297	-
Engro Powergen Qadirpur Limited	198	422
Engro Powergen Thar (Private) Limited	389	50
Engro Foundation	12,048	-
Engro Vopak Terminal Limited	1,780	2,819
Engro Elengy Terminal (Private) Limited	456	456
Sindh Engro Coal Mining Company Limited	558	9
Nimir Industrial Chemicals Limited	156,067	196,910
	<u>453,840</u>	<u>328,316</u>
8.2 This includes loan and accrued interest thereon due from Engro Peroxide (Private) Limited and Think PVC (Private) Limited, wholly owned subsidiary companies of the Company, aggregating to Rs. 3,901,255 (December 31, 2023: Rs. 1,565,829) and Rs. 43,867 (December 31, 2023: Rs. 20,168), respectively. The total facility under the loan agreements amounts to Rs. 3,500,000 (December 31, 2023: Rs. 1,600,000) and Rs. 100,000 (December 31, 2023: Rs. 50,000) extended to Engro Peroxide (Private) Limited and Think PVC (Private) Limited, respectively, out of which Rs. 2,048,000 and Rs. 20,500 respectively were drawn during the current period.		

(Amounts in thousand)**9. LONG-TERM BORROWINGS**

Title	Mark-up rate per annum	Installments		Unaudited	Audited
		Number	Commencing	June 30, 2024	December 31, 2023
				----- Rupees -----	
Loan from International Finance Corporation (IFC) - note 9.1.1	6 months LIBOR + 3.25%	6 half yearly	July 15, 2021	-	1,645,647
Bilateral Loan I - note 9.1.1	6 months KIBOR + 0%	6 half yearly	July 15, 2021	-	903,584
Islamic Long Term Financing Facility (ILTFF)	SBP rate + 1.2%	32 quarterly	December 14, 2022	1,513,133	1,633,332
Islamic Temporary Economic Refinance Facility (ITERF)	Ranging from SBP rate + 0.75% to 1%	32 quarterly	June 12, 2023	792,164	845,353
Loan under diminishing musharka agreement I	3 months KIBOR + 0.4%	8 half yearly	June 28, 2023	250,000	300,000
Syndicated Long Term Islamic Financing Facility	3 months KIBOR + 0.3%	12 quarterly	March 27, 2028	8,735,177	8,733,733
Loan under diminishing musharka agreement II	3 months KIBOR + 0.3%	16 quarterly	March 30, 2026	6,000,000	6,000,000
Ijarah facility from International Finance Corporation (IFC)	SOFR + 3.68%	7 half yearly	July 15, 2025	4,079,386	4,112,422
Bilateral Loan II - note 9.1.2	3 months KIBOR + 0.4%	28 quarterly	April 19, 2026	2,000,000	-
				<u>23,369,860</u>	<u>24,174,071</u>
Less: Current portion shown under current liabilities					
- Loans from International Finance Corporation				-	(1,645,647)
- Bilateral Loan I				-	(903,584)
- Islamic Long Term Financing Facility (ILTFF)				(243,750)	(243,750)
- Islamic Temporary Economic Refinance Facility (ITERF)				(110,341)	(109,020)
- Loan under diminishing musharka agreement I				(100,000)	(100,000)
				(454,091)	(3,002,001)
Less: Deferred income - Government grant				(206,478)	(244,285)
				<u>22,709,291</u>	<u>20,927,785</u>

9.1 As at June 30, 2024, there is no material change in the terms and conditions of the borrowings as disclosed in the note 18 of the annual audited financial statements of the Company for the year ended December 31, 2023, except for the below.

9.1.1 During the period, the outstanding amounts pertaining to loan from IFC and bilateral loan I were repaid in entirety on the expiry of its contractual term and accordingly hypothecation charge on the Company's assets was released.

9.1.2 During the period, the Company entered into a musharaka agreement with Dubai Islamic Bank Pakistan Limited (DIBPL) for a loan facility amounting to Rs. 2,000,000. The borrowing is secured by way of hypothecation charge of present and future fixed assets of the Company (except land and building) to the extent of Rs. 2,500,000, ranking subordinate and subservient to the charges created in favour of the existing creditors.

10. LEASE LIABILITIES

This includes lease liability in respect of storage arrangements with Engro Vopak Terminal Limited, a related party, amounting to Rs. 1,666,378 (December 31, 2023: Rs. 2,435,722).

(Amounts in thousand)

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
11. DEFERRED TAX LIABILITY - net		
Credit balances arising due to:		
- accumulated depreciation	5,962,303	6,007,202
Debit balances arising due to:		
- unpaid liabilities	469,753	451,480
- leases	278,875	440,128
- provisions	1,989,393	1,989,393
- shares issuance cost	77,771	77,771
- accumulated business losses	1,065,905	-
- minimum tax carried forward	419,892	-
	(4,301,589)	(2,958,772)
	<u>1,660,714</u>	<u>3,048,430</u>
12. TRADE AND OTHER PAYABLES		
Includes amounts due to following related parties:		
Engro Corporation Limited	161,960	291,307
Engro Fertilizers Limited	157,776	150,569
Engro Energy Limited	-	250
Engro Foundation	-	125,000
Engro Vopak Terminal Limited	137,084	289,925
Engro Eximp FZE	7,863,224	1,739,751
Engro Peroxide (Private) Limited	1,317	1,306
Engro Powergen Qadirpur Limited	403	-
Engro Powergen Thar (Private) Limited	15,724	-
Engro Elengy Terminal (Private) Limited	22	-
Sindh Engro Coal Mining Company Limited	260	-
Nimir Industrial Chemicals Limited	-	46,292
	<u>8,337,770</u>	<u>2,644,400</u>
13. CONTINGENCIES AND COMMITMENTS		
13.1	As at June 30, 2024, there is no material change in the status of matters reported as contingencies in notes 26 and 27 of the audited annual financial statements of the Company for the year ended December 31, 2023, except for the matters as explained below:	
13.1.1	In respect of the matter stated in note 26.5 of the audited annual financial statements, during the period, the Federal Board of Revenue (FBR) had filed an appeal before the Supreme Court of Pakistan (SCP) stating that the Islamabad High Court (IHC) had no jurisdiction to entertain petitions of Sindh based companies, hence the petition and interim relief order passed by the IHC with respect to the retrospective rate enhancement of super tax charge of 6% should be annulled. SCP remanded the case back to IHC with the direction to pass a speaking order justifying the reasons for inapplicability of incremental 6% retrospective rate enhancement.	

(Amounts in thousand)

Later, IHC passed an order dated March 15, 2024, as per the directive of SCP, whereby the IHC decided that 6% incremental super tax is not applicable retrospectively on tax year 2023 and prior periods. Further, the IHC also ruled that super tax should be calculated excluding all the income which falls under the Final Tax Regime. The FBR has currently filed an intra court appeal in IHC against the said order, which is pending adjudication. Hence, the Company on account of prudence has continued to maintain its provision in respect of 6% incremental super tax in these unconsolidated condensed interim financial statements.

- 13.1.2 In respect of the matter stated in note 26.6 of the audited annual financial statements, during the period, the Commission Inland Revenue - Appeals [CIR(A)] had passed an order in the favor of the Company for tax years 2018, 2019, 2021 and 2022 in respect of demand of Rs. 114,547 raised on account of alleged non-withholding of taxes on payments made to various parties by remanding back the order to the Commission Inland Revenue (CIR). Being aggrieved the FBR has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the said decision of CIR(A). As at June 30, 2024, appeal for tax year 2020 in the above case is still pending before the CIR(A).
- 13.1.3 In respect of the matter stated in note 26.7 of the audited annual financial statements, during the period, the Company has further paid demand amounting to Rs. 200,000 to the FBR under protest. However, as the Company based on the advice of its tax consultant is still confident of a favourable outcome, accordingly, no provision in this respect has been recognised in these unconsolidated condensed interim financial statements.
- 13.1.4 During the period, the income tax department has ammended the assesment filed by the Company for tax year 2022. The Company has preferred an appeal thereagainst before the CIR(A) related to the disallowances mainly pertaining to adjustment in respect of exchange gain / loss that resulted in excess demand of Rs. 500,000, which has been paid by the Company under protest. However, as the Company based on the advice of its tax consultant is confident of a favourable outcome, accordingly, no provision in this respect has been recognised in these unconsolidated condensed interim financial statements.
- 13.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at June 30, 2024 amounts to Rs. 10,121,500 (December 31, 2023: Rs. 6,621,500). The amount utilised there against as at June 30, 2024 is Rs. 7,877,866 (December 31, 2023: Rs. 5,902,139).
- 13.3 The facility for opening letter of credits as at June 30, 2024 aggregates to Rs. 31,248,000 (December 31, 2023: Rs. Rs. 32,037,214) out of which Rs. 13,521,572 (December 31, 2023: Rs. 7,145,794) have been utilised.
- 13.4 Commitments in respect of rentals of storage tanks at EVTL for the handling of (i) Ethylene aggregating to USD 5,400 (December 31, 2023: USD 10,584) are valid till March 31, 2026, (ii) Ethylene Di Chloride (EDC) aggregating to USD 2,727 (December 31, 2023: USD 4,770) are valid till December 31, 2028 and (iii) Vinyl Chloride Monomer (VCM) aggregating to USD 298 (December 31, 2023: USD 667) are valid till December 31, 2024.

	Unaudited June 30, 2024	Audited December 31, 2023
	Rupees	
13.5 Commitments in respect of expenditure of capital and other operational items	<u>8,240,946</u>	<u>4,587,857</u>

(Amounts in thousand)**14. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED**

14.1 Basic earnings per share has been calculated by dividing the loss / profit attributable to ordinary share holders of the Company by weighted average number of ordinary shares in issue during the period.

14.2 Diluted earnings per share presents the effect of conversion of potential ordinary shares (preference shares) where it leads to decrease in earnings per share or increase in loss per share.

	Unaudited June 30, 2024	(Restated) Unaudited June 30, 2023
	Rupees	
15. CASH GENERATED FROM OPERATIONS		
(Loss) / profit before income tax	(2,312,261)	4,976,054
Adjustments for non cash-charges and other items:		
Staff retirement and other service benefits	42,212	39,030
Depreciation:		
- operating assets	1,594,239	1,388,751
- right-of-use asset	230,361	229,624
Amortisation of intangible assets	55,101	54,796
Reversal of provision for slow moving stores and spares	(1,570)	(17,390)
Write-off of slow moving stores and spares	13,170	-
Unrealised foreign exchange (gain) / loss on financial assets and liabilities	(76,134)	274,413
Income on financial assets	(510,527)	(720,571)
Finance costs	3,789,932	2,724,593
Gain on disposal of operating assets	(8,588)	(2,147)
Default surcharge on GIDC	-	444,415
Remeasurement loss on provision against GIDC	-	129,122
Final tax	41,861	230,257
Working capital changes - note 15.1	5,275,193	623,479
	<u>8,132,989</u>	<u>10,374,426</u>
15.1 WORKING CAPITAL CHANGES		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(636,735)	(327,129)
Stock-in-trade	(674,593)	(2,377,372)
Trade debts	273,058	1,315,903
Loans, advances, deposits, prepayments and other receivables - net	(611,115)	(1,165,751)
	<u>(1,649,385)</u>	<u>(2,554,349)</u>
Increase in current liabilities		
Trade and other payables	6,924,578	3,177,828
	<u>5,275,193</u>	<u>623,479</u>

(Amounts in thousand)

	Unaudited June 30, 2024	Unaudited June 30, 2023
	Rupees	
16. CASH AND CASH EQUIVALENTS		
Short-term investments	1,510,734	389,500
Cash and bank balances	2,886,508	6,203,351
Running finances	(11,061,547)	-
	<u>(6,664,305)</u>	<u>6,592,851</u>

17. SEGMENT INFORMATION

17.1 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, 2023.

	June 30, 2024 (Unaudited)				June 30, 2023 (Unaudited)			
	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 from contract with customers - net								
- At a point	27,799,210	6,466,117	-	34,265,327	31,801,613	5,152,147	-	36,953,760
- Over time	-	-	111,363	111,363	-	-	65,037	65,037
	<u>27,799,210</u>	<u>6,466,117</u>	<u>111,363</u>	<u>34,376,690</u>	<u>31,801,613</u>	<u>5,152,147</u>	<u>65,037</u>	<u>37,018,797</u>
Less:								
Cost of sales	(27,394,053)	(4,390,797)	(90,523)	(31,875,373)	(24,295,193)	(3,254,444)	(58,441)	(27,608,078)
Distribution and marketing expenses	(195,620)	(125,957)	(290)	(321,867)	(189,149)	(91,913)	-	(281,062)
Administrative expenses	(986,467)	(229,467)	(3,952)	(1,219,886)	(835,395)	(137,050)	-	(972,445)
Other expenses	(19,770)	(4,598)	(79)	(24,447)	(724,386)	(268,433)	(3,388)	(996,207)
Other income	472,596	109,926	1,893	584,415	661,395	107,152	1,352	769,899
Finance costs	(3,064,785)	(712,870)	(12,277)	(3,789,932)	(2,345,273)	(374,591)	(4,729)	(2,724,593)
Final tax and income tax	813,191	189,149	3,258	1,005,598	(2,038,680)	(330,286)	(4,169)	(2,373,135)
(Loss) / profit for the period	<u>(2,575,698)</u>	<u>1,301,503</u>	<u>9,393</u>	<u>(1,264,802)</u>	<u>2,034,932</u>	<u>802,582</u>	<u>(4,338)</u>	<u>2,833,176</u>

	June 30, 2024 (Unaudited)				December 31, 2023 (Audited)			
	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							
Segment assets								
Total segment assets	63,444,143	25,658,108	64,024	89,166,275	57,756,432	22,969,631	60,743	80,786,806
Unallocated assets				4,401,832				7,336,221
				<u>93,568,107</u>				<u>88,123,027</u>

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

17.3 Comparative figures of other assets have been reclassified to align with current internal reporting.

(Amounts in thousand)**18. TRANSACTIONS WITH RELATED PARTIES**

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

Nature of relationship	Nature of transactions	Unaudited	Unaudited
		June 30, 2024	June 30, 2023
		Rupees	
Holding Company			
	Reimbursement made	782,491	917,747
	Reimbursement received	17,833	154
	Subordinated loan disbursed by the holding company	1,500,000	-
	Subordinated loan repaid to the holding company	1,500,000	-
	Mark-up on subordinated loan	12,224	-
	Dividend paid	510,733	1,787,567
Subsidiary Companies			
	Reimbursement received	118,367	77,366
	Subordinated loan made to the Subsidiary Companies	2,068,500	2,534,800
	Subordinated loan repaid by the Subsidiary Companies	-	1,600,000
	Mark-up on subordinated loan	290,176	39,953
Associated Companies			
	Dividend paid	100,054	350,187
	Sales of utilities	111,362	63,924
	Sales of goods	3,577,058	3,345,403
	Purchase of services	909,172	1,501,474
	Purchase of goods	15,896,382	16,025,827
	Reimbursement made	149,449	592,572
	Reimbursement received	116,173	6,162
	Late payment charges	-	14,825
Directors			
	Fee	12,134	9,266
	Dividend paid	6	21
Contribution to staff retirement benefits			
	Managed and operated by the Holding Company		
	- Provident fund	66,828	60,056
	- Gratuity fund	45,662	42,819
	- Pension fund	1,394	2,657
Key management personnel			
	Managerial remuneration	80,782	80,525
	Retirement benefit funds	13,073	13,655
	Bonus	32,479	32,444
	Other benefits	27,174	17,282

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

(Amounts in thousand)

There have been no changes in the risk management policies during the period, consequently these unconsolidated condensed interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements.

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 unconsolidated condensed interim 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:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
Short term investments in units of mutual funds				
- June 30, 2024	-	-	-	-
- December 31, 2023	-	100,118	-	100,118

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

21. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

21.1 The Board of Directors in its meeting held on August 15, 2024 has approved a first interim cash dividend of Nil per ordinary share for the year ending December 31, 2024 amounting to Nil. These unconsolidated condensed interim financial statements do not include the effects of the said interim dividend.

21.2 The Board of Directors in its meeting held on August 15, 2024 has approved a first interim cash dividend of Nil per preference share for the year ending December 31, 2024 amounting to Nil. These unconsolidated condensed interim financial statements do not include the effects of the said interim dividend.

22. CORRESPONDING FIGURES

22.1 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 unconsolidated financial statements of preceding financial year, whereas the unconsolidated condensed interim statement of profit or loss and other comprehensive income, the unconsolidated condensed interim statement of changes in equity and the unconsolidated condensed interim statement of cash flows have been compared with the amounts of comparable period of immediately preceding financial year.

(Amounts in thousand)

22.2 Corresponding figures have been rearranged and reclassified for better presentation, wherever, considered necessary. The material reclassification are as follows:

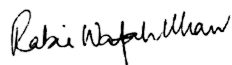
Description	Reclassified		Quarter ended June 30, 2023	Half year ended June 30, 2023
	from	to		
Purchased services	Cost of sales	Administrative expenses	212,760	368,948

23. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on August 15, 2024 by the Board of Directors of the Company.



Chief Executive Officer



Chief Financial Officer



Director

اینٹروپولیمیر اینڈ کیمیکلز لمیٹڈ

شیر ہولڈرز کے لیے غیر آڈٹ شدہ مشترکہ عبوری مالیاتی گوشواروں سے متعلق ڈائریکٹر کا جائزہ

برائے ششماہی ختم شدہ 30 جون 2024

اینٹروپولیمیر اینڈ کیمیکلز لمیٹڈ ("کمپنی") کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم 30 جون 2024 کو ختم شدہ ششماہی کے لیے کمپنی کی غیر آڈٹ شدہ مالی معلومات پیش کرنا چاہیں گے۔

کاروباری جائزہ

2024 کی پہلی ششماہی کے دوران مارکیٹ کی کمزور صورتحال کے ساتھ طلب میں کمی سے PVC کی قیمتوں پر دباؤ برقرار رہا۔ مہنگی بجلی کے ساتھ مونومر کی قیمتوں میں اضافہ نے پروڈیوسر کے منافع پر منفی اثر ڈالا۔ نئے سال کی آمد کے ساتھ ہی طویل سردیوں کے موسم نے خصوصی طور پر چین میں مانگ کو متاثر کیا، جہاں مئی کے وسط میں تعمیراتی شعبے کے لیے ایک زبردست پیکج کے اعلان کے باوجود تعمیراتی سرگرمیاں سست روی کا شکار رہیں۔ مون سون موسم کے قبل از وقت شروع ہونے سے جنوبی اور جنوب مشرقی ایشیا میں طلب مزید متاثر ہوئی۔

پہلی ششماہی کے دوران، آسٹریلیا کی قیمتوں میں اضافے، فنلینڈ کے اضافی اخراجات اور نئی ہاؤسنگ انوینٹری کی دستیابی نے ڈاؤن اسٹریم طلب کو شدید متاثر کیا۔

اتھائلین مارکیٹ نے اپریل میں کچھ بہتری کا رجحان دیکھا گیا۔ جنوری کے وسط سے تیزی کے بعد، اتھائلین کی قیمتوں میں ڈاؤن اسٹریم طلب میں سست روی کے سبب گراؤٹ رہی۔ طلب میں کمی اور سپلائی کے توازن میں معمولی بہتری کے درمیان اتھائلین ڈائی کلورائیڈ (EDC) کی مارکیٹ قیمت مستحکم رہی۔ ڈاؤن اسٹریم PVC مارکیٹ میں سست روی کے نتیجے میں VCM کی مانگ بھی متاثر رہی۔

تعطیلات اور فریٹ ریٹس میں اضافے کے سبب محدود سپلائی کی صورتحال میں فروری کے بعد بین الاقوامی کاسٹک سوڈا کی قیمتوں میں اضافہ دیکھا گیا۔ کاسٹک سوڈا کی ایکسپورٹ مارکیٹ غیر متحرک رہی کیونکہ ٹریڈرز نے تعطیلات کے بعد ڈیمانڈ سائیکل پر عمل کیا، جبکہ مقامی ٹیکسٹائل سیکٹرز بجلی کی قیمتوں میں اضافے اور مقامی کاسٹک کی طلب کو متاثر کرنے والی مہنگائی سے مشکلات کا شکار رہا۔ اس سے قطع نظر، دوسری سہ ماہی میں ایکسپورٹ پر مبنی مقامی صنعت میں کاسٹک کی مانگ میں اضافہ دیکھا گیا۔

کمپنی 2024 کی پہلی ششماہی کے دوران 34,385 ملین روپے کی آمدنی حاصل کرنے میں کامیاب رہی، فروخت کے حجم میں کمی اور PVC کی عالمی قیمتوں میں گراؤٹ سے پچھلے سال کی اسی مدت کے مقابلے میں 7 فیصد کمی کا سامنا رہا۔ 2024 کی پہلی ششماہی کے دوران، کمپنی کو 1,590 ملین روپے کا بعد از ٹیکس نقصان ہوا جس کی بنیادی وجہ کور ڈیلٹا میں کمی اور حجم کے لحاظ سے سبزی گراؤٹ رہی، نتیجتاً فی شیر بنیادی نقصان 1.97 روپے بنتا ہے جو گزشتہ سال کی اسی مدت میں 2,745 ملین روپے کے ساتھ فی شیر منافع 2.69 روپے تھا۔

ملکی میکرو اکنامک غیر یقینی صورتحال میں درپیش چیلنجز کے باوجود، ہائیڈروجن پراکسائیڈ اور دیگر اہم پروڈکٹس پر کام جاری ہے۔

مستقبل پر نظر

PVC کی قیمتوں میں، ضرور سے زائد سپلائی اور عالمی طلب میں کمی کے سبب تھوڑی سی مندی اور استحکام کی توقع کی جاتی ہے۔ اتھائلین کی قیمتیں بھی 900 سے 1,000 ڈالر فی ٹن کی حد تک رہنے کی توقع ہے کیونکہ سپلائی اور رسد میں تعطل تشویش کا باعث ہیں۔ EDC کی قیمتیں PVC کی طلب اور کاسٹک سوڈا کی مجموعی صورتحال سے چلائی جائیں گی اور توقع ہے کہ کچھ گراؤٹ کے ساتھ مستحکم رہیں گی۔

آنے والی سہ ماہیوں کے لیے ہمارے ترجیحی مقاصد میں ہمارے پلانٹ کے محفوظ اور پائیدار آپریشنز کو یقینی بنانا، جاری منصوبوں کو محفوظ طریقے سے مقررہ مدت کے اندر مکمل کرنا اور شدید معاشی صورتحال سے نبرد آزما ہونا شامل ہے۔



کامران نشاط
ڈائریکٹر



عبدالقیوم
چیف ایگزیکٹو آفیسر
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