engro polymer & chemicals

Financial Information for the Half Year ended June 30, 2018

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COMPANY INFORMATION

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

engro polymer & chemicals

DIRECTORS' REVIEW & UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2018

ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2018

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

Business Review

EPCL continued to follow stringent systems and policies to ensure maintenance of highest standards for HSE and has thus far achieved 14.55 million man hours without loss work injury. Consistent monitoring of Safety indicators helped to achieve improvement of processes, resultantly proactive measures for avoidable incidents have been implemented.

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

During 1H 2018, the Company recorded revenue of Rs. 17,102 million compared to Rs. 13,046 million in the same period last year and posted Profit After Tax (PAT) of Rs. 2,784 million translating into Earning Per Share (EPS) of Rs. 4.20 compared to Profit After Tax (PAT) of Rs. 1,046 million and EPS of Rs. 1.58 per share for the same period last year. Higher profitability can be attributed to successful debottlenecking of PVC which enabled EPCL to enhance its sales volume and improvement in domestic caustic market dynamics.

During 1H 2018, international PVC market remained robust due to strong regional demand, particularly in Asia, however, this could not translate into higher margins for the Company due to cost push from raw material front. Ethylene prices remained firm during the period on account of scheduled turnarounds in the region and strong demand from China, we expect price rationalization in vinyl chain but it will remain sensitive to global dynamics. On domestic demand side, the overall demand remained strong and it is encouraging to witness double digit growth in demand from new non-conventional sectors. The Caustic Soda domestic market remained stable during the period.

On the regulatory front, dumping of cheap product has been our concern over time, this has been partially addressed through imposition of final Anti-Dumping Duty by National Tariff Commission on PVC imports from China, Taiwan, Korea and Thailand in April 2018. We highlight that the percentage of duty on some countries is insufficient to curtail dumping. We would also like to draw attention to the fact that at present, tax rate on import stage on import of finished plastic goods is concessionary while domestic manufactures of finished plastic goods are subjected to normal tax on import stage on import of raw materials and ancillary goods.

Future Outlook

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

Imran Anwer
President & Chief Executive

Feroz Rizvi
Director

Karachi
August 02, 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF ENGRO POLYMER AND CHEMICALS LIMITED
REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of Engro Polymer and Chemicals Limited and its subsidiary company Engro Polymer and Trading (Private) Limited as at June 30, 2018 and the related consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of profit or loss and other comprehensive income, consolidated condensed interim statement of changes in equity, consolidated condensed interim statement of cash flows and notes to the consolidated condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "consolidated interim financial statements"). Management is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

The figures of the consolidated condensed interim statement of profit or loss and consolidated condensed interim statement of profit or loss and other comprehensive income for the quarters ended June 30,2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Reviewof Interim Financial Information Performed by the Independent Auditor of the Entity".Areview of 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

Chartered Accountants
Karachi
Date: August 20, 2018

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■ KARACHI ■ LAHORE ■ ISLAMABAD

(Amounts in thousand)

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

	Note	(Unaudited) June 30, 2018	(Audited) December 31, 2017
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,021,684	16,011,070
Intangibles		105,581	104,663
Long-term loans and advances	6	84,307	75,756
Deferred taxation	7	177,489	11,255
		17,389,061	16,202,744
Current assets			
Stores, spares and loose tools		1,724,167	1,602,387
Stock-in-trade		4,326,883	3,681,162
Trade debts - considered good	8	466,309	505,123
Loans, advances, deposits, prepayments and other receivables	9	950,598	683,231
Taxes recoverable	10	60,750	766,519
Short-term investments		541,072	240,410
Cash and bank balances		121,143	682,750
		8,190,922	8,161,582
TOTAL ASSETS		25,579,983	24,364,326
EQUITY AND LIABILITIES			
Equity			
Share capital		6,634,688	6,634,688
Share premium		964,029	964,029
Unappropriated profit		2,412,637	161,392
		10,011,354	7,760,109
Liabilities			
Non-current liabilities			
Long-term borrowings	11	7,239,583	8,750,000
Current liabilities			
Current portion of long-term borrowings	11	260,417	-
Service benefit obligations		31,986	45,953
Trade and other payables	12	4,379,167	4,522,808
Unclaimed dividend		34,171	37,750
Accrued interest / mark-up		8,789	135,087
Provisions	13	3,614,516	3,112,619
		8,329,046	7,854,217
		15,568,629	16,604,217
Contingencies and commitments	14	-	-
TOTAL EQUITY AND LIABILITIES		25,579,983	24,364,326

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

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

[Amounts in thousand except for earnings per share]

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2018

	Note	Quarter ended		Half year ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		Rupees			
Net revenue		8,414,411	6,233,294	17,101,613	13,045,657
Cost of sales		(6,354,661)	(5,221,397)	(12,541,860)	(10,098,103)
Gross profit		2,059,750	1,011,897	4,559,753	2,947,554
Distribution and marketing expenses		(321,021)	(323,499)	(688,640)	(640,281)
Administrative expenses		(173,343)	(130,130)	(336,180)	(257,444)
Other operating expenses		(136,734)	(34,665)	(325,739)	(112,319)
Other income	15	82,330	24,518	492,402	49,248
Operating profit		1,510,982	548,121	3,701,596	1,986,758
Finance costs		(140,764)	(162,545)	(298,363)	(395,516)
Profit for the period before taxation		1,370,218	385,576	3,403,233	1,591,242
Taxation	16	(34,658)	(185,292)	(619,562)	(545,072)
Profit for the period after taxation		1,335,560	200,284	2,783,671	1,046,170
Earnings per share - basic and diluted		2.01	0.30	4.20	1.58

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

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

(Amounts in thousand)

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, 2018

	Quarter ended		Half year ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Rupees			
Profit for the period after taxation	1,335,560	200,284	2,783,671	1,046,170
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items - share issuance cost	(1,651)	-	(1,651)	-
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (loss) arising during the period	-	5,978	-	(21)
Reclassification adjustments for losses included in profit or loss	-	(2,735)	-	2,128
Income tax relating to hedging reserve	-	(984)	-	(632)
Other comprehensive income for the	-	2,259	-	1,475
period - net of tax	(1,651)	2,259	(1,651)	1,475
Total comprehensive income for the period	1,333,909	202,543	2,782,020	1,047,645

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

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

(Amounts in thousand)

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

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Unappropriated profit / (accumulated loss)	Total
	Rupees				
Balance as at January 1, 2017 (Audited)	6,634,688	964,029	(1,475)	(1,593,063)	6,004,179
Total comprehensive income for the half year ended June 30, 2017	-	-	1,475	1,046,170	1,047,645
Balance as at June 30, 2017 (Unaudited)	6,634,688	964,029	-	(546,893)	7,051,824
First interim cash dividend of Re. 0.45 per share	-	-	-	(298,561)	(298,561)
Total comprehensive income for the half year ended December 31, 2017	-	-	-	1,006,846	1,006,846
Balance as at December 31, 2017 (Audited)	6,634,688	964,029	-	161,392	7,760,109
Final cash dividend of Re. 0.80 per share	-	-	-	(530,775)	(530,775)
Total comprehensive income for the half year ended June 30, 2018	-	-	-	2,782,020	2,782,020
Balance as at June 30, 2018 (Unaudited)	6,634,688	964,029	-	2,412,637	10,011,354

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

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

(Amounts in thousand)

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

	Note	Half year ended June 30, 2018	Half year ended June 30, 2017
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	3,504,374	808,625
Finance costs paid		(424,661)	(311,834)
Long-term loans and advances		(8,551)	(7,575)
Retirement benefits paid		(34,512)	(45,622)
Income tax paid		(81,678)	(52,939)
Net cash generated from operating activities		2,954,972	390,654
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,468,331)	(319,289)
Purchases of intangible assets		(8,478)	(9,690)
Proceeds from disposal of property, plant and equipment		-	179
Income on short-term investment and bank deposits		45,246	36,954
Net cash used in investing activities		(1,431,563)	(291,846)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term borrowings		(1,250,000)	(419,428)
Repayments of short-term borrowings		-	(300,000)
Dividend payment		(534,354)	-
Net cash used in financing activities		(1,784,354)	(719,428)
Net decrease in cash and cash equivalents		(260,945)	(620,620)
Cash and cash equivalents at the beginning of the period		923,160	1,086,509
Cash and cash equivalents at the end of the period	18	662,215	465,889

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

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

1. LEGAL STATUS AND OPERATIONS

1.1 The Group consist of Engro Polymer and Chemicals Limited and its wholly owned subsidiary company, Engro Polymer Trading (Private) Limited.

1.2 Engro Polymer and Chemicals Limited (EPCL) was incorporated in Pakistan in 1997 under the repealed Companies Ordinance, 1984. EPCL is listed on the Pakistan Stock Exchange Limited.

1.3 EPCL is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).

1.4 The registered office of EPCL is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the first Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore, Pakistan.

1.5 During the period, EPCL has announced issue of right shares in the ratio of approximately 37 right shares for every 100 existing ordinary shares at a price of Rs. 22 per share inclusive of a premium of Rs. 12 per share. EPCL intends to raise approximately Rs. 5,400,000 through right issue to partially fund the expansion cost of the PVC plant to cater the additional 100,000 MT and VCM plant debottlenecking of 50,000 MT per annum. As per the schedule approved by the Pakistan Stock Exchange Limited, the last date of payment was July 23, 2018. The sponsor of EPCL, namely Engro Corporation Limited, has fully subscribed to its portion of the right issue.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 These consolidated condensed interim financial statements are unaudited. However, a limited scope review has been performed by the statutory auditors of the Company.

2.3 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 financial statements of the Company for the year ended December 31, 2017.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN

3.1 The accounting policies applied in the preparation of these consolidated condensed interim financial statements are the same as those that were applied in the preparation of the audited annual consolidated financial statements of the Company for the year ended December 31, 2017. The financial risk management objectives and policies of the Company are also consistent with those disclosed in the audited annual consolidated financial statements of the Company for the year ended December 31, 2017.

3.2 The Companies Act, 2017 (the Act) has brought about certain changes in respect of the preparation and presentation of annual and interim financial statements of the Company such as change in respect of the recognition criteria of surplus on revaluation of fixed assets, change in the nomenclature of primary statements, etc. Furthermore, the disclosure requirements contained in the fourth schedule to the Act have also been revised resulting in the substitution of duplicative disclosures with the disclosure requirements contained in the applicable IFRSs and the incorporation of significant additional disclosures.

Keeping in view the above, the presentation of these consolidated condensed interim financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, has not had any impact on the recognition and measurement of the amounts included therein.

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

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

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contract's and related interpretations. The Company is in the process of assessing the impact of the standard may have on its financial statements, however, expects no significant impact.

(Amounts in thousand)

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

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented in these consolidated condensed interim financial statements.

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

4. ACCOUNTING ESTIMATES

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

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

		(Unaudited) June 30, 2018	(Audited) December 31, 2017
		Rupees	
5.	**PROPERTY, PLANT AND EQUIPMENT**		
	Operating assets, at net book value - notes 5.1 and 5.2	15,252,465	15,023,936
	Capital work-in-progress - notes 5.3	1,705,427	923,342
	Capital spares	63,792	63,792
		17,021,684	16,011,070
5.1	Additions to operating assets during the period / year were as follows:		
	Building on leasehold land	-	91,707
	Plant and machinery	678,187	674,554
	Furniture, fixtures and equipment	5,195	30,283
	Vehicles	2,925	45,507
		686,307	842,051

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

(Amounts in thousand)

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

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
Balance as the beginning of the period / year	923,342	679,306
Add: Additions during the period / year	1,476,870	1,112,465
Less: Transferred to operating assets during the period / year	(694,785)	(868,429)
	1,705,427	923,342

6. LONG-TERM LOANS AND ADVANCES

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

7. DEFERRED TAXATION

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(2,958,065)	(3,224,307)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	835,632	1,443,219
- recoupable minimum turnover tax - note 7.2	710,581	510,131
- recoupable alternative corporate tax	469,829	111,655
- unpaid liabilities	93,514	104,263
- provision for Gas Infrastructure Development Cess and Special Excise Duty	894,945	924,358
- provision for net realizable value against stock-in-trade	1,295	7,515
- provision for slow moving stores and spares	79,369	82,066
- provision for bad debts	2,573	2,888
- share issuance cost, net to equity	47,816	49,467
	3,135,554	3,235,562
	177,489	11,255

7.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at June 30, 2018 amount to Rs. 2,932,042 (December 31, 2017: Rs. 4,810,730).

7.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 212,727 (December 31, 2017: Rs. 341,472) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

(Amounts in thousand)

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
8. TRADE DEBTS - considered good		
Secured	185,544	287,211
Unsecured - note 8.1	280,765	217,912
	466,309	505,123

8.1 This includes amounts due from Engro Fertilizers Limited, (a related party) amounting to Rs. 170,753 (December 31, 2017: Rs. 119,069).

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Rupees	
9.1 These include unsecured receivables from the following		
- Engro Vopak Terminal Limited	1,674	215
- Engro Fertilizers Limited	998	-
- Sindh Engro Coal Mining Company Limited	126	126
- Engro Foods Limited	5	5
- Engro Corporation Limited	5,950	4,684
- Engro Energy Limited	331	86,724
- Engro Powergen Qadirpur Limited	9	9
	9,093	91,763

10. TAXES RECOVERABLE

10.1 Tax Year 2008

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

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

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

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

10.2 Tax Year 2009

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

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

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

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

(Amounts in thousand)

11. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	(Unaudited) June 30, 2018	(Audited) December 31, 2017
				Rupees	
Bilateral - IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	1,250,000
Bilateral - VIII	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	1,000,000
Bilateral - IX	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
Bilateral - X	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
				7,500,000	8,750,000
Less: Current portion shown under current liabilities				(260,417)	-
				7,239,583	8,750,000

12. TRADE AND OTHER PAYABLES

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
Trade and other creditors - note 12.1	2,243,952	1,714,553
Accrued liabilities - note 12.1	1,624,172	1,623,408
Advances from customers	239,602	883,418
Retention money	12,954	13,249
Security deposits	26,759	28,959
Payable to provident fund	14,995	15,874
Workers' Welfare Fund	185	53,198
Workers' Profits Participation Fund	178,544	163,661
Withholding tax payable	16,969	6,742
Others	21,035	19,746
	4,379,167	4,522,808

12.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	-	1,461
- Engro Corporation Limited	3,400	18,459
- Engro Fertilizers Limited	49,349	6,622
- Engro Vopak Terminal Limited	101,544	87,390
	154,293	113,932

(Amounts in thousand)

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	———— Rupees ————	
13. PROVISIONS		
Provision for Gas Infrastructure Development Cess - note 13.1	3,614,516	3,112,619

13.1 Provision for Gas Infrastructure Development Cess (GIDC)

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

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

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

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs. 3,022,391 pertaining to the period subsequent to promulgation of GIDC Act, 2015 which includes a provision amounting to Rs. 501,897 recognized in these condensed interim financial statements during the half year ended June 30, 2018.

14. CONTINGENCIES AND COMMITMENTS

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

14.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at June 30, 2018 amounts to Rs. 1,748,000 (2017: Rs. 1,297,000). The amount utilized there against as at June 30, 2018 is Rs. 1,550,720 (2017: Rs. 1,238,450).

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

(Amounts in thousand)

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
Not later than 1 year	25,100	16,875
Later than 1 year but not later than 5 years	1,200	8,400
	26,300	25,275

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

15. OTHER INCOME

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

16. TAXATION

16.1 During the period, the Company has recouped minimum turnover tax amounting to Rs. 542,426 derecognised in prior years. This has resulted because of the restriction placed on the adjustment of unabsorbed depreciation in the Finance Act, 2018.

16.2 The taxation charge includes super tax for tax years 2018 and 2019 amounting to Rs. 139,036 and Rs. 75, 890 respectively that has been levied through the Finance Act, 2018.

	(Unaudited) June 30, 2018	(Unaudited) June 30, 2017
	Rupees	
17. CASH GENERATED FROM OPERATIONS		
Profit for the period before taxation	3,403,233	1,591,242
Adjustments for non-cash charges and other items:		
Provision for staff retirement and other service benefits	20,545	25,196
Provision for GIDC	501,897	460,261
Reversal of provision for doubtful debts	(618)	-
Reversal of provision for net realizable value of stock-in-trade, net	(20,025)	(1,607)
Depreciation and amortisation	465,277	485,284
Income on short-term investments and bank deposits	(45,348)	(36,954)
Amortisation of prepaid financial charges	-	2,525
Finance costs	298,363	395,516
Profit on disposal of operating assets	-	(125)
Working capital changes - note 17.1	(1,118,950)	(2,112,713)
	3,504,374	808,625
17.1 Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(121,780)	3,456
Stock-in-trade	(625,696)	(124,368)
Trade debts - considered good	39,432	72,079
Loans, advances, deposits, prepayments and other receivables - net	(267,265)	(142,571)
	(975,309)	(191,404)
Decrease in current liabilities		
Trade and other payables	(143,641)	(1,921,309)
	(1,118,950)	(2,112,713)

(Amounts in thousand)

	(Unaudited) June 30, 2018	(Unaudited) June 30, 2017
	Rupees	
18. CASH AND CASH EQUIVALENTS		
Cash and bank balances	121,143	376,870
Short-term investments	541,072	89,019
	662,215	465,889

19. SEGMENT INFORMATION

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

	Unaudited June 30, 2018				Unaudited June 30, 2017 (Restated)			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Net revenue	14,398,562	2,673,318	29,733	17,101,613	10,761,535	2,256,605	27,517	13,045,657
Cost of sales	(11,193,737)	(1,321,728)	(26,395)	(12,541,860)	(8,763,920)	(1,312,296)	(21,887)	(10,098,103)
Distribution and marketing expenses	(498,742)	(189,898)	-	(688,640)	(493,845)	(146,436)	-	(640,281)
Administrative expenses	(305,948)	(30,232)	-	(336,180)	(229,125)	(28,319)	-	(257,444)
Other operating expenses	(266,970)	(58,597)	(172)	(325,739)	(72,040)	(40,001)	(278)	(112,319)
Other income	449,480	42,824	98	492,402	12,297	38,169	14	50,480
Finance costs	(295,998)	(2,339)	(26)	(298,363)	(388,959)	(7,695)	(94)	(396,748)
Taxation	(225,008)	(393,410)	(1,144)	(619,562)	(284,345)	(258,930)	(1,797)	(545,072)
Profit after taxation	**2,061,639**	**719,938**	**2,094**	**2,783,671**	**541,598**	**501,097**	**3,475**	**1,046,170**

	Unaudited June 30, 2018				Audited December 31, 2017			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	16,039,370	5,378,292	180,811	21,598,473	15,100,195	5,459,465	129,865	20,689,525
Unallocated assets				3,981,510				3,674,801
Total assets				25,579,983				24,364,326

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

(Amounts in thousand)

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

20. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2018	Unaudited Half year ended June 30, 2017
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on sub-ordinated loan	-	143,039
	Reimbursements made	9,020	3,924
	Reimbursements received	3,062	23,524
	Purchase of services	99,829	34,645
	Medical contribution	114	85
	Life insurance	294	289
Associated companies			
- Mitsubishi Corporation	Purchase of goods	1,145,449	932,743
	Sale of goods	-	115,120
Other related party			
- Arabian Sea Country Club	Purchase of services	-	134
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	8,456	9,334
	Purchase of services	8,957	-
	Sale of steam and electricity	52,365	44,343
	Reimbursement made	2,356	3,999
	Purchase of land	63,701	-
	Use of operating assets	-	8,000
- Engro Vopak Terminal Limited	Purchase of services	613,912	569,618
	Reimbursement made	2,439	-
	Sales of services	1,460	-
- Engro Powergen Qadirpur Limited	Reimbursement made	-	4,641
- Engro Foods Limited	Sale of goods	-	3,482
	Reimbursement made	-	1,541
- Engro Energy Limited	Reimbursement received	4,028	-
- Sindh Engro Coal Mining Company Limited	Reimbursement made	-	2
- The Hub Power Company Limited	Sale of goods	-	1,040

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2018		Unaudited Half year ended June 30, 2017
			Rupees	
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	-		91
- Pakistan Oxygen Limited (Formerly- Linde Pakistan Limited)	Purchase of goods	11,602		-
	Sale of goods	35,330		-
Directors	Fee	950		400
Contribution to staff retirement benefits	Managed and operated by the Holding Company			
	Provident fund	32,071		28,231
	Gratuity fund	28,278		22,599
	Pension fund	1,602		1,513
Key management personnel	Managerial remuneration	51,768		42,586
	Retirement benefit funds	7,987		6,605
	Bonus	39,434		26,962
	Other benefits	11,153		10,516

21. CORRESPONDING FIGURES

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

22. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on August 02, 2018 has approved an interim cash dividend of Rs.0.80 per share for the period ended June 30, 2018 amounting to Rs.727,159. These Consolidated condensed interim financial statement does not include the effect of the said interim dividend.

23. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on August 02, 2018 by the Board of Directors of the Company.

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

engro polymer & chemicals

UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF ENGRO POLYMER AND CHEMICALS LIMITED
REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

Wehave reviewed the accompanying condensed interim statement of financial position of Engro Polymer and Chemicals Limited as at June 30, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim Ïnancial 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 financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of profit or loss and other comprehensive income for the quarters ended June 30, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Reviewof Interim Financial Information Performed by the Independent Auditor of the Entity". Areview of 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 wewould 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 interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

Chartered Accountants
Karachi
Date: August 20, 2018

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■ KARACHI ■ LAHORE ■ ISLAMABAD

(Amounts in thousand)

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

	Note	(Unaudited) June 30, 2018	(Audited) December 31, 2017
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,021,684	16,011,070
Intangibles		105,581	104,663
Long-term investment - at cost		50,000	50,000
Long-term loans and advances	6	84,307	75,756
Deferred taxation	7	177,489	11,255
		17,439,061	16,252,744
Current assets			
Stores, spares and loose tools		1,724,167	1,602,387
Stock-in-trade		4,326,883	3,681,162
Trade debts - considered good	8	466,309	505,123
Loans, advances, deposits, prepayments and other receivables	9	945,400	677,918
Taxes recoverable	10	60,165	765,948
Short-term investments		449,191	150,000
Cash and bank balances		117,864	679,881
		8,089,979	8,062,419
TOTAL ASSETS		25,529,040	24,315,163
EQUITY AND LIABILITIES			
Equity			
Share capital	10	6,634,688	6,634,688
Share premium		964,029	964,029
Unappropriated profit		2,362,400	121,668
		9,961,117	7,720,385
Liabilities			
Non-current liabilities			
Long-term borrowings	11	7,239,583	8,750,000
Current liabilities			
Current portion of long-term borrowings	11	260,417	-
Service benefit obligations		31,986	45,953
Trade and other payables	12	4,378,461	4,513,369
Unclaimed dividend		34,171	37,750
Accrued interest / mark-up		8,789	135,087
Provisions	13	3,614,516	3,112,619
		8,328,340	7,844,778
		15,567,923	16,594,778
Contingencies and commitments	14	-	-
TOTAL EQUITY AND LIABILITIES		25,529,040	24,315,163

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

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

[Amounts in thousand except for earnings per share]

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

	Note	Quarter ended		Half year ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		Rupees			
Net revenue		8,414,411	6,233,294	17,101,613	13,045,657
Cost of sales		(6,354,661)	(5,221,397)	(12,541,860)	(10,098,103)
Gross profit		2,059,750	1,011,897	4,559,753	2,947,554
Distribution and marketing expenses		(321,021)	(323,499)	(688,640)	(640,281)
Administrative expenses		(173,343)	(130,130)	(336,180)	(257,444)
Other operating expenses		(136,709)	(34,640)	(325,714)	(112,294)
Other income	15	72,210	23,272	481,133	47,610
Operating profit		1,500,887	546,900	3,690,352	1,985,145
Finance costs		(140,763)	(162,544)	(298,362)	(396,747)
Profit for the period before taxation		1,360,124	384,356	3,391,990	1,588,398
Taxation	16	(34,272)	(184,887)	(618,832)	(544,219)
Profit for the period after taxation		1,325,852	199,469	2,773,158	1,044,179
Earnings per share - basic and diluted		2.00	0.30	4.18	1.57

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

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

(Amounts in thousand)

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

	Quarter ended		Half year ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
		Rupees		
Profit for the period after taxation	1,325,852	199,469	2,773,158	1,044,179
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items - share issuance cost	(1,651)	-	(1,651)	-
Items that may be reclassified subsequently to profit or loss				
Hedging reserve				
Gain / (loss) arising during the period	-	5,978	-	(21)
Reclassification adjustments for losses included in profit or loss	-	(2,735)	-	2,128
Income tax relating to hedging reserve	-	(984)	-	(632)
	-	2,259	-	1,475
Other comprehensive income for the period - net of tax	(1,651)	2,259	(1,651)	1,475
Total comprehensive income for the period	1,324,201	201,728	2,771,507	1,045,654

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

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

(Amounts in thousand)

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

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Unappropriated profit / (accumulated loss)	Total
			Rupees		
Balance as at January 1, 2017 (Audited)	6,634,688	964,029	(1,475)	(1,628,905)	5,968,337
Total comprehensive income for the half year ended June 30, 2017	-	-	1,475	1,044,179	1,045,654
Balance as at June 30, 2017 (Unaudited)	6,634,688	964,029	-	(584,726)	7,013,991
First interim cash dividend of Re. 0.45 per share	-	-	-	(298,561)	(298,561)
Total comprehensive income for the half year ended December 31, 2017	-	-	-	1,004,955	1,004,955
Balance as at December 31, 2017 (Audited)	6,634,688	964,029	-	121,668	7,720,385
Final cash dividend of Re. 0.80 per share	-	-	-	(530,775)	(530,775)
Total comprehensive income for the half year ended June 30, 2018	-	-	-	2,771,507	2,771,507
Balance as at June 30, 2018 (Unaudited)	6,634,688	964,029	-	2,362,400	9,961,117

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

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

(Amounts in thousand)

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

	Note	Half year ended June 30, 2018	Half year ended June 30, 2017
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	3,512,915	807,240
Finance costs paid		(424,660)	(313,065)
Long-term loans and advances		(8,551)	(7,575)
Retirement benefits paid		(34,512)	(45,622)
Income tax paid		(80,934)	(52,202)
Net cash generated from operating activities		2,964,258	388,776
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,468,331)	(319,289)
Purchases of intangible assets		(8,478)	(9,690)
Proceeds from disposal of property, plant and equipment		-	179
Income on short-term investment and bank deposits		34,079	36,954
Net cash used in investing activities		(1,442,730)	(291,846)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term borrowings		(1,250,000)	(419,428)
Repayments of short-term borrowings		-	(385,000)
Dividend payment		(534,354)	-
Net cash used in financing activities		(1,784,354)	(804,428)
Net decrease in cash and cash equivalents		(262,826)	(707,498)
Cash and cash equivalents at the beginning of the period		829,881	1,081,978
Cash and cash equivalents at the end of the period	18	567,055	374,480

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

Imran Anwer
President & Chief Executive

Syed Abbas Raza
Chief Financial Officer

Feroz Rizvi
Director

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the repealed Companies Ordinance, 1984. The Company is listed on the Pakistan Stock Exchange Limited.

1.2 The Company is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation Limited (the Ultimate Parent Company). The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic soda and other related chemicals. The Company is also engaged in the supply of surplus power generated from its power plants to Engro Fertilizers Limited (a related party).

1.3 The registered office of the Company is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the first Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore, Pakistan.

1.4 During the period, the Company has announced issue of right shares in the ratio of approximately 37 right shares for every 100 existing ordinary shares at a price of Rs. 22 per share inclusive of a premium of Rs. 12 per share. The Company intends to raise approximately Rs. 5,400,000 through right issue to partially fund the expansion cost of the PVC plant to cater the additional 100,000 MT and VCM plant debottlenecking of 50,000 MT per annum. As per the schedule approved by the Pakistan Stock Exchange Limited, the last date of payment was July 23, 2018. The sponsor of the Company, namely Engro Corporation Limited, has fully subscribed to its portion of the right issue.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the statutory auditors of the Company as required under the Listed Companies (Code of Corporate Governance) Regulations, 2017.

2.3 These 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, 2017.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN

3.1 The accounting policies applied in the preparation of these condensed interim financial statements are the same as those that were applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2017. The financial risk management objectives and policies of the Company are also consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2017.

3.2 The Companies Act, 2017 (the Act) has brought about certain changes in respect of the preparation and presentation of annual and interim financial statements of the Company such as change in respect of the recognition criteria of surplus on revaluation of fixed assets, change in the nomenclature of primary statements, etc. Furthermore, the disclosure requirements contained in the fourth schedule to the Act have also been revised resulting in the substitution of duplicative disclosures with the disclosure requirements contained in the applicable IFRSs and the incorporation of significant additional disclosures.

Keeping in view the above, the presentation of these condensed interim financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, has not had any impact on the recognition and measurement of the amounts included therein.

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

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

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contract's and related interpretations. The Company is in the process of assessing the impact the standard may have on its financial statements, however, expects no significant impact.

(Amounts in thousand)

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

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented in this condensed interim financial statements.

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

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

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	15,252,465	15,023,936
Capital work-in-progress notes 5.3 and 5.4	1,705,427	923,342
Capital spares	63,792	63,792
	17,021,684	16,011,070
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	-	91,707
Plant and machinery	678,187	674,554
Furniture, fixtures and equipment	5,195	30,283
Vehicles	2,925	45,507
	686,307	842,051

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

(Amounts in thousand)

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

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
Balance as the beginning of the period / year	923,342	679,306
Add: Additions during the period / year	1,476,870	1,112,465
Less: Transferred to operating assets during the period / year	(694,785)	(868,429)
	1,705,427	923,342

6. LONG-TERM LOANS AND ADVANCES

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

7. DEFERRED TAXATION

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(2,958,065)	(3,224,307)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	835,632	1,443,219
- recoupable minimum turnover tax - note 7.2	710,581	510,131
- recoupable alternative corporate tax	469,829	111,655
- unpaid liabilities	93,514	104,263
- provision for Gas Infrastructure Development Cess and Special Excise Duty	894,945	924,358
- provision for net realizable value against stock-in-trade	1,295	7,515
- provision for slow moving stores and spares	79,369	82,066
- provision for bad debts	2,573	2,888
- share issuance cost, net to equity	47,816	49,467
	3,135,554	3,235,562
	177,489	11,255

7.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at June 30, 2018 amount to Rs. 2,932,042 (December 31, 2017: Rs. 4,810,730).

7.2 During the period, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current period amounting to Rs. 212,727 (December 31, 2017: Rs. 341,472) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

(Amounts in thousand)

		(Unaudited) June 30, 2018	(Audited) December 31, 2017
		Rupees	
8.	**TRADE DEBTS - considered good**		
	Secured	185,544	287,211
	Unsecured - note 8.1	280,765	217,912
		466,309	505,123

8.1 This includes amounts due from Engro Fertilizers Limited, (a related party) amounting to Rs. 170,753 (December 31, 2017: Rs. 119,069).

		(Unaudited) June 30, 2018	(Audited) December 31, 2017
9.	**LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**	Rupees	
9.1	These include unsecured receivables from the following related parties		
	- Engro Vopak Terminal Limited	1,674	215
	- Engro Fertilizers Limited	998	-
	- Sindh Engro Coal Mining Company Limited	126	126
	- Engro Foods Limited	5	5
	- Engro Corporation Limited	5,950	4,684
	- Engro Energy Limited	331	86,724
	- Engro Powergen Qadirpur Limited	9	9
		9,093	91,763

10. TAXES RECOVERABLE

10.1 Tax Year 2008

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

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

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

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

10.2 Tax Year 2009

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

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

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

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

(Amounts in thousand)

11. LONG TERM BORROWINGS

Title	Mark-up rate per annum	Installments Number	Installments Commencing from	(Unaudited) June 30, 2018 Rupees	(Audited) December 31, 2017 Rupees
Bilateral - IV	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	1,250,000
Bilateral - VIII	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	1,000,000
Bilateral - IX	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
Bilateral - X	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
				7,500,000	8,750,000
Less: Current portion shown under current liabilities				(260,417)	-
				7,239,583	8,750,000

12. TRADE AND OTHER PAYABLES

	(Unaudited) June 30, 2018 Rupees	(Audited) December 31, 2017 Rupees
Trade and other creditors - note 12.1	2,243,952	1,714,553
Accrued liabilities - note 12.1	1,623,466	1,622,695
Advances from customers	239,602	883,418
Retention money	12,954	13,249
Security deposits	26,759	28,959
Payable to provident fund	14,995	15,874
Workers' Welfare Fund	185	44,472
Workers' Profits Participation Fund	178,544	163,661
Withholding tax payable	16,969	6,742
Others	21,035	19,746
	4,378,461	4,513,369

12.1 Includes amounts due to the following related parties:

- Mitsubishi Corporation	-	1,461
- Engro Corporation Limited	3,400	18,459
- Engro Fertilizers Limited	49,349	6,622
- Engro Vopak Terminal Limited	101,544	87,390
	154,293	113,932

(Amounts in thousand)

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
13. PROVISIONS		
Provision for Gas Infrastructure Development Cess - note 13.1	3,614,516	3,112,619

13.1 Provision for Gas Infrastructure Development Cess (GIDC)

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

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

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

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs. 3,022,391 pertaining to the period subsequent to promulgation of GIDC Act, 2015 which includes a provision amounting to Rs. 501,897 recognized in these condensed interim financial statements during the half year ended June 30, 2018.

14. CONTINGENCIES AND COMMITMENTS

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

14.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at June 30, 2018 amounts to Rs. 1,748,000 (2017: Rs. 1,297,000). The amount utilized there against as at June 30, 2018 is Rs. 1,550,720 (2017: Rs. 1,238,450).

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

(Amounts in thousand)

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Rupees	
Not later than 1 year	25,100	16,875
Later than 1 year but not later than 5 years	1,200	8,400
	26,300	25,275

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

15. OTHER INCOME

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

16. TAXATION

16.1 During the period, the Company has recouped minimum turnover tax amounting to Rs. 542,426 derecognised in prior years. This has resulted because of the restriction placed on the adjustment of unabsorbed depreciation in the Finance Act, 2018.

16.2 The taxation charge includes super tax for tax years 2018 and 2019 amounting to Rs. 139,036 and Rs. 75, 890 respectively that has been levied through the Finance Act, 2018.

	(Unaudited) June 30, 2018	(Unaudited) June 30, 2017
	Rupees	
17. CASH GENERATED FROM OPERATIONS		
Profit for the period before taxation	3,391,990	1,588,398
Adjustments for non-cash charges and other items:		
Provision for staff retirement and other service benefits	20,545	25,196
Provision for GIDC	501,897	460,261
Reversal of provision for doubtful debts	(618)	-
Reversal of provision for net realizable value of stock-in-trade, net	(20,025)	(1,607)
Depreciation and amortisation	465,277	485,284
Income on short-term investments and bank deposits	(34,079)	(36,954)
Amortisation of prepaid financial charges	-	2,525
Finance costs	298,362	396,747
Profit on disposal of operating assets	-	(125)
Working capital changes - note 17.1	(1,110,434)	(2,112,485)
	3,512,915	807,240

17.1 Working capital changes

(Increase) / decrease in current assets		
Stores, spares and loose tools	(121,780)	3,456
Stock-in-trade	(625,696)	(124,368)
Trade debts - considered good	39,432	72,079
Loans, advances, deposits, prepayments and other receivables - net	(267,482)	(142,353)
	(975,526)	(191,186)
Decrease in current liabilities		
Trade and other payables	(134,908)	(1,921,299)
	(1,110,434)	(2,112,485)

(Amounts in thousand)

	(Unaudited) June 30, 2018	(Unaudited) June 30, 2017
	Rupees	
18. CASH AND CASH EQUIVALENTS		
Cash and bank balances	117,864	374,480
Short-term investments	449,191	-
	567,055	374,480

19. SEGMENT INFORMATION

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

	Unaudited June 30, 2018				Unaudited June 30, 2017 (Restated)			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Net revenue	14,398,562	2,673,318	29,733	17,101,613	10,761,535	2,256,605	27,517	13,045,657
Cost of sales	(11,193,737)	(1,321,728)	(26,395)	(12,541,860)	(8,763,920)	(1,312,296)	(21,887)	(10,098,103)
Distribution and marketing expenses	(498,742)	(189,898)	-	(688,640)	(493,845)	(146,436)	-	(640,281)
Administrative expenses	(305,948)	(30,232)	-	(336,180)	(229,125)	(28,319)	-	(257,444)
Other operating expenses	(266,945)	(58,597)	(172)	(325,714)	(72,015)	(40,001)	(278)	(112,294)
Other income	438,211	42,824	98	481,133	9,427	38,169	14	47,610
Finance costs	(295,997)	(2,339)	(26)	(298,362)	(388,958)	(7,695)	(94)	(396,747)
Taxation	(224,278)	(393,410)	(1,144)	(618,832)	(283,492)	(258,930)	(1,797)	(544,219)
Profit after taxation	**2,051,126**	**719,938**	**2,094**	**2,773,158**	**539,607**	**501,097**	**3,475**	**1,044,179**

	Unaudited June 30, 2018				Audited December 31, 2017			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Total segment assets	16,039,370	5,378,292	180,811	21,598,473	15,100,195	5,459,465	129,865	20,689,525
Unallocated assets				3,930,567				3,625,638
Total assets				25,529,040				24,315,163

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

(Amounts in thousand)

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

20. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2018		Unaudited Half year ended June 30, 2017
			Rupees	
Holding Company				
- Engro Corporation Limited	Mark-up on sub-ordinated loan	-		143,039
	Reimbursements made	9,020		3,924
	Reimbursements received	3,062		23,524
	Purchase of services	99,829		34,645
	Medical contribution	114		85
	Life insurance	294		289
Subsidiary Company				
- Engro Polymer Trading (Private) Limited	Mark-up on short-term loan	-		1,232
	Short-term loan repaid	-		85,000
Associated companies				
- Mitsubishi Corporation	Purchase of goods	1,145,449		932,743
	Sale of goods	-		115,120
Other related party				
- Arabian Sea Country Club	Purchase of services	-		134
Related parties by virtue of common directorship				
- Engro Fertilizers Limited	Sale of goods	8,456		9,334
	Purchase of services	8,957		-
	Sale of steam and electricity	52,365		44,343
	Reimbursement made	2,356		3,999
	Purchase of land	63,701		-
	Use of operating assets	-		8,000
- Engro Vopak Terminal Limited	Purchase of services	613,912		569,618
	Reimbursement made	2,439		-
	Sales of services	1,460		-
- Engro Powergen Qadirpur Limited	Reimbursement made	-		4,641
- Engro Foods Limited	Sale of goods	-		3,482
	Reimbursement made	-		1,541
- Engro Energy Limited	Reimbursement received	4,028		-

(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited Half year ended June 30, 2018	Rupees	June 30, 2017
- Sindh Engro Coal Mining Company Limited	Reimbursement made	-		2
- The Hub Power Company Limited	Sale of goods	-		1,040
- Overseas Investors Chamber of Commerce and Industry	Annual subscription	-		91
- Pakistan Oxygen Limited (Formerly-Linde Pakistan Limited)	Purchase of goods	11,602		-
	Sale of goods	35,330		-
Directors	Fee	950		400
Contribution to staff retirement benefits	Managed and operated by the Holding Company			
	Provident fund	32,071		28,231
	Gratuity fund	28,278		22,599
	Pension fund	1,602		1,513
Key management personnel	Managerial remuneration	51,768		42,586
	Retirement benefit funds	7,987		6,605
	Bonus	39,434		26,962
	Other benefits	11,153		10,516

21. CORRESPONDING FIGURES

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

22. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on August 02, 2018 has approved an interim cash dividend of Rs.0.80 per share for the period ended June 30, 2018 amounting to Rs.727,159. This condensed interim financial statement does not include the effect of the said interim dividend.

23. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on August 02, 2018 by the Board of Directors of the Company.

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

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ
شیئر ہولڈرز کے لیے ڈائریکٹرز کا تجزیہ غیر آڈٹ شدہ کنسولیڈیٹڈ انٹیرم فائنانشیل اسٹیٹمنٹس پر
30 جون 2018 کو ختم ہونے والی ششماہی کے لیے

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون 2018 کو ختم ہونے والی ششماہی کے لیے کمپنی کی غیر آڈٹ شدہ فائنانشیل معلومات کی تفصیل پیش کرتے ہیں۔

کاروباری جائزہ

EPCL نے سسٹمز اور پالیسی پر سختی سے عمل کرتے ہوئے HSE کے اعلیٰ معیار کی برقراری کو ممکن بنایا اور بنا کسی ورک انجری نقصان کے تقریباً 14.55 ملین انسانی اوقات کی خدمات حاصل کیں۔ سیفٹی انڈیکیٹرز سے مسلسل مانیٹرنگ نے طریقہ کار کی بہتری میں مدد دی اور نتیجتاً فعال حفاظتی اقدامات کا کامیاب اطلاق بھی ممکن بنایا گیا۔

انتظامی حوالے سے کمپنی نے اس ششماہی میں سب سے زیادہ PVC بنایا اور کمپنی نے بنا کسی کاروباری اور انتظامی مشکل میں پھنسے 178 ہزار ٹن سے 195 ہزار ٹن کا کامیاب اضافہ کیا۔ پائیداری اور کارکردگی کو مسلسل مرکزِ نگاہ بناتے ہوئے بلند خدمات اور خام مال کے بہترین استعمال کو کامیابی سے ممکن بنایا گیا۔

2018 کی پہلی ششماہی کے دوران کمپنی کا ریکارڈ ریونیو 17,102 ملین رہا جبکہ گذشتہ سال اسی دورانیہ میں کمپنی کا ریونیو 13,046 ملین تھا اسی حساب سے اس سال منافع بعد از ٹیکس (PAT) ریونیو 13,046 ملین تھا اسی حساب سے اس سال منافع بعد از ٹیکس (PAT) 2,784 ملین روپے رہا جس سے آمدنی فی شیئر (EPS) 4.20 روپے فی شیئر رہی جبکہ گذشتہ سال اسی دورانیہ کا منافع بعد از ٹیکس (PAT) 1,046 ملین رہا جس حساب سے آمدنی فی شیئر (EPS) 1.58 روپے تھا۔ بہترین منافع کی اس شرح کو PVC کے لیے وسائل کے بہترین استعمال سے مربوط کیا جا سکتا ہے جس کے باعث نہ صرف اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ (EPCL) کی سیلز میں اضافہ ہوا بلکہ ڈومیسٹک کاسٹک مارکیٹ میں بھی نمایاں بہتری نظر آئی۔

2018 کی پہلی ششماہی کے دوران بین الاقوامی PVC مارکیٹ بدستور مستحکم رہی جس کی وجہ خطے میں بالخصوص ایشیاء میں مضبوط طلب کا پایا جانا تھا، تاہم خام مال کے اعتبار سے کاسٹ پُش کے باعث یہ کمپنی کے لیے بہترین شرح منافع ثابت نہیں ہو سکتا۔ ایتھلین کا ذکر کریں تو اس دورانیہ میں خطے میں شیڈولڈ ٹرن آراؤنڈ اور چائنا کی جانب سے مضبوط ڈیمانڈ کے باعث ایتھلین کی قیمتیں مضبوط رہیں۔ ہم وائنل چین کی قیمتوں میں ریشنلائزیشن کی امید کرتے ہیں لیکن یہ قیمتیں عالمی سطح پر حساس ہی رہیں گی۔ ڈومیسٹک طلب کی بات کریں تو مجموعی طور پر طلب مضبوط رہی اور اس بات کی قوی امید کی جا سکتی ہیں کہ نئے نان کنوینشنل سیکٹرز کی جانب سے دُگنے ہندسوں میں گروتھ نظر آئے گی۔ اس دورانیے میں کاسٹک سوڈا کی مقامی مارکیٹ بھی مستحکم رہی ہے۔

ریگولیٹری کے ذکر میں سستی پروڈکٹ کی ڈمپنگ وقت کے ساتھ ساتھ ایک فکر اندیش امر ثابت ہوئی ہے یہ بات بھی قابل غور ہے کہ اپریل 2018 میں چائنا، تائیوان، کوریا اور تھائی لینڈ سے PVC درآمدات پر نیشنل ٹریف کمیشن کی جانب سے بذریعہ فائنل اینٹی ڈمپنگ ڈیوٹی پر جزوی طور پر توجہ مبذول کرائی گئی۔ ہم نے اس بات پر بھی روشنی ڈالی کہ کچھ ممالک پر لاگو ڈیوٹی کی شرح ڈمپنگ پر تخفیف کے لحاظ سے ناکافی ہے۔ ہم اس امر کی جانب بھی آپ کی توجہ مبذول کرانا چاہتے ہیں کہ اس وقت درآمدی سطح پر ٹیکس کی شرح تیار شدہ پلاسٹک کے سامان کی درآمد پر رعایتی ہے جبکہ تیار شدہ پلاسٹک کے سامان کے مقامی مینوفیکچررز کو درآمدی سطح پر خام مال اور ancillary (ذیلی) سامان کی درآمد پر ٹیکس کی عام شرح ہی لاگو ہے۔

مستقبل پر نظر

مستقبل کے حوالے سے، اس سال کی دوسری ششماہی میں ڈومیسٹک PVC کی ڈیمانڈ مستحکم رہتی نظر آتی ہے جبکہ انٹرنیشنل وائنل ڈائنامکس، خطے کی طلب و رسد کی صورتحال پر مبنی ہوگی۔ کاسٹک سوڈا کے معاملے میں ایکسپورٹ ڈائنامکس میں بہتری کے باعث ٹیکسٹائل سیکٹر کی جانب سے اوسط اضافہ اس سیگمنٹ کو مضبوط رکھے گا۔ کمپنی کا عزم ہے کہ وہ انتظامی اصلاحات پر توجہ مرکوز رکھے گی اور طے شدہ شیڈول کے عین مطابق اپنے توسیعی پروجیکٹس کو بحفاظت انجام دے گی۔

عمران انور
پریزیڈنٹ اور چیف ایگزیکٹیو

فیروز رضوی
ڈائریکٹر

۲ اگست ۲۰۱۸ء

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