engro polymer & chemicals

Financial Information For Period Ended September 30, 2019

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COMPANY INFORMATION

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

ENGRO POLYMER & CHEMICALS LIMITED
DIRECTORS' REVIEW TO THE SHAREHOLDERS
ON UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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, 2019.

Business Review

On the operational front, the Company remained focused on maintaining smooth production with regular maintenance activity performed during the quarter. With regards to the expansion plans announced over the last years, the work is underway to deliver within expected timelines in line with the vision to lead Pakistan in the Petrochemical and allied chemicals space.

During 9M'2019, the Company recorded revenue of Rs. 27,834 million compared to Rs. 25,524 million in the same period last year and posted Profit After Tax (PAT) of Rs. 2,814 million translating into Earning Per Share (EPS) of Rs. 3.10 compared to Profit After Tax (PAT) of Rs. 3,865 million translating into Earning Per Share (EPS) of Rs. 5.03 for the same period last year. The Board of Directors have also approved an interim cash dividend of 6% i.e. Rs. 0.6/share for the period ended September 30, 2019.

The prevalent macroeconomic dynamics, starting from inflation, energy price increases, higher interest rates and other relevant phenomenon like dumping are having an adverse impact on economy resulting in demand contraction across different sectors. We urge the relevant decision makers to contemplate the adverse impact of such decisions on local companies providing import substitution by saving the precious foreign exchange & providing support to domestic industries like construction & textile.

International PVC prices remained stable during the quarter despite a softness in demand on account of monsoons season & a general global economic slowdown especially in China post US-China trade war. This was counterbalanced by low PVC supplies in the region on account of PVC plant turnarounds & production halts due to environmental restrictions in China. Ethylene prices continued to soften on account of supply overhang and low demand from key downstream derivatives.

Future Outlook

International PVC and ethylene prices will remain dependent on global economic sentiment, US-China trade ties, regional political situation, supply & demand dynamics. Domestic market is currently under flux & will take firmer direction once local economic policies, macroeconomic indicators & other key variables settle.

Imran Anwar
President & Chief Executive Officer

Hasnain Moochhala
Director

ENGRO POLYMER AND CHEMICALS LIMITED

CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

(Amounts in thousand)

	Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	29,492,912	19,397,763
Right-of-use assets	4.2.3	2,545,408	-
Intangibles		127,846	106,773
Long-term loans and advances		93,342	84,465
Deferred tax asset	10	93,119	-
		32,352,627	19,589,001
Current Assets			
Stores, spares and loose tools		1,582,042	1,562,767
Stock-in-trade		4,874,865	3,581,387
Trade debts - considered good	6	406,054	430,400
Loans, advances, deposits, prepayments and other receivables	7	1,645,650	1,699,678
Derivative financial asset	8	70,874	-
Financial asset at fair value through profit or loss		5,126,605	6,298,104
Financial asset at amortised cost		-	1,499,908
Cash and bank balances		1,326,961	1,362,042
		15,033,051	16,434,286
TOTAL ASSETS		47,385,678	36,023,287
EQUITY AND LIABILITIES			
Equity			
Share capital		9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Hedging reserve		50,322	-
Unappropriated profits		4,475,770	3,831,998
		17,490,278	16,796,184
Non-Current Liabilities			
Long-term borrowings	9	8,618,040	7,500,000
Lease liabilities	4.2.3	4,615,132	-
Deferred tax liability	10	-	390,146
		13,233,172	7,890,146
Current Liabilities			
Current maturity of lease liabilities	4.2.3	872,170	-
Service benefit obligations		56,582	55,354
Short-term borrowings		736,000	-
Trade and other payables	11	8,607,019	6,435,906
Unclaimed dividend		25,951	27,498
Unpaid dividend		-	25,683
Accrued interest / mark-up		292,653	64,911
Income tax provision less payments		667,404	88,778
Provisions	12	5,404,449	4,638,827
		16,662,228	11,336,957
		29,895,400	19,227,103
Contingencies and Commitments	13		
TOTAL EQUITY AND LIABILITIES		47,385,678	36,023,287

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

Chief Executive	**Chief Financial Officer**	**Director**

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		---Rupees---			
Net revenue		9,233,901	8,422,094	27,834,222	25,523,707
Cost of sales		(6,992,239)	(6,408,530)	(21,586,567)	(19,427,062)
Gross profit		2,241,662	2,013,564	6,247,655	6,096,645
Distribution and marketing expenses		(79,183)	(80,116)	(244,718)	(292,084)
Administrative expenses		(214,586)	(199,336)	(603,041)	(535,516)
Other operating expenses	15	(17,465)	(144,498)	(1,106,104)	(470,237)
Other income		273,066	127,864	710,679	620,266
Operating profit		2,203,494	1,717,478	5,004,471	5,419,074
Finance cost	16	(472,314)	(153,138)	(1,199,902)	(451,501)
Profit for the period before taxation		1,731,180	1,564,340	3,804,569	4,967,573
Taxation		(461,091)	(482,575)	(990,086)	(1,102,137)
Profit for the period after taxation		1,270,089	1,081,765	2,814,483	3,865,436
Earnings per share - basic and diluted		1.40	1.25	3.10	5.03

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

Chief Executive **Chief Financial Officer** **Director**

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
	----Rupees----			
Profit for the period after taxation	1,270,089	1,081,765	2,814,483	3,865,436
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items - share issuance cost	-	-	-	(1,651)
Items that may be reclassified subsequently to profit or loss				
Gain on cashflow hedge during the period	(282,176)	-	70,874	-
Deferred tax charge relating to cashflow hedge	81,833	-	(20,552)	-
	(200,343)	-	50,322	-
Other comprehensive income / (loss) for the period - net of tax	(200,343)	-	50,322	(1,651)
Total comprehensive income for the period	1,069,746	1,081,765	2,864,805	3,863,785

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

Chief Executive **Chief Financial Officer** **Director**

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Unappropriated profit	Total
	-----	-----	Rupees	-----	-----
Balance as at January 1, 2018 (Audited)	6,634,688	964,029	-	161,392	7,760,109
Transaction with owners					
Final cash dividend for the year ended December 31, 2017 - Re. 0.80 per share	-	-	-	(530,775)	(530,775)
Right shares issued during the year including share premium net of share issuance cost	2,454,545	2,910,924	-	-	5,365,469
Interim cash dividend for the year ended December 31, 2018 - Re. 0.80 per share	-	-	-	(727,139)	(727,139)
Total comprehensive income for the nine months ended September 30, 2018					
Profit for the nine months ended September 30, 2018	-	-	-	3,865,436	3,865,436
Other comprehensive loss for the nine months ended September 30, 2018	-	-	-	(1,651)	(1,651)
Balance as at September 30, 2018 (Unaudited)	9,089,233	3,874,953	-	2,767,263	15,731,449
Total comprehensive income for the three months ended December 31, 2018					
Profit for the three months ended December 31, 2018	-	-	-	1,064,735	1,064,735
Other comprehensive income for the three months ended December 31, 2018	-	-	-	-	-
Balance as at December 31, 2018 (Audited)	9,089,233	3,874,953	-	3,831,998	16,796,184
Effect of change in accounting policy - net of deferred tax - note 4.2.3	-	-	-	(1,898,034)	(1,898,034)
Balance as at January 1, 2019 (Unaudited)	9,089,233	3,874,953	-	1,933,964	14,898,150
Transaction with owners					
Final cash dividend for the year ended December 31, 2018 - Re. 0.30 per share	-	-	-	(272,677)	(272,677)
Total comprehensive income for the nine months ended September 30, 2019					
Profit for the nine months ended September 30, 2019	-	-	-	2,814,483	2,814,483
Other comprehensive income for the nine months ended September 30, 2019	-	-	50,322	-	50,322
Balance as at September 30, 2019 (Unaudited)	9,089,233	3,874,953	50,322	4,475,770	17,490,278

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

Chief Executive | **Chief Financial Officer** | **Director**

ENGRO POLYMER AND CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

	Note	Nine months ended September 30, 2019	Nine months ended September 30, 2018
		----------Rupees----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	17	7,957,584	6,762,558
Finance costs paid		(716,421)	(436,722)
Long-term loans and advances		(8,877)	(11,936)
Retirement benefits paid		(36,737)	(45,953)
Income tax paid		(172,226)	(124,865)
Net cash generated from operating activities		7,023,323	6,143,082
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(10,937,633)	(2,372,264)
Purchases of intangible assets		(101,071)	(10,508)
Proceeds from disposal of property, plant and equipment		2,474	-
Income on short-term investment and bank deposits		658,070	158,491
Net cash used in investing activities		(10,378,160)	(2,224,281)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term borrowings		(7,500,000)	(1,250,000)
Proceed from issuance of Sukuk bonds -net of transaction cost		8,601,540	-
Right share capital with premium		-	5,365,469
Lease rentals paid		(889,284)	-
Dividend payment		(299,907)	(984,038)
Net cash generated from / (used) in financing activities		(87,651)	3,131,431
Net decrease in cash and cash equivalents		(3,442,488)	7,050,232
Cash and cash equivalents at the beginning of the period		9,160,054	923,160
Cash and cash equivalents at the end of the period	18	5,717,566	7,973,392

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

Chief Executive **Chief Financial Officer** **Director**

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 The Group consists of Engro Polymer and Chemicals Limited and its wholly owned subsidiary companies, Engro Polymer Trading (Private) Limited, Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited.

Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited were incorporated on July 22, 2019 as newly wholly owned subsidiary companies of Engro Polymer and Chemicals Limited for manufacturing Hydrogen Per-oxide and Chlorinated Paraffin Wax, respectively.

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

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

1.4 The registered office of the Company is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the 6th Floor, Haly Tower Office, Lalik Chowk, Phase II, DHA, Lahore.

(Amounts in thousand)

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 These consolidated condensed interim financial statements for the nine months ended September 30, 2019 are unaudited.These consolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year

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

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN

3.1 The significant accounting policies and the methods of computation applied in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual audited consolidated financial statements of the Company for the year ended December 31, 2018 except for the adoption of new standards as set out below.

3.2 A number of new or amended standards became applicable for the current reporting period, and the Company had to change its accounting policies and make adjustments as a result of adopting the following standards:

3.2.1 IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without subsequent recycling to profit or loss.

(Amounts in thousand)

The standard also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The adoption of IFRS 9 from January 1, 2019 by the Company has resulted in change in accounting policies. The Company has applied IFRS 9 retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". However, it has elected not to restate comparative information as permitted under the transitional provisions of the standard considering there being no material impact of the same.

Loans, deposits, and other receivables, accrued interest and cash and cash equivalents, which were previously classified as "loans and receivables" under IAS 39, will now be classified as amortised cost under IFRS 9. Further, short-term investments which were previously classified as held-for-trading under IAS 39 will now be classified as fair value through profit or loss. There have been no changes to the classification of financial liabilities. Furthermore, there were no changes to the carrying values of the Company's financial assets and liabilities for current and prior year balances from adopting the new classification model under IFRS 9.

3.2.2 IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company has assessed that significant performance obligation in contracts with customers is to deliver the products and is discharged at one point of time. The Company has concluded the impact of this standard is immaterial on the condensed interim financial statements. However, production transportation and handling expenses amounting to Rs. 787,257 thousand previously included in distribution and marketing expenses have now been reclassified to cost of sales.

3.2.3 Effective January 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentive" and SIC-27 "Evaluating the substance of transactions involving the legal form of a Lease". IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting polices relating to Company's right-of-use assets and lease liabilities are as follows:

(Amounts in thousand)

Lease liabilities and right-of-use assets

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From January 1, 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilies adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is, therefore, recognised in the opening consolidated statement of financial position on January 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.86%.

(Amounts in thousand)

The following summary reconciles the Company's operating lease commitments as at December 31, 2018 as previously disclosed in the Company's annual financial statements as at December 31, 2018 to the lease liabilities recognised on the initial application of IFRS 16 as at January 01, 2019:

	-------Rupees------
Operating lease as at December 31, 2018	14,053
Discounted using the lessee's incremental borrowing rate at the date of initial application	
(Less): short-term leases recognised on a straight-line basis as expense	(8,400)
(Less): low value leases recognised on a straight-line basis as expenses	-
(Less): contracts assessed as service agreements	(5,653)
Add: contracts assessed as lease	5,486,524
Add/(less): adjustments as a result of a different treatment of extension and termination options	-
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liability recognised as at January 1, 2019	5,486,524
Of which are:	
Current lease liabilities	812,442
Non-current lease liabilities	4,674,082
	5,486,524

The right-of use assets were measured on a retrospective basis at its carrying amounts as if IFRS 16 had been applied since the commencement date of the respective leases, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The change in accounting policy affected the following items in the consolidated statement of financial position on January 1, 2019:

	Unaudited	**Unaudited**
	September 30, 2019	**January 1, 2019**
	-------------Rupees-------------	
The recognised right-of-use assets relate to the following types of assets:		
Buildings	54,125	66,704
Storage tanks - Ethylene	2,491,283	2,778,739
Total right-of-use assets	2,545,408	2,845,443

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

	---Rupees---
Right of Use assets - increased by	2,845,443
Unappropriated profits - decreased by	1,898,034
Deferred tax asset - increased by	743,047
Lease liabilities - increased by	5,486,524

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,

(Amounts in thousand)

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

4.3 The financial risk management objectives and policies of the Company are also consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2018.

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

4. ACCOUNTING ESTIMATES

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

The significant estimates, judgments and assumptions made by the management in the preparation of the consolidated condensed interim financial statements are the same as those that were applied in the audited consoldiated financial statements of the Company as at and for the year ended December 31, 2018.

	Unaudited September 30, 2019	Audited December 31, 2018
	----------------Rupees----------------	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	17,635,388	16,582,904
Capital work-in-progress - note 5.3	11,793,732	2,751,067
Capital spares	63,792	63,792
	29,492,912	19,397,763
5.1 Additions to operating assets during the period / year were as follows:		
Leasehold land - note 5.1.1	939,528	-
Building on leasehold land	1,000	4,926
Plant and machinery	966,290	2,338,554
Furniture, fixtures and equipment	50,790	51,377
Vehicles	3,571	19,053
	1,961,179	2,413,910

(Amounts in thousand)

5.1.1 In 2018, the Company had entered into an agreement with Engro Fertilizers Limited, a related party, for purchase of land at a total consideration of Rs. 720,000 against which the Company had made an advance payment of Rs. 14,400. During the period, the legal formalities in relation of the transfer were finalized and the physical possession of the land has been transferred to the Company.

5.2 During the period, asset costing Rs. 3,747 (December 31, 2018: Rs. nil), having net book value of Rs. 692 (December 31, 2018: Rs. nil) was disposed off for Rs. 2,447 (December 31, 2018: Rs. nil).

Further during the period, the assets having net book value of Rs. 6,619 were write-offs as an outcome of physical tagging exercise performed by an external party.

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

	Unaudited September 30, 2019	Audited December 31, 2018
	-----Rupees-----	
Balance as the beginning of the period / year	2,751,067	923,342
Add: Additions during the period / year	11,038,704	4,259,715
Less: Transferred to operating assets during the period / year		
- Operating assets	(1,961,179)	(2,413,910)
- Intangible assets	(34,860)	(18,080)
	11,793,732	2,751,067

6. TRADE DEBTS

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	14,736	-
- Engro Powergen Thar (Private) Limited	20	-
	14,756	-

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

These include unsecured receivables from the following related parties:

- Engro Vopak Terminal Limited	-	385
- Engro Fertilizers Limited	2,772	118,613
- Engro Foods Limited	5	5
- Engro Digital Limited	-	2,007
- Engro Corporation Limited	11,333	1,590
- Engro Energy Limited	1,983	331
- Engro Powergen Qadirpur Limited	9	9
	16,102	122,940

8. DERIVATIVE FINANCIAL ASSET

During the period, the Company has entered into Forward Exchange agreement on Import Letter of Credit to manage exchange rate exposure on foreign currency payments amounting to CNY 152,000 due on account of purchase of machinery for expansion projects.

(Amounts in thousand)

	Unaudited September 30, 2019	Audited December 31, 2018
	----------------Rupees----------------	
9. LONG-TERM BORROWINGS		
- Long-term finance utilized under mark-up arrangements - notes 9.1	-	7,500,000
- Sukuk certificates - note 9.2	8,618,040	-
	8,618,040	7,500,000
Less: Current portion shown under current liabilities	-	-
	8,618,040	7,500,000

9.1 During the period, the Company has made an early repayment of the long-term loans outstanding as at December 31. 2018.

9.2 During the period, the Company has reprofiled its debt structure through issuance of sukuk bonds of Rs. 8,750,000 carrying quarterly rental rate of 3 months KIBOR + 0.9% which are repayable over a period of 7.5 years with the first repayment commencing in June 2024. These are carried at amortized cost. As a result of sukuk issuance, the long-term financing of the Company is now entirely shariah compliant.

9.3 In 2018, in order to finance the PVC expansion, VCM debottlenecking projects and other capital projects, the Company has entered into an Ijarah agreement with International Finance Corporation (IFC). Under the agreement, the Company has obtained a facility of USD 35 million repayable in five years including a grace period of two years. No drawdowns have been made upto June 30, 2019.

	Unaudited September 30, 2019	Audited December 31, 2018
	----------------Rupees----------------	
10. DEFERRED TAX (ASSET) / LIABILITY		
Credit balances arising due to:		
- accelerated tax depreciation	3,243,321	3,085,702
- fair value of derivative financial instrument	20,552	-
Debit balances arising due to:		
- recoupable carried forward tax losses	-	431,194
- recoupable minimum turnover tax	163,132	537,505
- recoupable alternative corporate tax	708,136	469,544
- lease liability net of leased assets	827,678	-
- unpaid liabilities	125,842	100,340
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,380,011	1,004,673
- provision for net realizable value against stock-in-trade	637	-
- provision for slow moving stores and spares	91,191	91,935
- provision for bad debts	2,535	2,535
- share issuance cost, net to equity	57,830	57,830
	3,356,992	2,695,556
	(93,119)	390,146

(Amounts in thousand)

	Unaudited September 30, 2019	Audited December 31, 2018
	-----------------Rupees-----------------	

11. TRADE AND OTHER PAYABLES

Include amounts due to the following related parties:

- Mitsubishi Corporation	-	344,807
- Engro Corporation Limited	36,041	40,545
- Engro Fertilizers Limited	32,000	43
- Engro Powergen Thar (Private) Limited	613	-
- Engro Vopak Terminal Limited	127,577	119,241
	196,231	504,636

	Unaudited September 30, 2019	Audited December 31, 2017
	-----------------Rupees-----------------	

12. SHORT TERM BORROWINGS

These represent money market loans obtained from commercial banks carrying mark-up ranging from KIBOR pluc 0.2% to 0.6% (December 2018: Nil). These loans have been obtained for a period of 30 days and secured by a hypothecation charge over the current asset of the Company.

13. PROVISIONS

	Unaudited June 30, 2019	Audited December 31, 2018
- Provision for Gas Infrastructure Development Cess	4,887,057	4,121,435
- Provision for gas price revision	517,392	517,392
	5,404,449	4,638,827

14. CONTINGENCIES AND COMMITMENTS

14.1 There is no change in the status of the contingencies diclosed in the annual consolidated financial statements for the year ended December 31, 2018.

14.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at September 30, 2019 amounts to Rs. 2,750,000 (December 31, 2018: Rs. 1,896,000). The amount utilized there against as at September 30, 2019 is Rs. 2,151,110 (December 31, 2018: Rs. 1,856,000).

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

	Unaudited September 30, 2019	Audited December 31, 2018
	-----------------Rupees-----------------	

(Amounts in thousand)

Not later than 1 year	2,949	14,053

14.4 The Company has entered into EPC contract with China Tianchen Engineering Corporation for PVC plant expansion having completion date of January 31, 2020 subject to extension, if any. The total fixed amount payable under the contract is CNY 183,931.

(Amounts in thousand)

15. OTHER OPERATING EXPENSES

This includes foreign exchange loss amounting to Rs. 650,823 in respect of lease liabilities recognized upon adoption of IFRS 16.

Further, it includes pre-commencement expenditures incurred Rs. 23,262 to incorporate Engro Peroxide (Private) Limited and Engro Plasticizer (Private) Limited.

16. FINANCE COST

This includes interest expense amounting to Rs. 239,239 in respect of lease liabilities recognized upon adoption of IFRS 16.

		Unaudited September 30, 2019	Unaudited September 30, 2018
		----------------Rupees----------------	
17.	**CASH GENERATED FROM OPERATIONS**		
17.1	Profit for the period before taxation	3,804,569	4,967,573
	Adjustments for non-cash charges and other items:		
	Provision for staff retirement and other service benefits	37,965	42,349
	Provision for GIDC	765,622	768,547
	Provision for Gas price	-	470,793
	Reversal of provision for doubtful debts	-	(618)
	Reversal of provision for net realizable value of stock-in-trade, net	-	(15,111)
	Provision for net realizable value of stock-in-trade, net	2,265	-
	Reversal of provision for slow moving stores and spares	-	(3,307)
	Depreciation and amortisation	921,786	725,124
	Amortization on Right-of-use Asset - note 4.2.3	300,035	
	Income on short-term investments and bank deposits	(658,070)	(158,491)
	Amortisation of transaction cost on sukuks	16,500	-
	Exchange loss on revaluation of lease liability	650,823	-
	Finance cost	1,183,402	451,501
	Gain on disposal of operating assets - note 6.2	(1,782)	-
	Working capital changes - note 17.2	934,469	(485,802)
		7,957,584	6,762,558
17.2	**Working capital changes**		
	(Increase) in current assets		
	Stores, spares and loose tools	(19,275)	(75,451)
	Stock-in-trade	(1,295,743)	(1,611,377)
	Trade debts - considered good	24,346	(138,058)
	Loans, advances, deposits, prepayments and other receivables - net	54,028	(479,935)
		(1,236,644)	(2,304,821)
	Increase in current liabilities		
	Trade and other payables	2,171,113	1,819,019
		934,469	(485,802)
18.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	1,326,961	950,101
	Financial assets at fair value through profit or loss	5,126,605	7,023,291
	Short-term borrowings - note 12	(736,000)	-
		5,717,566	7,973,392

(Amounts in thousand)

19. SEGMENT INFORMATION

19.1 The basis of segmentation and reportable segments presented in these consolidated condensed interim financial statements are same as disclosed in the annual consolidated financial statements of the Company for the year ended December 31, 2018.

	September 30, 2019				September 30, 2018			
	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
	Rupees							
Revenue	23,373,533	4,406,750	53,939	27,834,222	21,280,000	4,202,838	40,869	25,523,707
Cost of sales	(19,189,258)	(2,935,935)	(52,073)	(22,177,266)	(17,139,020)	(2,254,765)	(33,277)	(19,427,062)
Distribution and marketing expenses	(199,165)	(45,553)	-	(244,718)	(240,681)	(51,403)	-	(292,084)
Administrative expenses	(553,553)	(54,834)	-	(608,387)	(446,479)	(88,180)	(857)	(535,516)
Other operating expenses	(346,904)	(122,752)	(350)	(470,006)	(353,613)	(86,386)	(380)	(440,379)
Other operating income	346,534	364,116	29	710,679	98,802	88,708	37	187,547
Finance costs	(950,386)	(9,677)	-	(960,063)	(447,458)	(4,004)	(39)	(451,501)
Taxation	(575,250)	(495,552)	(453)	(1,071,255)	(966,540)	(558,738)	(2,455)	(1,527,733)
Profit after tax	1,905,551	1,106,563	1,092	3,013,206	1,785,011	1,248,070	3,898	3,036,979
Insurance claim (post tax)				-				286,031
Impact of IFRS 16 (post tax)				(198,723)				-
Minimium Tax written back				-				542,426
Profit after tax	**1,905,551**	**1,106,563**	**1,092**	**2,814,483**	**1,785,011**	**1,248,070**	**3,898**	**3,865,436**

	September 30, 2019				December 31, 2018			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
Total segment assets	29,849,879	6,817,331	25,720	36,692,930	16,088,188	5,771,628	11,928	21,871,744
Unallocated assets	-	-	-	10,692,748	-	-	-	14,098,561
Total assets				47,385,678				35,970,305

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

19.3 The segment results for the period are prepared in line with basis of allocation adopted in the annual consolidated financial statements for the year ended December 31, 2018.

(Amounts in thousand)

20. TRANSACTIONS WITH RELATED PARTIES

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

		Unaudited	
		Nine months ended	
		September 30, 2019	September 30, 2018
		-----------Rupees-----------	
Nature of relationship	**Nature of transactions**		
Holding Company			
- Engro Corporation Limited	Reimbursements made	8,077	15,870
	Reimbursements received	1,592	5,887
	Intangible asset - software	58,738	-
	Purchase of services	193,989	154,914
	Medical contribution	194	172
	Life insurance	537	452
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	665,806	2,163,283
	Sale of goods	-	59,814
Members of the Group			
- Engro Fertilizers Limited	Sale of goods	11,305	12,429
	Purchase of services	-	11,075
	Sale of steam and electricity	82,727	61,679
	Reimbursement received	1,822	11,075
	Reimbursement made	12,498	3,016
	Payment against purchase of land	722,122	63,701
- Engro Vopak Terminal Limited	Purchase of services	1,201,220	856,222
	Reimbursement made	2,902	15,575
	Reimbursement received	917	-
	Sales of services	-	1,460
- Engro Energy Limited	Reimbursement received	4,040	4,028
- Engro Digital Limited	Reimbursements received	32	-
- Engro Powergen Thar (Private) Limited	Sale of goods	2,970	-
Directors	Fee	800	1,000
Contribution to staff retirement benefits	Managed and operated by the Holding Company		
	Provident fund	51,356	49,185
	Gratuity fund	35,792	41,621
	Pension fund	3,738	2,443
Key management personnel	Managerial remuneration	84,838	78,907
	Retirement benefit funds	14,973	12,186
	Bonus	31,063	60,355
	Other benefits	18,086	16,996

(Amounts in thousand)

21. FAIR VALUE MEASUREMENT

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

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

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

As at September 30, 2019	Level 1	Level 2	Level 3	Total
	--------------------	Rupees	--------------------	
Financial assets at fair value through profit or loss				
- Derivative financial instrument	-	70,874	-	70,874
- Treasury bills	-	5,126,605	-	5,126,605
	-	5,197,479	-	5,197,479

As at December 31, 2018	Level 1	Level 2	Level 3	Total
	--------------------	Rupees	--------------------	
Financial assets at fair value through profit or loss				
- Treasury bills	-	6,098,104	-	6,098,104
- Units of mutual fund	-	200,000	-	200,000
	-	6,298,104	-	6,298,104

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

21. CORRESPONDING FIGURES

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

No significant re-arragements or reclassifications were made to corresponding figures in these consolidated condensed interim financial statements except as disclosed in note 4.2.2

(Amounts in thousand)

24. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

24.1 The Board of Directors in its meeting held on October 15, 2019 has approved an interim cash dividend of Rs. 0.6 per share for the period ended September 30, 2019 amounting to Rs. 545,354 thousand. These consolidated condensed interim financial statements do not include the effect of the said interim dividend.

25. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on October 15, 2019 by the Board of Directors of the Company.

26. GENERAL

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

Chief Executive | **Chief Financial Officer** | **Director**

ENGRO POLYMER AND CHEMICALS LIMITED

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2019

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

(Amounts in thousand)

	Note	(Unaudited) September 30, 2019	(Audited) December 31, 2018
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	29,482,701	19,397,763
Right-of-use assets	3.2.3	2,545,408	-
Intangibles		127,846	106,773
Long-term investment - at cost	6	65,000	50,000
Long-term loans and advances		93,342	84,465
Deferred tax	11	93,119	-
		32,407,416	19,639,001
Current Assets			
Stores, spares and loose tools		1,582,042	1,562,767
Stock-in-trade		4,874,865	3,581,387
Trade debts - considered good	12	406,054	430,400
Loans, advances, deposits, prepayments and other receivables	13	1,673,043	1,694,483
Derivative financial asset	14	70,874	-
Financial asset at fair value through profit or loss		5,025,051	6,203,151
Financial asset at amortised cost		-	1,499,908
Cash and bank balances		1,316,787	1,359,208
		14,948,716	16,331,304
TOTAL ASSETS		47,356,132	35,970,305
EQUITY AND LIABILITIES			
Equity			
Share capital		9,089,233	9,089,233
Share premium		3,874,953	3,874,953
Hedging reserve		50,320	-
Unappropriated profits		4,447,011	3,779,400
		17,461,517	16,743,586
Non-Current Liabilities			
Long-term borrowings	15	8,618,040	7,500,000
Lease liabilities	3.2.3	4,615,132	-
Deferred tax	16	-	390,146
		13,233,172	7,890,146
Current Liabilities			
Current maturity of lease liabilities	3.2.3	872,170	-
Service benefit obligations		56,582	55,354
Short-term borrowings		736,000	-
Trade and other payables	17	8,605,999	6,435,073
Unclaimed dividend		25,951	27,498
Unpaid dividend	13	-	25,683
Accrued interest / mark-up		292,653	64,911
Income tax provision less payments		667,639	89,227
Provisions	14	5,404,449	4,638,827
		16,661,443	11,336,573
		29,894,615	19,226,719
Contingencies and Commitments	15		
TOTAL EQUITY AND LIABILITIES		47,356,132	35,970,305

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive	Chief Financial Officer	Director

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		-----Rupees-----			
Net revenue		9,233,901	8,422,094	27,834,222	25,523,707
Cost of sales		(6,992,239)	(6,408,530)	(21,586,567)	(19,427,062)
Gross profit		2,241,662	2,013,564	6,247,655	6,096,645
Distribution and marketing expenses		(79,183)	(80,116)	(244,718)	(292,084)
Administrative expenses		(214,586)	(199,336)	(603,041)	(535,516)
Other operating expenses	16	5,807	(144,463)	(1,082,804)	(470,177)
Other income		269,799	125,561	702,099	606,694
Operating profit		2,223,499	1,715,210	5,019,191	5,405,562
Finance costs	17	(464,514)	(153,138)	(1,192,101)	(451,500)
Profit for the period before taxation		1,758,985	1,562,072	3,827,090	4,954,062
Taxation		(460,597)	(478,657)	(988,768)	(1,097,489)
Profit for the period after taxation		1,298,388	1,083,415	2,838,322	3,856,573
Earnings per share - basic and diluted		1.43	1.25	3.12	5.02

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive **Chief Financial Officer** **Director**

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

	Quarter ended		Nine months ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
	-----Rupees-----			
Profit for the period after taxation	1,298,388	1,083,415	2,838,322	3,856,573
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Deferred tax charge relating to revaluation of equity related items - share issuance cost	-	-	-	(1,651)
Items that may be reclassified subsequently to profit or loss				
Gain on cashflow hedge during the period	(282,178)	-	70,872	-
Deferred tax charge relating to cashflow hedge	81,833	-	(20,552)	-
	(200,345)	-	50,320	-
Other comprehensive income / (loss) for the period - net of tax	(200,345)	-	50,320	(1,651)
Total comprehensive income for the period	1,098,043	1,083,415	2,888,642	3,854,922

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive **Chief Financial Officer** **Director**

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

		RESERVES			
		CAPITAL	REVENUE		
	Share capital	Share premium	Hedging reserve	Unappropriated profit	Total
	-----	-----	Rupees	-----	-----
Balance as at January 1, 2018 (Audited)	6,634,688	964,029	-	121,668	7,720,385
Transaction with owners					
Final cash dividend for the year ended December 31, 2017 - Re. 0.80 per share	-	-	-	(530,775)	(530,775)
Right shares issued during the year including share premium net of share issuance cost	2,454,545	2,910,924	-	-	5,365,469
Interim cash dividend for the year ended December 31, 2018 - Re. 0.80 per share				(727,139)	(727,139)
Total comprehensive income for the nine months ended September 30, 2018					
Profit for the nine months ended September 30, 2018	-	-	-	3,856,573	3,856,573
Other comprehensive loss for the nine months ended September 30, 2018	-	-	-	(1,651)	(1,651)
Balance as at September 30, 2018 (Unaudited)	9,089,233	3,874,953	-	2,718,676	15,682,862
Total comprehensive income for the three months ended December 31, 2018					
Profit for the three months ended December 31, 2018	-	-	-	1,060,724	1,060,724
Other comprehensive income for the three months ended December 31, 2018	-	-	-	-	-
Balance as at December 31, 2018 (Audited)	9,089,233	3,874,953	-	3,779,400	16,743,586
Effect of change in accounting policy - net of deferred tax - note 3.2.3	-	-	-	(1,898,034)	(1,898,034)
Balance as at January 1, 2019 (Unaudited)	9,089,233	3,874,953	-	1,881,366	14,845,552
Transaction with owners					
Final cash dividend for the year ended December 31, 2018 - Re. 0.30 per share	-	-	-	(272,677)	(272,677)
Total comprehensive income for the nine months ended September 30, 2019					
Profit for the half year ended September 30, 2019	-	-	-	2,838,322	2,838,322
Other comprehensive income for the nine months ended September 30, 2019	-	-	50,320	-	50,320
Balance as at September 30, 2019 (Unaudited)	9,089,233	3,874,953	50,320	4,447,011	17,461,517

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive **Chief Financial Officer** **Director**

ENGRO POLYMER AND CHEMICALS LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

	Note	Nine months ended September 30, 2019	Nine months ended September 30, 2018
		------Rupees------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	7,948,109	6,771,039
Finance costs paid		(708,620)	(436,559)
Long-term loans and advances		(8,877)	(11,936)
Retirement benefits paid		(36,737)	(45,953)
Income tax paid		(171,124)	(123,722)
Net cash generated from operating activities		7,022,751	6,152,869
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(10,927,422)	(2,372,264)
Purchases of intangible assets		(101,071)	(10,508)
Proceeds from disposal of property, plant and equipment		2,474	-
Investment in subsidiaries		(15,000)	-
Income on short-term investment and bank deposits		649,490	144,919
Net cash used in investing activities		(10,391,529)	(2,237,853)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term borrowings		(7,500,000)	(1,250,000)
Proceed from issuance of Sukuk bonds -net of transaction cost		8,601,540	-
Right share capital with premium		-	5,365,469
Lease rentals paid		(889,284)	-
Dividend payment		(299,907)	(984,038)
Net cash generated from / (used) in financing activities		(87,651)	3,131,431
Net decrease in cash and cash equivalents		(3,456,429)	7,046,447
Cash and cash equivalents at the beginning of the period		9,062,267	829,881
Cash and cash equivalents at the end of the period	19	5,605,838	7,876,328

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive **Chief Financial Officer** **Director**

ENGRO POLYMER AND CHEMICALS LIMITED
NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Polymer and Chemicals Limited (the Company) was incorporated in Pakistan in 1997 under the repealed Companies Ordinance, 1984, now Companies Act 2017. The Company is listed on the Pakistan Stock Exchange Limited.

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

1.3 The registered office of the Company is situated at 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. The plant is located at EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi, Pakistan, whereas, the Chlor-Vinyl facility is at Port Bin Qasim Industrial Area. The regional sales office of the Company is on the 6th Floor, Haly Tower Office, Lalik Chowk, Phase II, DHA, Lahore.

(Amounts in thousand)

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 These unconsolidated condensed interim financial statements for the nine months ended September 30, 2019 are unaudited. However, these have been subjected to limited scope review by the statutory auditors of the Company and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Limited and section 237 of the Companies Act, 2017 .

These unconsolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2018.

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

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES AND CHANGES THEREIN

3.1 The significant accounting policies and the methods of computation applied in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Company for the year ended December 31, 2018 except for the adoption of new standards as set out below.

3.2 A number of new or amended standards became applicable for the current reporting period, and the Company had to change its accounting policies and make adjustments as a result of adopting the following standards:

3.2.1 IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow

(Amounts in thousand)

characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, without subsequent recycling to profit or loss.

The standard also includes an expected credit losses (ECL) model that replaces the current incurred loss impairment model. The ECL model involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The adoption of IFRS 9 from January 1, 2019 by the Company has resulted in change in accounting policies. The Company has applied IFRS 9 retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". However, it has elected not to restate comparative information as permitted under the transitional provisions of the standard considering there being no material impact of the same.

Loans, deposits, and other receivables, accrued interest and cash and cash equivalents, which were previously classified as "loans and receivables" under IAS 39, will now be classified as amortised cost under IFRS 9. Further, short-term investments which were previously classified as held-for-trading under IAS 39 will now be classified as fair value through profit or loss. There have been no changes to the classification of financial liabilities. Furthermore, there were no changes to the carrying values of the Company's financial assets and liabilities for current and prior year balances from adopting the new classification model under IFRS 9.

3.2.2 IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company has assessed that significant performance obligation in contracts with customers is to deliver the products and is discharged at one point of time. The Company has concluded the impact of this standard is immaterial on the condensed interim financial statements. However, production transportation and handling expenses amounting to Rs. 787,257 thousand previously included in distribution and marketing expenses have now been reclassified to cost of sales.

3.2.3 Effective January 1, 2019, the Company has adopted IFRS 16, "Leases" which replaces existing guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentive" and SIC-27 "Evaluating the substance of transactions involving the legal form of a Lease". IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting polices relating to Company's right-of-use assets and lease liabilities are as follows:

Lease liabilities and right-of-use assets

(Amounts in thousand)

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From January 1, 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilies adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is, therefore, recognised in the opening statement of financial position on January 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.76%.

The following summary reconciles the Company's operating lease commitments as at December 31, 2018 as previously disclosed in the Company's annual financial statements as at December 31, 2018 to the lease liabilities recognised on the initial application of IFRS 16 as at January 01, 2019:

(Amounts in thousand)

	-------- Rupees --------
Operating lease as at December 31, 2018	14,053
Discounted using the lessee's incremental borrowing rate at the date of initial application	
(Less): short-term leases recognised on a straight-line basis as expense	(8,400)
(Less): low value leases recognised on a straight-line basis as expenses	-
(Less): contracts assessed as service agreements	(5,653)
Add: contracts assessed as lease	5,486,524
Add/(less): adjustments as a result of a different treatment of extension and termination options	-
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liability recognised as at January 1, 2019	5,486,524
Of which are:	
Current lease liabilities	812,442
Non-current lease liabilities	4,674,082
	5,486,524

The right-of use assets were measured on a retrospective basis at its carrying amounts as if IFRS 16 had been applied since the commencement date of the respective leases, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

	Unaudited September 30, 2019	**Unaudited January 1, 2019**
	---------- **Rupees** ----------	
The recognised right-of-use assets relate to the following types of assets:		
Buildings	54,125	66,704
Storage tanks - Ethylene	2,491,283	2,778,739
Total right-of-use assets	2,545,408	2,845,443

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

	------ **Rupees** ------
Right of Use assets - increased by	2,845,443
Unappropriated profits - decreased by	1,898,034
Deferred tax asset - increased by	743,047
Lease liabilities - increased by	5,486,524

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

(Amounts in thousand)

3.3 The financial risk management objectives and policies of the Company are also consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2018.

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

4. ACCOUNTING ESTIMATES

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

The significant estimates, judgments and assumptions made by the management in the preparation of the unconsolidated condensed interim financial statements are the same as those that were applied in the audited financial statements of the Company as at and for the year ended December 31, 2018.

	Unaudited September 30, 2019	Audited December 31, 2018
	----Rupees----	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets, at net book value - notes 5.1 and 5.2	17,635,388	16,582,904
Capital work-in-progress - note 5.3	11,783,521	2,751,067
Capital spares	63,792	63,792
	29,482,701	19,397,763

	Unaudited September 30, 2019	Audited December 31, 2018
	----Rupees----	
5.1 Additions to operating assets during the period / year were as follows:		
Leasehold land - note 5.1.1	939,528	-
Building on leasehold land	1,000	4,926
Plant and machinery	966,290	2,338,554
Furniture, fixtures and equipment	50,790	51,377
Vehicles	3,571	19,053
	1,961,179	2,413,910

5.1.1 In 2018, the Company had entered into an agreement with Engro Fertilizers Limited, a related party, for purchase of land at a total consideration of Rs. 720,000 against which the Company had made an advance payment of Rs. 14,400. During the period, the legal formalities in relation of the transfer were finalized and the physical possession of the land has been transferred to the Company.

5.2 During the period, asset costing Rs. 3,747 (December 31, 2018: Rs. nil), having net book value of Rs. 692 (December 31, 2018: Rs. nil) was disposed off for Rs. 2,474 (December 31, 2018: Rs. nil).

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

	Unaudited September 30,	Audited December 31,

(Amounts in thousand)

	2019	2018
	----Rupees----	
Balance as the beginning of the period / year	2,751,067	923,342
Add: Additions during the period / year	11,028,493	4,259,715
Less: Transferred to operating assets during the period / year		
- Operating assets	(1,961,179)	(2,413,910)
- Intangible assets	(34,860)	(18,080)
	11,783,521	2,751,067

6. LONG TERM INVESTMENT

During the period, the incorporation of Engro Peroxide (Private) Limited & Engro Plasticizer was concluded and the Company invested Rs. 10,000 and Rs, 5000 respectively as initial paid-up captal in the subsidiary companies.

7. TRADE DEBTS

These include unsecured receivables from the following related parties:

- Engro Fertilizers Limited	14,736	-
- Engro Powergen Thar (Private) Limited	20	-
	14,756	-

	Unaudited September 30, 2019	Audited December 31, 2018
	----Rupees----	

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

These include unsecured receivables from the following related parties:

- Engro Vopak Terminal Limited	-	385
- Engro Fertilizers Limited	2,772	118,613
- Engro Foods Limited	5	5
- Engro Digital Limited	-	2,007
- Engro Corporation Limited	11,333	1,590
- Engro Energy Limited	1,983	331
- Engro Powergen Qadirpur Limited	9	9
- Engro Plasticizer (Private) Limited	3,021	-
- Engro Peroxide (Private) Limited	30,232	-
	49,355	122,940

9. DERIVATIVE FINANCIAL ASSET

During the period, the Company has entered into Forward Exchange agreement on Import Letter of Credit to manage exchange rate exposure on foreign currency payments amounting to CNY 152,000 due on account of purchase of machinery for expansion projects.

10. LONG-TERM BORROWINGS

	Unaudited September 30, 2019	Audited December 31, 2018

(Amounts in thousand)

	---Rupees---	
- Long-term finance utilized under mark-up arrangements - notes 10.1	-	7,500,000
- Sukuk certificates - note 10.2	8,618,040	-
	8,618,040	7,500,000
Less: Current portion shown under current liabilities	-	-
	8,618,040	7,500,000

10.1 During the period, the Company has made early repayment of the long-term loans outstanding as at December 31, 2018.

10.2 During the period, the Company has reprofiled its debt structure through issuance of sukuk bonds of Rs. 8,750,000 carrying quarterly rental rate of 3 months KIBOR + 0.9% which are repayable over a period of 7.5 years with the first repayment commencing in June 2024. These are carried at amortized cost. As a result of sukuk issuance, the long term financing of the Company is now entirely shariah compliant.

(Amounts in thousand)

10.3 In 2018, in order to finance the PVC expansion, VCM debottlenecking projects and other capital projects, the Company has entered into an Ijarah agreement with International Finance Corporation (IFC). Under the agreement, the Company has obtained a facility of USD 35 million repayable in five years including a grace period of two years. No drawdowns have been made upto September 30, 2019.

	Unaudited September 30, 2019	Audited December 31, 2018
	----------Rupees----------	
11. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	3,243,321	3,085,702
- fair value of derivative financial instrument	20,552	-
	3,263,873	3,085,702
Debit balances arising due to:		
- recoupable carried forward tax losses	-	431,194
- recoupable minimum turnover tax	163,132	537,505
- recoupable alternative corporate tax	708,136	469,544
- lease liability net of leased assets	827,678	-
- unpaid liabilities	125,842	100,340
- provision for Gas Infrastructure Development Cess and Special Excise Duty	1,380,011	1,004,673
- provision for net realizable value against stock-in-trade	637	-
- provision for slow moving stores and spares	91,191	91,935
- provision for bad debts	2,535	2,535
- share issuance cost, net to equity	57,830	57,830
	3,356,992	2,695,556
	(93,119)	390,146

12. TRADE AND OTHER PAYABLES

Include amounts due to the following related parties:

- Mitsubishi Corporation	-	344,807
- Engro Corporation Limited	36,041	40,545
- Engro Fertilizers Limited	32,000	43
- Engro Powergen Thar (Private) Limited	613	-
- Engro Vopak Terminal Limited	127,577	119,241
	196,231	504,636

13. SHORT TERM BORROWINGS

These represent money market loans obtained from commercial banks carrying mark-up ranging from KIBOR plus 0.2% to 0.6% (December 2018: Nil). These loans have been obtained for a period of 30 days and secured by a hypothecation charge over the current asset of the Company.

	Unaudited June 30, 2019	Audited December 31, 2018
14. PROVISIONS		
- Provision for Gas Infrastructure Development Cess	4,887,057	4,121,435
- Provision for gas price revision	517,392	517,392
	5,404,449	4,638,827

(Amounts in thousand)

15. CONTINGENCIES AND COMMITMENTS

15.1 There is no change in the status of contingencies as diclosed in the annual unconsolidated financial statements for the year ended December 31, 2018.

15.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at September 30, 2019 amounts to Rs. 2,750,000 (December 31, 2018: Rs. 1,896,000). The amount utilized there against as at September 30, 2019 is Rs. 2,151,110 (December 31, 2018: Rs. 1,856,000).

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

	Unaudited September 30, 2019	**Audited December 31, 2018**
	-------------------Rupees-------------------	
Not later than 1 year	2,949	14,053

15.4 The Company has entered into EPC contract with China Tianchen Engineering Corporation for PVC plant expansion having completion date of January 31, 2020 subject to extension if any. The total fixed amount payable under the contract is CNY 183,931.

	Unaudited September 30, 2019	**Unaudited September 30, 2018**
	-------------------Rupees-------------------	

16. OTHER OPERATING EXPENSES

This includes foreign exchange loss amounting to Rs. 650,823 in respect of lease liabilities recognized upon adoption of IFRS 16.

17. FINANCE COST

This includes interest expense amounting to Rs. 239,239 in respect of lease liabilities recognized upon adoption of IFRS 16.

(Amounts in thousand)

		Unaudited September 30, 2019	Unaudited September 30, 2018
		----------Rupees----------	
18.	**CASH GENERATED FROM OPERATIONS**		
18.1	Profit for the period before taxation	3,827,090	4,954,062
	Adjustments for non-cash charges and other items:		
	Provision for staff retirement and other service benefits	37,965	42,349
	Provision for GIDC	765,622	768,547
	Provision for Gas price		470,793
	Reversal of provision for doubtful debts	-	(618)
	Reversal of provision for net realizable value of stock-in-trade, net	-	(15,111)
	Provision for net realizable value of stock-in-trade, net	2,265	-
	Reversal of provision for slow moving stores and spares	-	(3,307)
	Depreciation and amortisation	921,786	725,124
	Amortization on Right-of-use Asset - note 4.2.3	300,035	-
	Income on short-term investments and bank deposits	(649,490)	(144,919)
	Amortisation of transaction cost on sukuks	16,500	-
	Exchange loss on revaluation of lease liability	650,823	-
	Finance costs	1,175,601	451,500
	Gain on disposal of operating assets - note 6.2	(1,782)	-
	Working capital changes - note 18.2	901,694	(477,381)
		7,948,109	6,771,039
18.2	**Working capital changes**		
	(Increase) in current assets		
	Stores, spares and loose tools	(19,275)	(75,451)
	Stock-in-trade	(1,295,743)	(1,611,377)
	Trade debts - considered good	24,346	(138,058)
	Loans, advances, deposits, prepayments and other receivables - net	21,440	(480,247)
		(1,269,232)	(2,305,133)
	Increase in current liabilities		
	Trade and other payables	2,170,926	1,827,752
		901,694	(477,381)

19. CASH AND CASH EQUIVALENTS

Cash and bank balances	1,316,787	853,781
Short-term investments	5,025,051	7,022,547
Short-term borrowings - note 13	(736,000)	-
	5,605,838	7,876,328

(Amounts in thousand)

20. SEGMENT INFORMATION

20.1 The basis of segmentation and reportable segments presented in these unconsolidated condensed interim financial statements are same as disclosed in the annual financial statements of the Company for the year ended December 31, 2018.

	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power Supply	Total	Poly Vinyl Chloride (PVC) and allied chemicals	Caustic soda and allied chemicals	Power supply	Total
				Rupees				
Revenue	23,325,441	4,454,842	53,939	27,834,222	21,280,000	4,202,838	40,869	25,523,707
Cost of sales	(19,249,469)	(2,869,105)	(52,073)	(22,170,647)	(17,139,020)	(2,254,765)	(33,277)	(19,427,062)
Distribution and marketing expenses	(194,394)	(50,325)	-	(244,719)	(240,681)	(51,403)	-	(292,084)
Administrative expenses	(535,589)	(72,799)	-	(608,388)	(481,964)	(53,552)	-	(535,516)
Other operating expenses	(330,871)	(110,293)	(138)	(441,302)	(346,610)	(96,389)	(380)	(443,379)
Other operating income	341,841	360,228	29	702,098	129,588	88,708	37	218,333
Finance costs	(945,740)	(7,032)	(85)	(952,857)	(447,457)	(4,004)	(39)	(451,500)
Taxation	(586,277)	(494,600)	(485)	(1,081,362)	(909,154)	(623,453)	(2,455)	(1,535,062)
Profit after tax	1,824,942	1,210,916	1,187	3,037,045	1,844,702	1,207,980	4,755	3,057,437
Insurance claim (post tax)				-				256,710
Impact of IFRS 16 (post tax)				(198,723)				-
Minimum Tax written back				-				542,426
Profit after tax	**1,824,942**	**1,210,916**	**1,187**	**2,838,322**	**1,844,702**	**1,207,980**	**4,755**	**3,856,573**

	September 30, 2019				December 31, 2018			
	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total	Poly Vinyl Chloride and Allied Chemicals	Caustic soda and Allied Chemicals	Power supply	Total
Total segment assets	29,849,879	6,817,331	25,720	36,692,930	18,032,134	6,444,067	11,928	24,488,129
Unallocated assets	-	-	-	10,663,202	-	-	-	11,482,176
Total assets				47,356,132				35,970,305

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

20.3 The segment results for the period are prepared in line with basis of allocation adopted in the annual financial statements for the year ended December 31, 2018.

(Amounts in thousand)

21. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	Unaudited Nine months ended September 30, 2019	Unaudited Nine months ended September 30, 2018
		---Rupees---	
Holding Company			
- Engro Corporation Limited	Reimbursements made	8,077	15,870
	Reimbursements received	1,592	5,887
	Intangible asset - software	58,738	-
	Purchase of services	193,989	154,914
	Medical contribution	194	172
	Life insurance	537	452
Associated Companies			
- Mitsubishi Corporation	Purchase of goods	665,806	2,163,283
	Sale of goods	-	59,814
Members of the Group			
- Engro Fertilizers Limited	Sale of goods	11,305	12,429
	Purchase of services	-	11,075
	Sale of steam and electricity	82,727	61,679
	Reimbursement received	1,822	417
	Reimbursement made	12,498	3,016
	Payment against purchase of land	722,122	63,701
- Engro Vopak Terminal Limited	Purchase of services	1,201,220	856,222
	Reimbursement made	2,902	856,222
	Reimbursement received	917	-
	Sales of services	-	1,460
- Engro Energy Limited	Reimbursement received	4,040	4,028
- Engro Digital Limited	Reimbursements received	32	-
- Engro Powergen Thar (Private) Limited	Sale of goods	2,970	-
Directors	Fee	800	1,000
Contribution to staff retirement benefits	Managed and operated by the Holding Company		
	Provident fund	51,356	49,185
	Gratuity fund	35,792	41,621
	Pension fund	3,738	2,443
Key management personnel	Managerial remuneration	84,838	78,907
	Retirement benefit funds	14,973	12,186
	Bonus	31,063	60,355
	Other benefits	18,086	16,996

(Amounts in thousand)

22. FAIR VALUE MEASUREMENT

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

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

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

As at September 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	---Rupees---			
Financial assets at fair value through profit or loss				
- Derivative financial asset	-	70,874	-	70,874
- Treasury bills	-	5,025,051	-	5,025,051
	-	5,095,925	-	5,095,925

As at December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	---Rupees---			
Financial assets at fair value through profit or loss				
- Treasury bills	-	6,003,151	-	6,003,151
- Units of mutual fund	-	200,000	-	200,000
	-	6,203,151	-	6,203,151

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

23. CORRESPONDING FIGURES

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

No significant re-arragements or reclassifications were made to corresponding figures in these unconsolidated condensed interim financial statements except as disclosed in note 4.2.2.

(Amounts in thousand)

24. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

24.1 The Board of Directors in its meeting held on October 15, 2019 has approved an interim cash dividend of Rs. 0.6 per share for the period ended September 30, 2019 amounting to Rs. 545,354 thousand. These unconsolidated condensed interim financial statements do not include the effect of the said interim dividend.

25. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on October 15, 2019 by the Board of Directors of the Company.

26. GENERAL

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

Chief Executive | **Chief Financial Officer** | **Director**

اینگرو پولیمر اینڈ کیمیکل لمیٹڈ

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

برائے اختتام میعاد 30 ستمبر 2019

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ، ہم 30 ستمبر ، 2019 کو ختم ہونے والے نو مہینوں کے لئے کمپنی کی آڈٹ کے بغیر مالی معلومات پیش کرتے ہیں۔

کاروباری جائزہ

پیداواری زاویے سے ، کمپنی سہ ماہی کے دوران انجام دی جانے والی معمول کی بحالی کی سرگرمیوں کے ساتھ ساتھ یکساں پیداوار کو برقرار رکھنے پر مرکوز رہی۔ گذشتہ برس اعلان کردہ توسیعی منصوبوں پر متوقع اوقات کار میں ہونے پر کام جاری ہے جس کا اولین مقصد پاکستان کی ، پیٹرو کیمیکل اور وابستہ کیمیکلز کی صنعت میں قیادت کرنا ہے۔ان منصوبوں کی تکمیل اعلان شدہ اوقات کار میں متوقع ہے۔

2019 کے نو ماہ کے دوران ، کمپنی نے 27,834 ملین روپے کا ریوینیو ریکارڈ کیا جو گذشتہ برس اسی عرصے میں 25,524 ملین روپے تھا اور سال کی اسی مدت کا ٹیکس کے بعد منافع (PAT) 2,814 ملین روپے حاصل کیا جو فی شیئر آمدن (EPS) 3.10 روپے بنتی ہے جبکہ گذشتہ برس اسی مدت کا PAT 3,856 ملین روپے تھا اور (EPS) 5.03 روپے تھا۔ بورڈ آف ڈائریکٹرز نے 30 ستمبر 2019 کو ختم ہونے والی مدت کے لیے 6 فیصد یعنی فی شیئر اعشاریہ 6 روپے کا عبوری نقد منافع بھی منظور کیا۔

موجودہ اقتصادی حالات ، توانائی کی قیمتوں میں اضافے ، افراط زر ، شرح سود میں اضافہ اور PVC کی ڈمپنگ جیسے دیگر متعلقہ عوامل کے سبب پوری معیشت پر مضر اثرات مرتب ہو رہے ہیں, جس کے باعث مختلف سیکٹرز میں مانگ میں کمی واقع ہوسکتی ہے۔ ہم متعلقہ فیصلہ سازوں سے درخواست کرتے ہیں کہ وہ ایسے فیصلوں سے قبل مقامی کمپنیوں پر پڑنے والے منفی اثرات پر غور کریں جو کہ قیمتی زر مبادلہ بچاتی ہیں اور درآمدی متبادل فراہم کر رہی ہیں نیز ملکی تعمیرات اور ٹیکسٹائل کی صنعتوں کو مدد فراہم کر رہی ہیں۔

مون سون کے موسم کی وجہ سے مانگ میں کمی نیز چین اور امریکہ کے مابین تجارتی جنگ کے بعد چین میں معاشی سست روی کے سبب عالمی سطح پر PVC کی قیمتیں مستحکم رہیں۔ چین میں ماحولیاتی پابندیوں کی وجہ سے PVC پلانٹ کی تبدیلی اور پیداوار میں تعطل کے سبب اس خطے میں PVC کی کم فراہمی کے ذریعے توازن قائم کیا گیا۔ سپلائی میں اضافہ اور کلیدی اہمیت کی حامل مصنوعات کی کم طلب کی وجہ سے ایتھلین کی قیمتیں کمی کا شکار رہیں۔

مستقبل پر نظر

بین الاقوامی PVC اور ایتھیلین کی قیمتیں عالمی معاشی رجحانات ، امریکہ چین تجارتی تعلقات ، علاقائی سیاسی صورتحال ، طلب اور سپلائی کی حرکیات پر منحصر رہیں گی۔ ملکی منڈی اس وقت دباؤ کا شکار ہے اور مقامی معاشی پالیسیوں ، اقتصادی انڈیکیٹرز اور دیگر اہم تغیرات کے استحکام کے بعد مزید بہتری کی جانب گامزن ہوگی۔

عمران انور

صدر و چیف ایگزیکٹو

حسنین موچھالا

ڈائریکٹر