



engro polymer & chemicals

Financial Information for the Quarter
and Nine Months ended September 30, 2013

CONTENTS

Company Information	2
Directors' Review on Unaudited Consolidated Condensed Interim Financial Information	4
Unaudited Consolidated Condensed Interim Financial Information	5
Unaudited Condensed Interim Financial Information	28



COMPANY INFORMATION

Chairman	Muhammad Aliuddin Ansari
President and Chief Executive	Khalid Siraj Subhani
Directors	Isar Ahmed Kimihide Ando Shahzada Dawood Shabbir Hashmi Waqar Malik Takashi Yoshida Naz Khan Abdul Samad Khan
Company Secretary	Muneeza Iftikhar
Chief Financial Officer	Mohsin Ali Mangi
Board Audit Committee	Isar Ahmad Kimihide Ando Shabbir Hashmi Naz Khan
Bankers / Lenders	Allied Bank Ltd. Askari Bank Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. Barclays Bank PLC., Pakistan Citibank N.A. Deutsche Bank AG Faysal Bank Ltd. Habib Bank Ltd. HSBC Bank Middle East Limited-Pakistan International Finance Corporation MCB Bank Ltd. Meezan Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. Summit Bank Ltd. United Bank Ltd.
Auditors	A. F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi
Registered Office	16th Floor, The Harbour Front Building, HC-3, Marine Drive, Block-4, Clifton, Karachi-75600.
Plant	EZ/1/P-II-1, Eastern Zone, Bin Qasim, Karachi
Share Registrar	FAMCO Associates (Private) Limited 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi. Tel: 34380101-2 Fax: 34380106
Website	www.engropolymer.com





engro polymer & chemicals

**DIRECTORS' REVIEW &
UNAUDITED CONSOLIDATED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**



**ENGRO POLYMER AND CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we would like to present the unaudited Financial Information of the Company for the nine months ended September 30, 2013.

Business Review

The Company posted revenue of Rs.18,137 million during nine months ended September 30, 2013 which was 16.6% higher compared to same period last year. Profit After Tax (PAT) for the period was Rs. 552 million compared to Rs. 83 million last year. The significant increase in earnings was mainly attributable to higher volume sales, better margins and drop in financial cost.

Vinyl Chloride Monomer (VCM) plant produced 124 K tons VCM in 9M 2013 which is 14.9% increase over the production in the same period 2012. Majority of the VCM produced was utilized in production of PVC while the surplus production of 13.3 K tons VCM was exported as compared to 11.6 K tons VCM exports in comparable period last year.

Poly Vinyl Chloride (PVC) resin production during 9M 2013 was 106 K tons which was almost the same as last year. PVC domestic sales volume during 9M 2013 was 105 K tons which is 5.2% higher over 9M 2012. The Company only exported 4.3 K tons of PVC during the period as compared to 11.6 K tons in the same period last year. The primary reason for low export was diversion of sales mix in favor of domestic market which offered better margins.

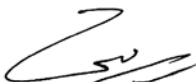
Caustic Soda production during 9M 2013 was 84.5 K tons as against 81.1 K tons during same period last year. Around 9 K tons were consumed in house while 73 K tons were sold in the domestic market. A margin improvement of 27%, over last year, was achieved mainly by improving the regional sales mix and through increased efficiencies in product transportation, storage and handling. The Company continued to maintain its leadership position in the South region.

The Company strengthened its position in the Sodium Hypochlorite market. The Company maintains its market leadership position in the South region.

The Company continued to maintain its focus on safe operations and completed 12.88 million man-hours without any Lost Workday Injury. This year, on the Occupational Health & Industrial Hygiene (OHIH) front, the Company has taken an initiative to align its management system with DuPont OHIH Management System. The work is underway and the alignment is expected to be complete in 2014, followed by 3rd party audit from DuPont Safety Systems.

Future Outlook

Domestic demand of PVC and Caustic Soda is expected to remain stable during 4Q 2013, however the profitability of the Company will substantially depend upon the dynamics of the international margins in the Vinyl chain. The Company will continue to work on the de-bottlenecking of PVC production capacity. After completion of the first phase of PVC debottlenecking where 6 K tons p.a. of PVC capacity was increased, now the Company is carrying out a project for debottlenecking the PVC plant by a capacity of 15 K tons p.a. This capacity enhancement will allow the Company to convert its surplus VCM into PVC which will result in better margins for the Company.



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director

Karachi
October 23, 2013



ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2013


(Amounts in thousand)

		<u>Unaudited</u>	<u>Audited</u>
		<u>September 30,</u>	<u>December 31,</u>
	<u>Note</u>	<u>2013</u>	<u>2012</u>
		<u>Rupees</u>	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	17,148,802	17,633,526
Intangible assets	6	28,041	30,864
Long term loans and advances		58,466	49,340
Deferred taxation	7	835,997	885,117
		<u>18,071,306</u>	<u>18,598,847</u>
Current Assets			
Stores, spares and loose tools		1,477,353	1,478,662
Stock-in-trade	8	3,462,315	3,052,436
Trade debts - considered good	9	243,431	266,465
Loans, advances, deposits, prepayments and other receivables	10	166,719	404,115
Taxes recoverable	11	737,589	1,026,562
Short term Investments	12	761,267	169,545
Cash and bank balances	13	1,153,732	94,732
Derivative financial instruments	16	114,494	-
		8,116,900	6,492,517
		<u>26,188,206</u>	<u>25,091,364</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity			
Share capital	14	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(99,659)	(92,077)
Accumulated loss		(627,896)	(1,178,636)
Remeasurement of post employment benefits - Actuarial loss		(5,113)	(5,113)
		<u>6,866,049</u>	<u>6,322,891</u>
Non-Current Liabilities			
Long term borrowings	15	6,803,114	7,531,866
Derivative financial instruments	16	150,998	141,656
Retirement and other service benefit obligations		85,018	59,647
		7,039,130	7,733,169
Current Liabilities			
Current portion of long term borrowings	15	2,130,579	2,052,981
Short term borrowings	17	1,220,000	2,004,084
Trade and other payables	18	8,384,824	6,768,466
Accrued interest / mark-up		338,830	121,555
Provisions	19	208,794	88,218
		12,283,027	11,035,304
		<u>26,188,206</u>	<u>25,091,364</u>
TOTAL EQUITY AND LIABILITIES			
Commitments			
	20		

The annexed notes 1 to 33 form an integral part of this Consolidated condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director

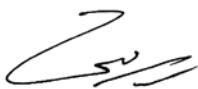


[Amounts in thousand except for earnings / (loss) per share]

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	Note	Quarter ended		Nine months ended	
		September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net revenue	21	6,105,485	6,077,216	18,136,909	15,553,616
Cost of sales	22	(4,749,459)	(5,146,816)	(14,510,859)	(12,886,197)
Gross profit		<u>1,356,026</u>	<u>930,400</u>	<u>3,626,050</u>	<u>2,667,419</u>
Distribution and marketing expenses	23	(324,676)	(360,596)	(949,075)	(904,581)
Administrative expenses	24	(146,435)	(138,794)	(417,861)	(391,930)
Other operating expenses	25	(181,823)	(79,113)	(388,609)	(444,112)
Other operating income	26	15,412	14,924	55,063	429,989
Operating profit		<u>718,504</u>	<u>366,821</u>	<u>1,925,568</u>	<u>1,356,785</u>
Finance costs	27	(494,288)	(314,729)	(1,138,122)	(1,227,895)
Profit before taxation		<u>224,216</u>	<u>52,092</u>	<u>787,446</u>	<u>128,890</u>
Taxation		(97,154)	(27,862)	(235,058)	(45,576)
Profit for the period		<u>127,062</u>	<u>24,230</u>	<u>552,388</u>	<u>83,314</u>
Earnings per share - basic and diluted		<u>0.19</u>	<u>0.04</u>	<u>0.83</u>	<u>0.13</u>

The annexed notes 1 to 33 form an integral part of this Consolidated condensed interim financial information.



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)


ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	Quarter ended		Nine months ended	
	September 30, 2013	(Restated) September 30, 2012	September 30, 2013	(Restated) September 30, 2012
	Rupees			
Profit for the period	313,122	24,230	552,388	83,314
Other comprehensive income / (loss) :				
Remeasurement of retirement benefit obligation due to implementation of IAS 19 revised - net of tax	-	-	-	8,150
Deferred tax charge relating to revaluation of equity related items	-	-	(1,648)	-
Total items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>(1,648)</u>	<u>8,150</u>
Hedging reserve				
Gain / (loss) arising during the period	(91,890)	2,716	(84,251)	(25,818)
Reclassification adjustments for losses included in profit and loss	51,398	3,479	74,909	35,110
Income tax relating to hedging reserve	13,767	(2,168)	1,760	(3,252)
	(26,725)	4,027	(7,582)	6,040
Total items that may be reclassified subsequently to profit or loss	<u>(26,725)</u>	<u>4,027</u>	<u>(7,582)</u>	<u>6,040</u>
Other comprehensive gain / (loss) for the period - net of tax	(26,725)	4,027	(9,230)	14,190
Total comprehensive income for the period	<u>286,397</u>	<u>28,257</u>	<u>543,158</u>	<u>97,504</u>

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Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director




(Amounts in thousand)

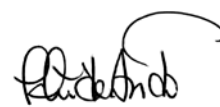
ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	RESERVES					Remeasurement of post employment benefits - Actuarial (loss)	Total
	CAPITAL		REVENUE				
	Share capital	Share premium	Hedging reserve	Accumulated loss			
Rupees							
Balance as at January 1, 2012 (Audited) - as previously reported	6,634,688	964,029	(102,221)	(1,255,645)	-	6,240,851	
Effect of change in accounting policy due to application of IAS - 19 (Revised) note 3.1, net of tax	-	-	-	-	(21,414)	(21,414)	
Balance as at January 1, 2012 (Restated)	6,634,688	964,029	(102,221)	(1,255,645)	(21,414)	6,219,437	
Total comprehensive income for the period ended September 30, 2012 (Restated)	-	-	6,040	83,314	8,150	97,504	
Balance as at September 30, 2012 (Restated)	6,634,688	964,029	(96,181)	(1,172,331)	(13,264)	6,316,941	
Total comprehensive income for the period ended December 31, 2012 (Restated)	-	-	4,104	(6,305)	8,151	5,950	
Balance as at December 31, 2012 (Restated)	6,634,688	964,029	(92,077)	(1,178,636)	(5,113)	6,322,891	
Total comprehensive income for the period ended September 30, 2013	-	-	(7,582)	550,740	-	543,158	
Balance as at September 30, 2013 (Unaudited)	<u>6,634,688</u>	<u>964,029</u>	<u>(99,659)</u>	<u>(627,896)</u>	<u>(5,113)</u>	<u>6,866,049</u>	

The annexed notes 1 to 33 form an integral part of this Consolidated condensed interim financial information.



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director

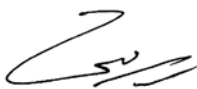


(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	Note	Nine months ended	
		September 30, 2013	September 30, 2012
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	4,601,737	2,600,625
Finance costs paid		(920,847)	(740,698)
Long term loans and advances		(9,126)	(10,749)
Income tax refunded / (paid)		103,147	(272,730)
Net cash generated from operating activities		3,774,911	1,576,448
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(413,035)	(304,653)
Purchases of intangible assets		(3,934)	(10,364)
Proceeds from disposal of property, plant and equipment		5,071	18,171
Income on bank deposits		20,844	6,616
Proceeds from sale of Short term Investments		200,000	143,970
Purchase of Short term Investments		(784,000)	(304,840)
Net cash utilised in investing activities		(975,054)	(451,100)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(956,773)	(1,719,780)
Proceeds from short term borrowings		420,000	600,000
Net cash utilised in financing activities		(536,773)	(1,119,780)
Net increase in cash and cash equivalents		2,263,084	5,568
Cash and cash equivalents at beginning of the period		(1,109,352)	(607,905)
Cash and cash equivalents at end of the period	29	1,153,732	(602,337)

The annexed notes 1 to 33 form an integral part of this Consolidated condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director



ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

1. LEGAL STATUS AND OPERATIONS

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

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

The Company is a subsidiary of Engro Corporation Limited (the Holding Company). The address of its registered office is 16th Floor, The Harbor Front Building, HC-3 Marine Drive, Block 4 Clifton, Karachi. The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals. The Company is also engaged in supply of surplus power generated from its power plants to Engro Fertilizers Limited.

2. BASIS OF PREPARATION

This Consolidated condensed interim financial information of the Company for the nine months period ended September 30, 2013 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This Consolidated condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2012.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this Consolidated condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2012 except as noted below:

3.1 Initial application of a standard, amendment or interpretation to an existing standard

Change in accounting policy due to the application of International Accounting Standard 19 - 'Employee Benefits' (as revised by IASB in 2011 and applicable for annual period beginning on or after January 01, 2013).

The Company has applied IAS 19 - Employee Benefits which is applicable for annual periods beginning on or after January 1, 2013. In accordance with the transitional provisions as set out in IAS 19, the Company has applied IAS 19 retrospectively and consequently the earliest periods presented in the Consolidated condensed interim statement of comprehensive income, Consolidated condensed interim statement of changes in equity and Consolidated condensed interim balance sheet have been restated. The impact of such application on the Consolidated condensed interim profit and loss account and Consolidated condensed interim statement of cash flows is not material.



(Amounts in thousand)

The revised standard requires (i) past service cost to be recognized immediately in profit and loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; and (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment return and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gains or losses / actuarial gain or losses in the Other Comprehensive Income immediately as they occur.

The impact of retrospective application of IAS 19 (revised) is as follows:

	Retirement and other service benefit obligations	Other Comprehensive Income - Remeasurement of post employment benefits - Actuarial loss
Balance as previously reported as at January 1, 2012	62,107	-
Restatement - recognition of remeasurement loss in OCI	21,414	(21,414)
Balance as at January 1, 2012 (Restated)	<u>83,521</u>	<u>(21,414)</u>
Balance as previously reported as at January 1, 2013	54,534	-
Restatement - recognition of remeasurement loss in OCI	5,113	(5,113)
Balance as at December 31, 2012 (Restated)	<u>59,647</u>	<u>(5,113)</u>

4. ACCOUNTING ESTIMATES

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

During the preparation of this Consolidated condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited financial statements for the year ended December 31, 2012.



(Amounts in thousand)

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	17,002,073	17,476,546
Capital work-in-progress	146,729	156,980
	<u>17,148,802</u>	<u>17,633,526</u>
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	13,083	48,854
Plant and machinery	393,144	259,888
Furniture, fixtures and equipment	11,316	7,082
Vehicles	4,912	43,335
	<u>422,455</u>	<u>359,159</u>
5.2 During the period, assets costing Rs. 10,891 (December 31, 2012: Rs. 31,050), having net book value of Rs. 3,595 (December 31, 2012: Rs. 16,093) were disposed off for Rs. 4,991 (December 31, 2012: Rs. 18,520) and assets costing Rs. 72,423 (December 31, 2012: Rs. 11,385) having net book value of Rs. 8,139 (December 31, 2012: Rs. 7,109) were written-off. Insurance claim received against written-off assets was Rs. 80 (December 31, 2012: Rs. 58).		
6. INTANGIBLE ASSETS		
Additions made during the period amount to Rs. 4,765 (December 31, 2012: Rs. 10,227)		
	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
7. DEFERRED TAXATION		
Credit balances arising due to: - accelerated tax depreciation	(3,987,198)	(4,149,265)
Debit balances arising due to: - recoupable carried forward tax losses - note 7.1	4,026,235	4,412,854
- recoupable minimum turnover tax - note 7.2	590,743	420,691
- unpaid liabilities and provision for retirement and other service benefits	59,860	50,770
- provision against custom duty and SED refundable etc.	65,054	37,191
- provision for slow moving stores and spares	6,693	5,588
- fair value of hedging instruments and others	18,550	49,579
- share issuance cost, net to equity	56,060	57,709
	4,823,195	5,034,382
	<u>835,997</u>	<u>885,117</u>



(Amounts in thousand)

- 7.1** The aggregate tax losses available for carry-forward as at September 30, 2013 amount to Rs. 11,841,869 (December 31, 2012: Rs.12,608,153), on which deferred income tax asset has been recognized. The aforementioned tax losses are entirely attributable to unabsorbed tax depreciation.
- 7.2** During the period, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court which the Company intends to approach, if required. Therefore, the Company has continued to carry forward the minimum turnover tax paid.
- 7.3** As at September 30, 2013, deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at the rate of 34% being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.

8. STOCK-IN-TRADE	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
Raw and packing materials - note 8.1	2,889,205	2,218,014
Work-in-progress	20,894	-
Finished goods - note 8.2	552,216	834,422
	<u>3,462,315</u>	<u>3,052,436</u>

- 8.1** This includes stocks held at storage facilities of the following parties:

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
Engro Vopak Terminal Limited, a related party	834,503	918,703
Dawood Hercules Chemicals Limited, a related party	264	2,773
Al-Rahim Trading Company (Private) Limited	73,567	520,158
	<u>908,334</u>	<u>1,441,634</u>

- 8.2** This includes carrying value of PVC resin, net of realizable value reduction of Rs. 20,050 (December 31, 2012: Rs. 20,822).



(Amounts in thousand)

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
9. TRADE DEBTS - considered good		
Secured	170,776	214,570
Unsecured - note 9.1	72,655	51,895
	<u>243,431</u>	<u>266,465</u>

9.1 Includes amounts due from the following related parties:

- Engro Foods Limited	<u>1,178</u>	<u>2,788</u>
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**10. LOANS, ADVANCES, DEPOSITS,
PREPAYMENTS AND OTHER RECEIVABLES**

These include receivables from the following related parties:

Engro Vopak Terminal Limited	919	1,436
Engro Fertilizers Limited	7,388	3,658
Engro Powergen Qadirpur Limited	12	-
Engro Eximp (Private) Limited	7	-
	<u>8,326</u>	<u>5,094</u>

11. TAXES RECOVERABLE

11.1 Tax Year 2008

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

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying balance of Rs. 32,404 'under protest'.

During 2011, through appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

On May 24, 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Company's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.



The Company, based on the advice of its tax consultant has filed a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the Consolidated condensed interim financial information.

11.2 Tax Year 2009

The DCIR through order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowing finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowing provision for the retirement benefits of Rs. 14,239; disallowing provision against receivable of Special Excise Duty (SED) of Rs. 36,689; adding imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss as per the revised return as a consequence of the matter explained in note 11.3.

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).

In 2011, through an 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 by the Company before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A) deleting the addition on account of provision for retirement benefits.

On May 24, 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Company's position except for additions on account of SED provision of Rs. 36,689 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

The Company, based on the advice of its tax consultant has filed a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the consolidated condensed interim financial information.

11.3 Assessment Year 2000-2001

While finalizing the assessment, the Taxation Officer had disallowed the First Year Allowance (FYA) claimed by the Company on the grounds that the Company had not met the criteria for claiming this allowance as required under the repealed Income Tax Ordinance, 1979. The Company had filed an appeal against the said disallowance before the CIR(A) which was decided in favor of the Company. The department, thereafter, filed second appeal before the ATIR. Although in case of assessment year 2001-2002, a similar issue was decided by the ATIR in the Company's favor, the ATIR, for assessment year 2000-2001 departing from the previous view, has decided the matter against the Company and maintained the disallowance of FYA amounting to Rs. 1,884,359.

This disallowance had resulted in tax deductible timing differences, the effects of which had been duly recognized by revising the income tax returns for the tax years 2003 to 2007 and 2009. Due to the aforesaid revision, a tax liability of Rs. 86,767 arose in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years.



(Amounts in thousand)

				Unaudited September 30, 2013	Audited December 31, 2012
				Rupees	
12. SHORT TERM INVESTMENTS					
	At fair value through profit and loss				
	Mutual fund securities - note 12.1			761,267	169,545
12.1	These represent investments in various money market funds which are valued at their respective net asset values at the balance sheet date.				
13. CASH AND BANK BALANCES					
	Cash in hand			786	755
	Cash at bank on:				
	- current accounts			761,862	75,363
	- saving accounts			391,084	18,614
				1,152,946	93,977
				1,153,732	94,732
14. SHARE CAPITAL					
	Authorized capital				
	800,000,000 (2012: 800,000,000) ordinary shares of Rs. 10 each			8,000,000	8,000,000
	Issued, subscribed and paid-up capital				
	663,468,788 (2012: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash - note 14.1			6,634,688	6,634,688
14.1	As at September 30, 2013, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2012: 372,809,989 ordinary shares of Rs. 10 each).				
15. LONG TERM BORROWINGS, secured					
	Title	Mark-up rate per annum	Installments	Unaudited September 30, 2013	Audited December 31, 2012
			Number	Rupees	
			Commencing from		
	Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	3,885,383	4,254,218
	Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	964,095	1,068,045
	Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	411,997	490,764
	Master Istisna I	6 months KIBOR + 1.5%	6 half yearly	-	100,000
	Master Istisna III	6 months KIBOR + 2%	6 half yearly	200,000	200,000
	Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	100,000	-
	International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	3,372,218	3,471,820
				8,933,693	9,584,847
	Less: Current portion shown under current liabilities			(2,130,579)	(2,052,981)
				6,803,114	7,531,866



Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at September 30, 2013, all debt covenants have been complied with except for current ratio and debt service coverage ratio. Waiver for these ratio deviations have been duly applied.

16. DERIVATIVE FINANCIAL INSTRUMENTS

- 16.1** As at September 30, 2013, the Company has outstanding cross-currency interest rate swap agreements with banks for notional amounts aggregating US\$ 5,969 to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR plus margin where applicable on the relevant PKR notional amount and will pay six month USD-LIBOR plus margin on the relevant USD notional amount, which will be settled semi-annually.
- 16.2** As at September 30, 2013, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 21,334 to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.
- 16.3** As at September 30, 2013, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US\$ 35,375 to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
17. SHORT TERM BORROWINGS		
Sub-ordinate loan from		
Engro Corporation Limited - note 17.1	1,220,000	800,000
Running finance utilized under mark-up arrangements - note 17.2	-	1,204,084
	<u>1,220,000</u>	<u>2,004,084</u>

- 17.1** The Company has a loan of Rs. 1,220,000 from Engro Corporation Limited (the Holding Company) primarily to meet its working capital requirements. The loan is subordinate to the finances provided to the Company by its banking creditors. The loan carries mark-up at the rate of 3 months KIBOR plus 3.5%, payable quarterly.
- 17.2** The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 1,5500,000 (December 31, 2012: Rs.1,700,000). Mark-up is chargeable at rates ranging from relevant period KIBOR plus 1% to 1.5% (December 31, 2012: relevant period KIBOR plus 1.0% to 2.5%). During the period, the total mark-up rates, ranged from 10.01% to 10.58% per annum (December 31, 2012: 10.38% to 13.64% per annum). These facilities are secured by a floating charge over stocks and book debts of the Company.



(Amounts in thousand)

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
18. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 18.1	6,105,620	5,143,772
Accrued liabilities - note 18.1	1,023,548	836,994
Advances from customers - note 18.1	994,575	723,545
Retention money against project payments	8,356	19,280
Security deposits	31,194	8,470
Workers' profits participation fund	52,684	9,229
Workers' welfare fund	31,526	11,006
Withholding tax payable	3,645	4,313
Sales tax and SED payable - note 18.2	115,094	-
Others - note 18.1	18,582	11,857
	<u>8,384,824</u>	<u>6,768,466</u>

18.1 Includes amounts due to the following related parties:

- Engro Corporation Limited	661	4,211
- Mitsubishi Corporation	4,462,709	5,008,730
- Engro Foods Limited	255	255
- Engro Fertilizers Limited	36	4,719
- Engro Vopak Terminal Limited	95,477	84,549
- Engro Powergen Limited	-	2,880
- Engro Powergen Qadirpur Limited	-	81
- EPCL Provident Fund	7,517	-
	<u>4,566,655</u>	<u>5,105,425</u>

18.2 This represents an amount being net of Rs. 40,045 (December 31, 2012: Nil) relating to provincial input tax paid on services. This amount has been disallowed from adjustment against output sales tax by the Federal Board of Revenue subsequent to changes made through the Finance Act, 2013.

The Company has filed a Constitutional Petition before the High Court of Sindh and a stay has been granted dated October 14, 2013 allowing the adjustment of provincial input tax paid by the Company.

19. PROVISIONS

Provision for duty on import of raw materials - note 19.1	88,218	88,218
Provision for Gas Infrastructure Development cess - note 19.2	<u>120,576</u>	-
	<u>208,794</u>	<u>88,218</u>

19.1 Provision for duty on import of raw materials

In 2009, the Company received a letter from the Assistant Collector (Survey) Large Taxpayers Unit regarding the utilization of raw materials imported under SRO 565(1)/2006 on a concessionary basis from customs duty. The letter alleged that the Company had violated the provisions of the SRO by utilizing the concessionary imports in manufacturing and selling the intermediary product Ethylene Di Chloride (EDC) rather than its utilization in the production of the final product Poly Vinyl Chloride (PVC). The Company responded to the letter explaining its view that imports under the said SRO were allowable for 'PVC Manufacturing Industry' as a whole, which includes manufacturing of intermediary products. However, the tax department has shown its disagreement with the Company's view and has demanded further information, to which the Company has responded.

Although, no formal order creating a demand has yet been received by the Company, however, based on prudence, a provision amounting to Rs. 88,218 (December 31, 2012: Rs. 88,218) in respect of custom duty on such raw materials has been recognized.



19.2 Provision for Gas Infrastructure Development Cess

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development (GID) cess on gas bills at the rate of Rs.13 per MMBTU on all industrial consumers. The Federal Government then revised GID cess rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance 2002. The Company therefore filed a Suit before the Honorable High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favour of the Company. The Stay Order restrained the Sui Southern Gas Company Limited from charging any amount of GID cess over and above Rs. 13 per MMBTU till the final decision of this matter.

The Company is confident that the aforementioned matter will be decided in its favour, however, based on prudence the Company has recorded a provision of Rs. 120,576 being the financial exposure of differential GID cess as at September 30, 2013.

20. COMMITMENTS

20.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at September 30, 2013 amounts to Rs. 1,598,000 (December 31, 2012: Rs. 1,598,000). The amount utilized there against is Rs. 896,860 (December 31, 2012: Rs. 930,932).

20.2 The Company has entered into operating lease arrangements with Al-Rahim Trading (Private) Limited and Dawood Hercules Limited – a related party, for storage and handling of Ethylene Di Chloride and Caustic soda respectively. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till April 30, 2019. The future aggregate lease payments under these arrangements are as follows:

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
Not later than 1 year	16,463	50,780
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	9,600	19,200
	<u>83,663</u>	<u>127,580</u>

Unaudited			
Quarter ended		Nine months ended	
September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Rupees			

21. NET REVENUE

Net local sales	5,871,292	4,921,419	16,616,884	13,754,618
Export sales	218,096	1,141,633	1,473,167	1,766,567
Supply of electricity	16,097	14,164	46,858	32,431
	<u>6,105,485</u>	<u>6,077,216</u>	<u>18,136,909</u>	<u>15,553,616</u>



(Amounts in thousand)

Unaudited			
Quarter ended		Nine months ended	
September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Rupees			

22. COST OF SALES

Opening stock of work-in-progress	19,972	16,953	-	24,258
Raw and packing materials consumed	2,888,831	2,654,019	8,900,629	7,738,332
Salaries, wages and staff welfare	304,900	169,731	664,718	453,812
Fuel, power and gas	859,810	823,808	2,443,684	2,184,610
Repairs and maintenance	85,727	41,194	231,046	288,669
Depreciation	293,168	289,711	868,494	863,995
Consumable stores	63,566	77,071	214,355	171,850
Purchased services	14,253	16,928	41,575	38,872
Storage and handling	252,342	247,663	767,206	719,106
Training and travelling	2,686	2,430	6,516	6,830
Communication, stationery and other office expenses	1,914	1,137	5,090	3,215
Insurance	22,904	18,413	70,290	58,421
Other expenses	17,328	4,082	35,944	19,208
	4,807,429	4,346,187	14,249,547	12,546,920
Closing stock of work-in-progress	(20,894)	(19,311)	(20,894)	(19,311)
Cost of goods manufactured	4,806,507	4,343,829	14,228,653	12,551,867
Opening stock of finished goods	495,168	1,257,986	834,422	789,329
Closing stock of finished goods	(552,216)	(454,999)	(552,216)	(454,999)
	(57,048)	802,987	282,206	334,330
Cost of sales - own manufactured product	4,749,459	5,146,816	14,510,859	12,886,197

23. DISTRIBUTION AND MARKETING EXPENSES

Salaries, wages and staff welfare	32,066	34,976	77,965	68,136
Sales promotion	1,050	1,795	3,238	2,597
Dealers' commission	31,585	30,636	91,748	88,171
Product transportation and handling	247,492	277,009	736,235	702,525
Rent, rates and taxes	5,657	4,162	11,232	10,440
Purchased services	950	2,095	4,128	6,048
Insurance	221	223	849	913
Depreciation	1,229	1,409	3,635	4,185
Training and travelling	1,915	3,892	6,641	8,079
Communication, stationery and other office expenses	979	1,082	2,973	2,927
Others	1,532	3,317	10,431	10,560
	324,676	360,596	949,075	904,581



(Amounts in thousand)

	Unaudited			
	Quarter ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	Rupees			
24. ADMINISTRATIVE EXPENSES				
Salaries, wages and staff welfare	60,482	65,612	173,816	195,156
Rent, rates and taxes	18,174	19,426	41,657	40,103
Purchased services	28,409	16,661	94,804	47,106
Insurance	135	457	1,631	1,592
Depreciation and amortization	6,849	5,364	20,653	14,909
Training and travelling expenses	23,931	19,013	62,604	59,960
Communication, stationery and other office expenses	4,353	5,732	13,220	14,717
Others	4,102	6,529	9,476	18,387
	<u>146,435</u>	<u>138,794</u>	<u>417,861</u>	<u>391,930</u>
25. OTHER EXPENSES				
Legal and professional charges	10,595	11,090	22,945	26,728
Auditors' remuneration	1,069	631	1,935	1,752
Donations	80	815	2,249	815
Workers' profit participation fund	23,277	3,416	43,455	4,524
Workers' welfare fund	4,811	1,189	20,520	3,226
Foreign exchange loss - net	140,251	55,027	289,342	400,122
Operating assets written-off	1,740	6,945	8,059	6,945
Others	-	-	104	-
	<u>181,823</u>	<u>79,113</u>	<u>388,609</u>	<u>444,112</u>
26. OTHER INCOME				
Scrap sales	3,887	9,551	25,101	24,062
Profit on disposal of operating assets	-	1,747	1,396	2,352
Income on short term investments and bank deposits	11,525	3,613	28,566	11,586
Insurance claim	-	-	-	391,000
Others	-	13	-	989
	<u>15,412</u>	<u>14,924</u>	<u>55,063</u>	<u>429,989</u>
27. FINANCE COSTS				
Interest / Mark-up on:				
- long term borrowings	244,938	250,270	694,722	881,018
- short term finances	44,164	45,810	127,420	111,007
Foreign exchange loss on borrowings	199,934	9,203	289,974	214,483
Guarantee commission	2,289	1,759	5,092	4,903
Bank charges and others	2,963	7,687	20,914	16,484
	<u>494,288</u>	<u>314,729</u>	<u>1,138,122</u>	<u>1,227,895</u>



(Amounts in thousand)

	Unaudited September 30, 2013	Unaudited September 30, 2012
	Rupees	
28. CASH GENERATED FROM OPERATIONS		
Profit before taxation	787,446	128,890
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	25,371	2,060
Provision against concessionary import duty on import of raw materials and Special Excise Duty	-	19,359
Provision for Gas Infra-structure Development (GID) cess	120,576	-
Provision for net realizable value of stock-in-trade	20,050	9,549
Provision for slow moving stores and spares	3,721	2,862
Write-off of operating assets	8,059	6,945
Depreciation and amortization	892,782	883,089
Income on short term investments and bank deposits	(28,566)	(11,586)
Exchange loss on revaluation of IFC loan	290,040	212,080
Amortization of prepaid financial charges	15,579	14,683
Finance costs	1,138,122	1,001,132
Profit on disposal of operating assets	(1,396)	(2,352)
Unrealized exchange gain on derivatives held for trading	(114,494)	-
Working capital changes - note 28.1	1,444,447	333,914
	<u>4,601,737</u>	<u>2,600,625</u>
28.1 Working Capital Changes		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(2,412)	(261,932)
Stock-in-trade	(429,929)	316,202
Trade debts - considered good	23,034	116,121
Loans, advances, deposits, prepayments and other receivables	237,396	60,326
	<u>(171,911)</u>	<u>230,717</u>
Increase in current liabilities		
Trade and other payables	1,616,358	103,197
	<u>1,444,447</u>	<u>333,914</u>
29. CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,153,732	93,284
Running finance under mark-up arrangements	-	(695,621)
	<u>1,153,732</u>	<u>(602,337)</u>



30. SEGMENT INFORMATION

30.1 The basis of segmentation and reportable segments presented in this Consolidated condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2012.

	Unaudited September 30, 2013				Unaudited September 30, 2012			
	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	14,325,346	3,764,705	46,858	18,136,909	12,261,958	3,259,227	32,431	15,553,616
Profit before unallocated expenses	1,198,014	1,459,809	19,152	2,676,975	704,127	1,051,038	7,673	1,762,838
Unallocated expenses								
Administrative expenses				(417,861)				(391,930)
Other expenses				(388,609)				(444,112)
Other income				55,063				429,989
Finance costs				(1,138,122)				(1,227,895)
Taxation				(235,058)				(45,576)
Profit after taxation				552,388				83,314

	Unaudited September 30, 2013				Audited December 31, 2012			
	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total
	Rupees							
Total segment assets	13,493,664	6,647,978	38,597	20,180,239	14,642,414	6,297,304	59,527	20,999,245
Unallocated assets				6,007,967				4,092,119
Total assets				26,188,206				25,091,364

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



(Amounts in thousand)

31. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited	
		September 30, 2013	September 30, 2012
		Period ended	
		Rupees	
Holding Company			
- Engro Corporation Limited	Purchase of services	26,591	12,430
	Use of operating assets	1,084	-
	Markup on Subordinated Loan	100,215	41,647
	Reimbursement made	4,093	4,753
	Reimbursement received	3,420	1,222
	Pension fund contribution	4,703	3,916
	Provident fund contribution	7,317	6,330
	Medical contribution	130	-
	Gratuity fund contribution	1,521	1,854
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	5,929,710	7,053,246
	Sale of goods	1,177,602	1,140,895
	Purchase of services	276	-
	Reimbursement made	-	7,511
- Arabian Sea Country Club	Purchase of services	709	968
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Purchase of services	5,939	252
	Purchase of goods	-	4,470
	Sale of goods	16,564	17,633
	Sale of services	378	252
	Sale of steam and electricity	58,424	40,641
	Reimbursement made	9,536	6,330
	Reimbursement received	1,413	6,762
	Use of operating assets	5,921	6,161
- Engro Vopak Terminal Limited	Purchase of services	711,005	637,836
	Reimbursement made	13,796	14,418
	Reimbursement received	7,217	14,249
- Engro Foundation	Reimbursement received	-	31
	Purchase of services	2,249	-
- Engro PowerGen Qadirpur Limited	Reimbursement made	1,180	-
	Reimbursement received	1,509	-
- Engro PowerGen Limited	Reimbursement made	896	-
- UBL Funds Limited	Purchase of units	-	100,000



(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited	
		Period ended	
		September 30, 2013	September 30, 2012
		Rupees	
- Engro Foods Limited	Sale of goods	33,923	40,806
	Reimbursement received	909	-
	Reimbursement made	714	167
	Use of operating assets	331	98
- Akzo Nobel (formerly ICI Pakistan Ltd)	Purchase of goods	-	42,285
- Dawood Hercules Corporation Limited	Sale of goods	-	234
	Purchase of services	10,800	10,800
- Lahore University of Management Sciences	Purchase of services	678	990
- Pakistan Institute of Corporate Governance	Purchase of services	-	15
- Pakistan Japan Business Forum	Annual subscription	50	-
- Overseas Investors Chamber of Commerce & Industries	Annual subscription	-	121
- Institute of Business Administration	Purchase of services	2,186	-
- Engro Eximp (Pvt) Ltd	Reimbursement Received	1,934	-
	Use of Operating Assets	44	-
Directors	Fee	2,050	2,250
	Final settlement	-	11,530
Contribution to staff retirement benefits	Pension fund	15,423	14,123
	Provident fund	29,547	20,942
	Gratuity fund	6,567	5,715
Key management personnel	Managerial remuneration	49,524	55,920
	Retirement benefit funds	8,591	7,846
	Bonus	19,140	17,669
	Other benefits	11,419	9,837



32. DATE OF AUTHORIZATION FOR ISSUE

This Consolidated condensed interim financial information was authorized for issue on October, 23, 2013 by the Board of Directors of the Company.

33. CORRESPONDING FIGURES

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

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



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director





engro polymer & chemicals

**UNAUDITED CONDENSED
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

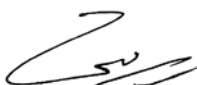


ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2013

(Amounts in thousand)

		Unaudited	Audited (Restated)
		September 30, 2013	December 31, 2012
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	17,148,802	17,633,526
Intangible assets	6	28,041	30,864
Long term investment - at cost		50,000	50,000
Long term loans and advances		58,466	49,340
Deferred taxation	7	835,997	885,117
		<u>18,121,306</u>	<u>18,648,847</u>
Current Assets			
Stores, spares and loose tools		1,477,353	1,478,662
Stock-in-trade	8	3,462,315	3,052,402
Trade debts - considered good	9	243,431	267,868
Loans, advances, deposits, prepayments and other receivables	10	156,111	393,880
Taxes recoverable	11	736,709	1,025,700
Short term Investments	12	599,185	-
Cash and bank balances	13	1,148,520	89,300
Derivative financial instruments	16	114,494	-
		<u>7,938,118</u>	<u>6,307,812</u>
TOTAL ASSETS		<u><u>26,059,424</u></u>	<u><u>24,956,659</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		(99,659)	(92,077)
Accumulated loss		(747,754)	(1,308,239)
Remeasurement of post employment benefits - Actuarial loss		(5,113)	(5,113)
		<u>6,746,191</u>	<u>6,193,288</u>
Non-Current Liabilities			
Long term borrowings	15	6,803,114	7,531,866
Derivative financial instruments	16	150,998	141,656
Retirement and other service benefit obligations		85,018	59,647
		<u>7,039,130</u>	<u>7,733,169</u>
Current Liabilities			
Current portion of long term borrowings	15	2,130,579	2,052,981
Short term borrowings	17	1,220,000	2,004,084
Trade and other payables	18	8,375,900	6,763,364
Accrued interest / mark-up		338,830	121,555
Provisions	19	208,794	88,218
		<u>12,274,103</u>	<u>11,030,202</u>
TOTAL EQUITY AND LIABILITIES		<u><u>26,059,424</u></u>	<u><u>24,956,659</u></u>
Commitments			
	20		

The annexed notes 1 to 33 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director

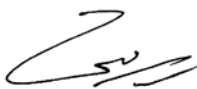


[Amounts in thousand except for earnings / (loss) per share]

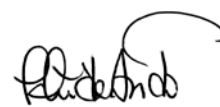
ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	Note	Quarter ended		Nine months ended	
		September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net revenue	21	6,105,485	5,533,898	17,948,233	15,414,348
Cost of sales	22	4,749,459	(4,634,239)	(14,510,825)	(12,847,215)
Gross profit		<u>1,356,026</u>	<u>899,659</u>	<u>3,437,408</u>	<u>2,567,133</u>
Distribution and marketing expenses	23	(324,676)	(330,980)	(947,946)	(858,666)
Administrative expenses	24	(146,435)	(138,794)	(417,789)	(391,930)
Other operating expenses	25	(181,269)	(77,065)	(383,238)	(437,568)
Other operating income	26	212,091	13,390	244,648	422,372
Operating profit		<u>915,737</u>	<u>366,210</u>	<u>1,933,083</u>	<u>1,301,341</u>
Finance costs	27	(496,219)	(309,119)	(1,141,985)	(1,218,077)
Profit before taxation		<u>419,518</u>	<u>57,091</u>	<u>791,098</u>	<u>83,264</u>
Taxation		(96,651)	(17,428)	(228,965)	(26,666)
Profit for the period		<u>322,867</u>	<u>39,663</u>	<u>562,133</u>	<u>56,598</u>
Earnings per share - basic and diluted		<u>0.49</u>	<u>0.06</u>	<u>0.85</u>	<u>0.09</u>

The annexed notes 1 to 33 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director




(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	Quarter ended		Nine months ended	
	September 30, 2013	(Restated) September 30, 2012	September 30, 2013	(Restated) September 30, 2012
	Rupees			
Profit for the period	322,867	39,663	562,133	56,598
Other comprehensive income / (loss):				
Remeasurement of retirement benefit obligation due to implementation of IAS 19 revised - net of tax	-	-	-	8,150
Deferred tax charge relating to revaluation of equity related items	-	-	(1,648)	-
Total items that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>(1,648)</u>	<u>8,150</u>
Hedging reserve				
Gain / (loss) arising during the period	(91,890)	2,716	(84,251)	(25,818)
Reclassification adjustments for losses included in profit and loss	51,398	3,479	74,909	35,110
Income tax relating to hedging reserve	13,767	(2,168)	1,760	(3,252)
	(26,725)	4,027	(7,582)	6,040
Total items that may be reclassified subsequently to profit or loss	<u>(26,725)</u>	<u>4,027</u>	<u>(7,582)</u>	<u>6,040</u>
Other comprehensive gain / (loss) for the period - net of tax	(26,725)	4,027	(9,230)	14,190
Total comprehensive income for the period	<u>296,142</u>	<u>43,690</u>	<u>552,903</u>	<u>70,788</u>

The annexed notes 1 to 33 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
 President & Chief Executive



Kimihide Ando
 Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	RESERVES					Remeasurement of post employment benefits - Actuarial (loss)	Total
	CAPITAL		REVENUE				
	Share capital	Share premium	Hedging reserve	Accumulated loss			
Rupees							
Balance as at January 1, 2012 (Audited) - as previously reported	6,634,688	964,029	(102,221)	(1,357,965)	-	6,138,531	
Effect of change in accounting policy due to application of IAS - 19 (Revised) note 3.1, net of tax	-	-	-	-	(21,414)	(21,414)	
Balance as at January 1, 2012 (Restated)	6,634,688	964,029	(102,221)	(1,357,965)	(21,414)	6,117,117	
Total comprehensive income for the period ended September 30, 2012 (Restated)	-	-	6,040	56,598	8,150	70,788	
Balance as at September 30, 2012 (Restated)	6,634,688	964,029	(96,181)	(1,301,367)	(13,264)	6,187,905	
Total comprehensive income for the period ended December 31, 2012 (Restated)	-	-	4,104	(6,872)	8,151	5,383	
Balance as at December 31, 2012 (Restated)	6,634,688	964,029	(92,077)	(1,308,239)	(5,113)	6,193,288	
Total comprehensive income for the period ended September 30, 2013	-	-	(7,582)	560,485	-	552,903	
Balance as at September 30, 2013 (Unaudited)	<u>6,634,688</u>	<u>964,029</u>	<u>(99,659)</u>	<u>(747,754)</u>	<u>(5,113)</u>	<u>6,746,191</u>	

The annexed notes 1 to 33 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director



(Amounts in thousand)

ENGRO POLYMER AND CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	Note	Nine months ended	
		September 30, 2013	September 30, 2012
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	4,417,587	2,411,251
Finance costs paid		(924,710)	(730,533)
Long term loans and advances		(9,126)	(10,738)
Income tax refunded / (paid)		109,258	(253,475)
Net cash generated from operating activities		3,593,009	1,416,505
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(413,035)	(304,653)
Purchases of intangible assets		(3,934)	(10,364)
Proceeds from disposal of property, plant and equipment		5,071	18,171
Income on bank deposits		17,966	3,969
Dividend from Subsidiary Company		200,000	-
Purchase of Short term Investments		(599,000)	-
Net cash utilised in investing activities		(792,932)	(292,877)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long term borrowings		(956,773)	(1,719,780)
Proceeds from short term borrowings		420,000	600,000
Net cash utilised in financing activities		(536,773)	(1,119,780)
Net increase in cash and cash equivalents		2,263,304	3,848
Cash and cash equivalents at beginning of the period		(1,114,784)	(616,112)
Cash and cash equivalents at end of the period	29	1,148,520	(612,264)

The annexed notes 1 to 33 form an integral part of this condensed interim financial information.



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director



ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

1. LEGAL STATUS AND OPERATIONS

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

The Company is a subsidiary of Engro Corporation Limited (the Holding Company). The address of its registered office is 16th Floor, The Harbor Front Building, HC-3 Marine Drive, Block 4 Clifton, Karachi. The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and other related chemicals. The Company is also engaged in supply of surplus power generated from its power plants to Engro Fertilizers Limited.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months period ended September 30, 2013 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2012.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2012 except as noted below:

3.1 Initial application of a standard, amendment or interpretation to an existing standard

Change in accounting policy due to the application of International Accounting Standard 19 - 'Employee Benefits' (as revised by IASB in 2011 and applicable for annual period beginning on or after January 01, 2013).

The Company has applied IAS 19 - Employee Benefits which is applicable for annual periods beginning on or after January 1, 2013. In accordance with the transitional provisions as set out in IAS 19, the Company has applied IAS 19 retrospectively and consequently the earliest periods presented in the condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim balance sheet have been restated. The impact of such application on the condensed interim profit and loss account and condensed interim statement of cash flows is not material.

The revised standard requires (i) past service cost to be recognized immediately in profit and loss; (ii) replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year; and (iii) introduced a new term 'remeasurements' which is made up of actuarial gains and losses, the difference between actual investment return and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires to recognize all remeasurement gains or losses / actuarial gain or losses in the Other Comprehensive Income immediately as they occur.



(Amounts in thousand)

The impact of retrospective application of IAS 19 (revised) is as follows:

	Retirement and other service benefit obligations	Other Comprehensive Income - Remeasurement of post employment benefits - Actuarial loss
Balance as previously reported as at January 1, 2012	62,107	-
Restatement - recognition of remeasurement loss in OCI	21,414	(21,414)
Balance as at January 1, 2012 (Restated)	<u>83,521</u>	<u>(21,414)</u>
Balance as previously reported as at January 1, 2013	54,534	-
Restatement - recognition of remeasurement loss in OCI	5,113	(5,113)
Balance as at December 31, 2012 (Restated)	<u>59,647</u>	<u>(5,113)</u>

4. ACCOUNTING ESTIMATES

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

During the preparation of this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to annual audited financial statements for the year ended December 31, 2012.

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value		
- notes 5.1 and 5.2	17,002,073	17,476,546
Capital work-in-progress	146,729	156,980
	<u>17,148,802</u>	<u>17,633,526</u>
5.1 Additions to operating assets during the period / year were as follows:		
Building on leasehold land	13,083	48,854
Plant and machinery	393,144	259,888
Furniture, fixtures and equipment	11,316	7,082
Vehicles	4,912	43,335
	<u>422,455</u>	<u>359,159</u>



- 5.2** During the period, assets costing Rs. 10,891 (December 31, 2012: Rs. 31,050), having net book value of Rs. 3,595 (December 31, 2012: Rs. 16,093) were disposed off for Rs. 4,991 (December 31, 2012: Rs. 18,520) and assets costing Rs. 72,423 (December 31, 2012: Rs. 11,385) having net book value of Rs. 8,139 (December 31, 2012: Rs. 7,109) were written-off. Insurance claim received against written-off assets was Rs. 80 (December 31, 2012: Rs. 58).

6. INTANGIBLE ASSETS

Additions made during the period amount to Rs. 4,765 (December 31, 2012: Rs. 10,227)

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
7. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(3,987,198)	(4,149,265)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	4,026,235	4,412,854
- recoupable minimum turnover tax - note 7.2	590,743	420,691
- unpaid liabilities and provision for retirement and other service benefits	59,860	50,770
- provision against custom duty and SED refundable etc.	65,054	37,191
- provision for slow moving stores and spares	6,693	5,588
- fair value of hedging instruments and others	18,550	49,579
- share issuance cost, net to equity	56,060	57,709
	4,823,195	5,034,382
	<u>835,997</u>	<u>885,117</u>

- 7.1** The aggregate tax losses available for carry-forward as at September 30, 2013 amount to Rs. 11,841,869 (December 31, 2012: Rs. 12,608,153), on which deferred income tax asset has been recognized. The aforementioned tax losses are entirely attributable to unabsorbed tax depreciation.

- 7.2** During the period, the High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Sec 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order is not correct and would not be maintained by the Supreme Court which the Company intends to approach, if required. Therefore, the Company has continued to carry forward the minimum turnover tax paid.

- 7.3** As at September 30, 2013, deferred tax asset / liability on the deductible / taxable temporary differences has been recognized at the rate of 34% being the rate substantively enacted at the balance sheet date and is expected to apply to the periods when the asset is realized or the liability is settled.



(Amounts in thousand)

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
8. STOCK-IN-TRADE		
Raw and packing materials - note 8.1	2,889,205	2,218,014
Work-in-progress	20,894	-
Finished goods - note 8.2	552,216	834,388
	<u>3,462,315</u>	<u>3,052,402</u>
8.1 This includes stocks held at storage facilities of the following parties:		
Engro Vopak Terminal Limited, a related party	834,503	918,703
Dawood Hercules Chemicals Limited, a related party	264	2,773
Al-Rahim Trading Company (Private) Limited	73,567	520,158
	<u>908,334</u>	<u>1,441,634</u>
8.2 This includes carrying value of PVC resin, net of realizable value reduction of Rs. 20,050 (December 31, 2012: Rs. 20,822).		
	Unaudited September 30, 2013	Audited December 31, 2012
9. TRADE DEBTS - considered good	Rupees	
Secured	170,776	214,570
Unsecured - note 9.1	72,655	53,298
	<u>243,431</u>	<u>267,868</u>
9.1 Includes amounts due from the following related parties:		
- Engro Foods Limited	1,178	2,788
- Engro Polymer Trading (Private) Limited	-	1,403
	<u>1,178</u>	<u>4,191</u>
10. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
These include receivables from the following related parties:		
Engro Polymer Trading (Private) Limited	-	1,403
Engro Vopak Terminal Limited	919	1,436
Engro Fertilizers Limited	7,388	3,658
Engro Powergen Qadirpur Limited	12	-
Engro Eximp (Private) Limited	7	-
	<u>8,326</u>	<u>6,497</u>



11. TAXES RECOVERABLE

11.1 Tax Year 2008

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

The Company filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying balance of Rs. 32,404 'under protest'.

During 2011, through appellate order, the CIR(A) maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by the Company before the Appellate Tribunal Inland Revenue (ATIR). The department also filed an appeal against the said appellate order challenging the actions of the CIR(A).

On May 24, 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Company's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

The Company, based on the advice of its tax consultant has filed a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the condensed interim financial information.

11.2 Tax Year 2009

The DCIR through order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowing finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowing provision for the retirement benefits of Rs. 14,239; disallowing provision against receivable of Special Excise Duty (SED) of Rs. 36,689; adding imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss as per the revised return as a consequence of the matter explained in note 11.3.

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).

In 2011, through an 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 by the Company before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR(A) deleting the addition on account of provision for retirement benefits.

On May 24, 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting Company's position except for additions on account of SED provision of Rs. 36,689 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.



(Amounts in thousand)

The Company, based on the advice of its tax consultant has filed a reference to the High Court of Sindh against the additions maintained by ATIR. The management of the Company is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the condensed interim financial information.

11.3 Assessment Year 2000-2001

While finalizing the assessment, the Taxation Officer had disallowed the First Year Allowance (FYA) claimed by the Company on the grounds that the Company had not met the criteria for claiming this allowance as required under the repealed Income Tax Ordinance, 1979. The Company had filed an appeal against the said disallowance before the CIR(A) which was decided in favor of the Company. The department, thereafter, filed second appeal before the ATIR. Although in case of assessment year 2001-2002, a similar issue was decided by the ATIR in the Company's favor, the ATIR, for assessment year 2000-2001 departing from the previous view, has decided the matter against the Company and maintained the disallowance of FYA amounting to Rs. 1,884,359.

This disallowance had resulted in tax deductible timing differences, the effects of which had been duly recognized by revising the income tax returns for the tax years 2003 to 2007 and 2009. Due to the aforesaid revision, a tax liability of Rs. 86,767 arose in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years.

	Unaudited September 30, 2013	Audited December 31, 2012				
	Rupees					
12. SHORT TERM INVESTMENTS						
At fair value through profit and loss						
Mutual fund securities - note 12.1	<u>599,185</u>	<u>-</u>				
12.1 These represent investments in various money market funds which are valued at their respective net asset values at the balance sheet date.						
13. CASH AND BANK BALANCES						
Cash in hand	786	755				
Cash at bank on:						
- current accounts	<table border="1"><tr><td style="text-align: right;">760,891</td><td style="text-align: right;">74,713</td></tr></table>	760,891	74,713	<table border="1"><tr><td style="text-align: right;">74,713</td><td style="text-align: right;">74,713</td></tr></table>	74,713	74,713
760,891	74,713					
74,713	74,713					
- saving accounts	<table border="1"><tr><td style="text-align: right;">386,843</td><td style="text-align: right;">13,832</td></tr></table>	386,843	13,832	<table border="1"><tr><td style="text-align: right;">13,832</td><td style="text-align: right;">13,832</td></tr></table>	13,832	13,832
386,843	13,832					
13,832	13,832					
	<u>1,147,734</u>	<u>88,545</u>				
	<u>1,148,520</u>	<u>89,300</u>				
14. SHARE CAPITAL						
Authorized capital						
800,000,000 (2012: 800,000,000) ordinary shares of Rs. 10 each	<u>8,000,000</u>	<u>8,000,000</u>				
Issued, subscribed and paid-up capital						
663,468,788 (2012: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash - note 14.1	<u>6,634,688</u>	<u>6,634,688</u>				
14.1 As at September 30, 2013, Engro Corporation Limited - the Holding Company, holds 372,809,989 ordinary shares of Rs. 10 each (December 31, 2012: 372,809,989 ordinary shares of Rs. 10 each).						



(Amounts in thousand)

15. LONG TERM BORROWINGS, secured

Title	Mark-up rate per annum	Installments		Unaudited September 30, 2013	Audited December 31, 2012
		Number	Commencing from	Rupees	
Syndicated term finance I	6 months KIBOR + 2.25%	13 half yearly	November 2010	3,885,383	4,254,218
Syndicated term finance II	6 months KIBOR + 3%	13 half yearly	June 2010	964,095	1,068,045
Syndicated term finance IV	6 months KIBOR + 2.55%	6 half yearly	May 2013	411,997	490,764
Master Istisna I	6 months KIBOR + 1.5%	6 half yearly	May 2013	-	100,000
Master Istisna III	6 months KIBOR + 2%	6 half yearly	June 2015	200,000	200,000
Master Istisna IV	6 months KIBOR + 2.6%	6 half yearly	April 2016	100,000	-
International Finance Corporation (IFC)	6 months LIBOR + 2.6 to 3%	15 half yearly	June 2010	3,372,218	3,471,820
				8,933,693	9,584,847
Less: Current portion shown under current liabilities				(2,130,579)	(2,052,981)
				<u>6,803,114</u>	<u>7,531,866</u>

Under the terms of the agreements for long term borrowings from International Finance Corporation (IFC) and syndicates of banks, the Company is required to comply with certain debt covenants. As at September 30, 2013, all debt covenants have been complied with except for current ratio and debt service coverage ratio. Waiver for these ratio deviations have been duly applied.

16. DERIVATIVE FINANCIAL INSTRUMENTS

16.1 As at September 30, 2013, the Company has outstanding cross-currency interest rate swap agreements with banks for notional amounts aggregating US\$ 5,969 to hedge its interest rate exposure on floating rate local currency borrowings from a consortium of local banks under a Syndicate Finance Agreement. Under the swap agreement, the Company would receive six month KIBOR plus margin where applicable on the relevant PKR notional amount and will pay six month USD-LIBOR plus margin on the relevant USD notional amount, which will be settled semi-annually.

16.2 As at September 30, 2013, the Company has outstanding interest rate swap agreements with banks for notional amounts aggregating US\$ 21,334 to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company would receive six month USD-LIBOR on respective notional amounts and will pay fix rates, which will be settled semi-annually.

16.3 As at September 30, 2013, the Company has outstanding Exchange Rate Forward agreements with banks for amounts aggregating US\$ 35,375 to neutralize exchange rate exposure on outstanding foreign currency payments under the terms of supplier credit. Under the aforementioned agreements, the Company would pay respective rate agreed at the initiation of the agreement on settlement dates.

17. SHORT TERM BORROWINGS

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
Sub-ordinate loan from		
Engro Corporation Limited - note 17.1	1,220,000	800,000
Running finance utilized under mark-up arrangements - note 17.2	-	1,204,084
	<u>1,220,000</u>	<u>2,004,084</u>



(Amounts in thousand)

17.1 The Company has a loan of Rs. 1,220,000 from Engro Corporation Limited (the Holding Company) primarily to meet its working capital requirements. The loan is subordinate to the finances provided to the Company by its banking creditors. The loan carries mark-up at the rate of 3 months KIBOR plus 3.5%, payable quarterly.

17.2 The aggregate facilities for running finance available from various banks, representing the sales price of all mark-up arrangements, amounted to Rs. 1,5500,000 (December 31, 2012: Rs.1,700,000). Mark-up is chargeable at rates ranging from relevant period KIBOR plus 1% to 1.5% (December 31, 2012: relevant period KIBOR plus 1.0% to 2.5%). During the period, the total mark-up rates, ranged from 10.01% to 10.58% per annum (December 31, 2012: 10.38% to 13.64% per annum). These facilities are secured by a floating charge over stocks and book debts of the Company.

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
18. TRADE AND OTHER PAYABLES		
Trade and other creditors - note 18.1	6,105,620	5,143,772
Accrued liabilities - note 18.1	1,023,123	836,383
Advances from customers - note 18.1	994,575	723,545
Retention money against project payments	8,355	19,280
Security deposits	31,194	8,470
Workers' profits participation fund	52,684	9,229
Workers' welfare fund	23,028	6,515
Withholding tax payable	3,645	4,313
Sales tax and SED payable - note 18.2	115,094	-
Others - note 18.1	18,582	11,857
	<u>8,375,900</u>	<u>6,763,364</u>

18.1 Includes amounts due to the following related parties:

- Engro Corporation Limited	661	4,211
- Mitsubishi Corporation	4,462,709	5,008,730
- Engro Foods Limited	255	255
- Engro Fertilizers Limited	36	4,719
- Engro Vopak Terminal Limited	95,477	84,549
- Engro Powergen Limited	-	2,880
- Engro Powergen Qadirpur Limited	-	81
- EPCL Provident Fund	7,517	-
	<u>4,566,655</u>	<u>5,105,425</u>

18.2 This represents an amount being net of Rs. 40,045 (December 31, 2012: Nil) relating to provincial input tax paid on services. This amount has been disallowed from adjustment against output sales tax by the Federal Board of Revenue subsequent to changes made through the Finance Act, 2013.

The Company has filed a Constitutional Petition before the High Court of Sindh and a stay has been granted dated October 14, 2013 allowing the adjustment of provincial input tax paid by the Company.

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
19. PROVISIONS		
Provision for duty on import of raw materials - note 19.1	88,218	88,218
Provision for Gas Infrastructure Development cess - note 19.2	120,576	-
Balance at end of the period	<u>208,794</u>	<u>88,218</u>



19.1 Provision for duty on import of raw materials

In 2009, the Company received a letter from the Assistant Collector (Survey) Large Taxpayers Unit regarding the utilization of raw materials imported under SRO 565(l)/2006 on a concessionary basis from customs duty. The letter alleged that the Company had violated the provisions of the SRO by utilizing the concessionary imports in manufacturing and selling the intermediary product Ethylene Di Chloride (EDC) rather than its utilization in the production of the final product Poly Vinyl Chloride (PVC). The Company responded to the letter explaining its view that imports under the said SRO were allowable for 'PVC Manufacturing Industry' as a whole, which includes manufacturing of intermediary products. However, the tax department has shown its disagreement with the Company's view and has demanded further information, to which the Company has responded.

Although, no formal order creating a demand has yet been received by the Company, however, based on prudence, a provision amounting to Rs. 88,218 (December 31, 2012: Rs. 88,218) in respect of custom duty on such raw materials has been recognized.

19.2 Provision for Gas Infrastructure Development Cess

Under the Gas Infrastructure Development Cess Act, 2011, the Government of Pakistan levied Gas Infrastructure Development (GID) cess on gas bills at the rate of Rs.13 per MMBTU on all industrial consumers. The Federal Government then revised GID cess rate from Rs. 13 per MMBTU to Rs. 50 per MMBTU by issuing notification under OGRA Ordinance 2002. The Company therefore filed a Suit before the Honorable High Court of Sindh which granted an ad-interim stay on March 5, 2013 in the favour of the Company. The Stay Order restrained the Sui Southern Gas Company Limited from charging any amount of GID cess over and above Rs. 13 per MMBTU till the final decision of this matter.

The Company is confident that the aforementioned matter will be decided in its favour, however, based on prudence the Company has recorded a provision of Rs. 120,576 being the financial exposure of differential GID cess as at September 30, 2013.

20. COMMITMENTS

20.1 The aggregate facility of performance guarantees issued by banks on behalf of the Company as at September 30, 2013 amounts to Rs. 1,165,000 (December 31, 2012: Rs. 1,165,000). The amount utilized there against is Rs. 896,860 (December 31, 2012: Rs. 641,000).

20.2 The Company has entered into operating lease arrangements with Al-Rahim Trading (Private) Limited and Dawood Hercules Limited – a related party, for storage and handling of Ethylene Di Chloride and Caustic soda respectively. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till April 30, 2019. The future aggregate lease payments under these arrangements are as follows:

	Unaudited September 30, 2013	Audited December 31, 2012
	Rupees	
Not later than 1 year	16,463	50,780
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	9,600	19,200
	83,663	127,580

Unaudited			
Quarter ended		Nine months ended	
September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Rupees			

21. NET REVENUE

Net local sales	5,871,292	5,519,734	16,933,023	15,381,917
Export sales	218,096	-	968,352	-
Supply of electricity	16,097	14,164	46,858	32,431
	6,105,485	5,533,898	17,948,233	15,414,348



(Amounts in thousand)

	Unaudited			
	Quarter ended		Nine months ended	
	September	September	September	September
	30, 2013	30, 2012	30, 2013	30, 2012
	Rupees			
22. COST OF SALES				
Opening stock of work-in-progress	19,972	16,953	-	24,258
Raw and packing materials consumed	2,888,831	2,654,019	8,900,629	7,738,332
Salaries, wages and staff welfare	304,900	169,731	664,718	453,812
Fuel, power and gas	859,810	823,808	2,443,684	2,184,610
Repairs and maintenance	85,727	41,194	231,046	288,669
Depreciation	293,168	289,711	868,494	863,995
Consumable stores	63,566	77,071	214,355	171,850
Purchased services	14,253	16,928	41,575	38,872
Storage and handling	252,342	247,663	767,206	719,106
Training and travelling	2,686	2,430	6,516	6,830
Communication, stationery and other office expenses	1,914	1,137	5,090	3,215
Insurance	22,904	18,413	70,290	58,421
Other expenses	17,328	4,082	35,944	19,208
	4,807,429	4,346,187	14,249,547	12,546,920
Closing stock of work-in-progress	(20,894)	(19,311)	(20,894)	(19,311)
Cost of goods manufactured	4,806,507	4,343,829	14,228,653	12,551,867
Opening stock of finished goods	495,168	745,375	834,388	750,313
Closing stock of finished goods	(552,216)	(454,965)	(552,216)	(454,965)
	(57,048)	290,410	282,172	295,348
Cost of sales - own manufactured product	4,749,459	4,634,239	14,510,825	12,847,215
23. DISTRIBUTION AND MARKETING EXPENSES				
Salaries, wages and staff welfare	32,066	34,976	77,965	68,136
Sales promotion	1,050	1,795	3,238	2,597
Dealers' commission	31,585	30,636	91,748	88,171
Product transportation and handling	247,492	247,555	735,106	657,993
Rent, rates and taxes	5,657	4,162	11,232	10,440
Purchased services	950	1,933	4,128	4,665
Insurance	221	223	849	913
Depreciation	1,229	1,409	3,635	4,185
Training and travelling	1,915	3,892	6,641	8,079
Communication, stationery and other office expenses	979	1,082	2,973	2,927
Others	1,532	3,317	10,431	10,560
	324,676	330,980	947,946	858,666



(Amounts in thousand)

	Unaudited			
	Quarter ended		Nine months ended	
	September	September	September	September
	30, 2013	30, 2012	30, 2013	30, 2012
	Rupees			
24. ADMINISTRATIVE EXPENSES				
Salaries, wages and staff welfare	60,482	65,612	173,816	195,156
Rent, rates and taxes	18,174	19,426	41,657	40,103
Purchased services	28,409	16,661	94,732	47,106
Insurance	135	457	1,631	1,592
Depreciation and amortization	6,849	5,364	20,653	14,909
Training and travelling expenses	23,931	19,013	62,604	59,960
Communication, stationery and other office expenses	4,353	5,732	13,220	14,717
Others	4,102	6,529	9,476	18,387
	<u>146,435</u>	<u>138,794</u>	<u>417,789</u>	<u>391,930</u>
25. OTHER EXPENSES				
Legal and professional charges	10,208	5,433	21,099	14,742
Auditors' remuneration	978	611	1,785	1,702
Donations	80	815	2,249	815
Workers' profit participation fund	23,277	3,416	43,455	4,524
Workers' welfare fund	4,715	1,682	16,513	2,691
Foreign exchange loss - net	140,271	58,163	289,974	406,149
Operating assets written-off	1,740	6,945	8,059	6,945
Others	-	-	104	-
	<u>181,269</u>	<u>77,065</u>	<u>383,238</u>	<u>437,568</u>
26. OTHER INCOME				
Scrap sales	3,887	9,551	25,101	24,062
Profit on disposal of operating assets	-	1,747	1,396	2,352
Income on short term investments and bank deposits	8,204	2,079	18,151	3,969
Insurance claim	-	-	-	391,000
Dividend from Subsidiary	200,000	-	200,000	-
Others	-	13	-	989
	<u>212,091</u>	<u>13,390</u>	<u>244,648</u>	<u>422,372</u>
27. FINANCE COSTS				
Interest / Mark-up on:				
- long term borrowings	244,938	250,270	694,722	881,018
- short term finances	46,429	45,908	134,050	110,690
Foreign exchange loss on borrowings	200,105	9,203	290,145	214,483
Guarantee commission	1,784	1,205	4,255	3,804
Bank charges and others	2,963	2,533	18,813	8,082
	<u>496,219</u>	<u>309,119</u>	<u>1,141,985</u>	<u>1,218,077</u>



(Amounts in thousand)

	Unaudited September 30, 2013	Unaudited September 30, 2012
	Rupees	
28. CASH GENERATED FROM OPERATIONS		
Profit before taxation	791,098	83,264
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	25,371	2,060
Provision against concessionary import duty on import of raw materials and Special Excise Duty	-	19,366
Provision for Gas Infra-structure Development (GID) cess	120,576	-
Provision for net realizable value of stock-in-trade	20,050	9,549
Provision for slow moving stores and spares	3,721	2,862
Write-off of operating assets	8,059	6,945
Depreciation and amortization	892,782	883,089
Income on short term investments and bank deposits	(18,151)	(3,969)
Exchange loss on revaluation of IFC loan	290,040	212,080
Amortization of prepaid financial charges	15,579	14,683
Finance costs	1,141,985	991,314
Profit on disposal of operating assets	(1,396)	(2,352)
Unrealized exchange gain on derivatives held for trading	(114,494)	-
Dividend from Subsidiary Company	(200,000)	-
Working capital changes - note 28.1	1,442,367	192,360
	<u>4,417,587</u>	<u>2,411,251</u>
28.1 Working Capital Changes		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(2,412)	(261,932)
Stock-in-trade	(429,963)	277,220
Trade debts - considered good	24,437	36,370
Loans, advances, deposits, prepayments and other receivables	237,769	(30,973)
	<u>(170,169)</u>	<u>20,685</u>
Increase in current liabilities		
Trade and other payables	1,612,536	171,675
	<u>1,442,367</u>	<u>192,360</u>
29. CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,148,520	83,357
Running finance under mark-up arrangements	-	(695,621)
	<u>1,148,520</u>	<u>(612,264)</u>



30. SEGMENT INFORMATION

30.1 The basis of segmentation and reportable segments presented in this condensed interim financial information are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2012.

	Unaudited September 30, 2013				Unaudited September 30, 2012			
	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	14,136,670	3,764,705	46,858	17,948,233	12,126,073	3,255,844	32,431	15,414,348
Profit before unallocated expenses	1,010,501	1,459,809	19,152	2,489,462	653,139	1,047,655	7,673	1,708,467
Unallocated expenses								
Administrative expenses				(417,789)				(391,930)
Other expenses				(383,238)				(437,568)
Other income				244,648				422,372
Finance costs				(1,141,985)				(1,218,077)
Taxation				(228,965)				(26,666)
Profit after taxation				562,133				56,598

	Unaudited September 30, 2013				Audited December 31, 2012			
	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and Allied Chemicals	Caustic Soda and Allied Chemicals	Power Supply	Total
	Rupees							
Total segment assets	13,493,664	6,647,978	38,597	20,180,239	14,642,414	6,297,304	59,527	20,999,245
Unallocated assets				5,879,185				3,957,414
Total assets				<u>26,059,424</u>				<u>24,956,659</u>

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



(Amounts in thousand)

31. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Period ended	
		September 30, 2013	September 30, 2012
			Rupees
Holding Company			
- Engro Corporation Limited	Purchase of services	26,591	12,430
	Use of operating assets	1,084	-
	Markup on Subordinated Loan	100,215	41,647
	Reimbursement made	4,093	4,753
	Reimbursement received	3,420	1,222
	Pension fund contribution	4,703	3,916
	Provident fund contribution	7,317	6,330
	Medical contribution	130	-
	Gratuity fund contribution	1,521	1,854
Subsidiary Company			
- Engro Polymer Trading (Private) Limited	Sale of goods	316,169	1,627,298
	Sale of services	72	555
	Reimbursement made	9	-
	Reimbursement received	-	21
	Markup on working capital loan	6,635	686
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	5,929,710	7,053,246
	Sale of goods	672,787	-
	Purchase of services	276	-
	Reimbursement made	-	7,511
- Arabian Sea Country Club	Purchase of services	709	968
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Purchase of services	5,939	252
	Purchase of goods	-	4,470
	Sale of goods	16,564	17,633
	Sale of services	378	252
	Sale of steam and electricity	58,424	40,641
	Reimbursement made	9,536	6,330
	Reimbursement received	1,413	6,762
	Use of operating assets	5,921	6,161
- Engro Vopak Terminal Limited	Purchase of services	711,005	637,836
	Reimbursement made	13,796	14,418
	Reimbursement received	7,217	14,249
- Engro Foundation	Reimbursement received	-	31
	Purchase of services	2,249	-
- Engro PowerGen Qadirpur Limited	Reimbursement made	1,180	-
	Reimbursement received	1,509	-



(Amounts in thousand)

Nature of relationship	Nature of transactions	Unaudited	
		Period ended	
		September 30, 2013	September 30, 2012
- Engro PowerGen Limited	Reimbursement made	896	-
- UBL Funds Limited	Purchase of units	-	100,000
- Engro Foods Limited	Sale of goods	33,923	40,806
	Reimbursement received	909	-
	Reimbursement made	714	167
	Use of operating assets	331	98
- Akzo Nobel (formerly ICI Pakistan Ltd)	Purchase of goods	-	42,285
- Dawood Hercules Corporation Limited	Sale of goods	-	234
	Purchase of services	10,800	10,800
- Lahore University of Management Sciences	Purchase of services	678	990
- Pakistan Institute of Corporate Governance	Purchase of services	-	15
- Pakistan Japan Business Forum	Annual subscription	50	-
- Overseas Investors Chamber of Commerce & Industries	Annual subscription	-	121
- Institute of Business Administration	Purchase of services	2,186	-
- Engro Eximp (Pvt) Ltd	Reimbursement Received	1,934	-
	Use of Operating Assets	44	-
Directors	Fee	2,050	2,250
	Final settlement	-	11,530
Contribution to staff retirement benefits	Pension fund	15,423	14,123
	Provident fund	29,547	20,942
	Gratuity fund	6,567	5,715
Key management personnel	Managerial remuneration	49,524	55,920
	Retirement benefit funds	8,591	7,846
	Bonus	19,140	17,669
	Other benefits	11,419	9,837



32. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on October 23, 2013 by the Board of Directors of the Company.

33. CORRESPONDING FIGURES

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

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



Khalid Siraj Subhani
President & Chief Executive



Kimihide Ando
Director





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