Engro Polymer & Chemicals Ltd.

Financial Statements for the Quarter ended March 31, 2009

CONTENTS

COMPANY INFORMATION

Chairman	Asad Umar
President & Chief Executive	Asif Qadir
Directors	Isar Ahmad Shahzada Dawood Masaharu Domichi Takeshi Hagiwara Shabbir Hashmi Waqar A. Malik Khalid Mansoor Khalid S. Subhani
Company Secretary	Arshaduddin Ahmed
Board Audit Committee	Isar Ahmad Masaharu Domichi Shabbir Hashmi Khalid S. Subhani
Bankers	Allied Bank Ltd. Askari Commercial Bank Ltd. Bank Al Falah Ltd. Bank Al Habib Ltd. Barclays Bank Plc., Pakistan Citibank N.A. Deutsche Bank AG Dubai Islamic Bank Ltd. Samba Bank Ltd. (Formerly Crescent Commercial Bank Ltd.) Faysal Bank Ltd. Habib Bank Ltd. Hongkong Shanghai Banking Corporation MCB Bank Ltd. Meezan Bank Ltd. National Bank of Pakistan NIB Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. United Bank Ltd.
Auditors	A. F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi.
Registered Office	First Floor, Bahria Complex I, 24 M.T. Khan Road, Karachi - 74000
Manufacturing Facility	EZ/1/P-II-1, Eastern Zone, Bin Qasim, Karachi.
Share Registration Office	FAMCO Associates (Private) Limited [Formerly Ferguson Associates (Private) Limited] 4th Floor, State Life Building 2-A, I.I. Chundrigar Road, Karachi - 74000
Website	www.engropolymer.com
UAN	111-411-411

Engro Polymer & Chemicals Ltd.

DIRECTORS' REPORT &
UNAUDITED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009

DIRECTORS' REPORT TO THE SHAREHOLDERS ON CONDENSED INTERIM FINANCIAL STATEMENTS

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we are pleased to present the unaudited condensed Interim Financial Statements of the Company for the first quarter ended March 31, 2009.

Business Review

Global markets for PVC achieved some stability as compared to the end of last year as supply adjustments continue to be made. Availability of VCM was tight as Chinese manufacturers increased imports of VCM since other production routes became comparatively expensive. This resulted in a lowering of PVC-VCM margin by $71 per ton as compared to the same period of last year.

Domestic sales of the Company during the first quarter 2009 were the highest ever in any quarter at 28,900 tons as compared to 25,400 tons sold during same period last year. Lower prices of PVC resin and lesser availability of PVC scrap resulted in the increase in resin usage, while increased demand in the agricultural sector contributed towards the growth. The Company also sold 9,100 tons of PVC to its subsidiary, Engro Polymer Trading (Private) Limited, which were exported during the quarter.

The new PVC plant of 50,000 tons per annum capacity came into commercial production from January 1, 2009, taking the total production capacity of PVC to 150,000 tons per annum. During the quarter, 26,300 tons of PVC was produced, on account of planned maintenance outages and limited supply of VCM.

Revenue during the quarter increased by 26% over first quarter 2008, however, the Company incurred a loss after tax of Rs. 75 million as compared to a profit after tax of Rs. 195 million in first quarter of last year. Factors contributing to the loss include lower PVC-VCM margin and an exchange loss of Rs. 48 million. In addition to this, depreciation and financial costs were higher by Rs. 73 million, as the new PVC plant and Utilities were charged to the Profit and Loss account whereas full economic benefit of higher capacity could not be obtained due to low operating rate.

Near Future Outlook

After the successful commissioning of PVC expansion facility of 50,000 tons, the Company is geared up to have the back integrated site in operation by end of second quarter 2009 which is ahead of the original schedule.

The Company has signed an agreement with KESC to sell available surplus power up to 18 MW. The sale of power is expected to start in third quarter of this year.

Demand of PVC in the domestic market is expected to remain robust in the second quarter however, increase in load shedding may affect the capability of down stream processors. Since the integrated operations are not expected to commence till the end of the second quarter, the profitability of the business will continue to be determined by PVC-VCM margins which are expected to be lower than the first quarter. Profit for the coming quarter is expected to remain under pressure due to tighter margins, higher fixed costs and financial charges until the integrated complex comes fully into production.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

Karachi
April 23, 2009

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2009

	Note	(Unaudited) March 31, 2009	(Audited) December 31, 2008
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	17,068,412	16,134,766
Intangible assets		10,394	9,262
Long term investment		50,000	50,000
Long term loans and advances		101,841	107,785
		17,230,647	16,301,813
Current Assets			
Stores and spares		154,014	127,152
Stock-in-trade	5	907,398	1,159,318
Trade debts - considered good, secured		83,908	69,514
Loans, advances, deposits, prepayments and other receivables		266,218	298,932
Tax recoverable		255,429	220,727
Deferred employee share compensation expense		3,286	4,381
Cash and bank balances		1,910,314	97,273
		3,580,567	1,977,297
TOTAL ASSETS		20,811,214	18,279,110
EQUITY AND LIABILITIES			
Share capital		5,203,677	5,203,677
Share premium		975,438	975,438
Employee share compensation reserve		9,858	9,858
Hedging reserve		(56,054)	(39,100)
Unappropriated profit		341,035	415,992
		6,473,954	6,565,865
Non-Current Liabilities			
Borrowings	6	10,210,095	7,973,072
Derivative financial instruments	7	86,237	60,154
Retention money against project payments		336,673	553,445
Deferred liabilities	8	368,816	421,074
		11,001,821	9,007,745
Current Liabilities			
Current portion of long term borrowings			
- long term loan		30,000	130,000
Short term finances		437,928	842,568
Trade and other payables		2,810,063	1,678,003
Provisions		57,448	54,929
		3,335,439	2,705,500
Contingencies and Commitments	9		
TOTAL EQUITY AND LIABILITIES		20,811,214	18,279,110

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

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

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Note	Three months ended March 31, 2009	Three months ended March 31, 2008
		Rupees	
Net sales		2,379,287	1,817,869
Export sales		–	77,466
		2,379,287	1,895,335
Cost of sales	10	(2,294,793)	(1,533,009)
Gross profit		84,494	362,326
Distribution and marketing expenses	11	(79,698)	(68,373)
Administrative expenses	12	(27,504)	(22,617)
Other operating expenses	13	(48,114)	(22,079)
Other operating income	14	13,867	53,341
Operating profit / (loss)		(56,955)	302,598
Finance costs	15	(58,364)	(7,807)
Profit / (loss) before taxation		(115,319)	294,791
Taxation		40,362	(100,035)
Profit / (loss) for the period		(74,957)	194,756
Earnings / (loss) per share - basic and diluted		**(0.14)**	**0.38**

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Issued, subscribed and paid-up capital	Share premium	Unappropriated profit	Total
	Rupees			
Balance as at December 31, 2007 / January 1, 2008	4,436,000	425,216	315,603	5,176,819
Final dividend for the year ended December 31, 2007 - Rs. 0.54 per share	–	–	(252,896)	(252,896)
Profit for the three months ended March 31, 2008	–	–	194,756	194,756
Share capital issued	767,677	614,141	–	1,381,818
Share issuance cost, net	–	(36,422)	–	(36,422)
Balance as at March 31, 2008 / April 1, 2008	5,203,677	1,002,935	257,463	6,464,075
Profit for the nine months ended December 31, 2008	–	–	158,529	158,529
Share issuance cost, net	–	(27,497)	–	(27,497)
Balance as at December 31, 2008 / January 1, 2009	5,203,677	975,438	415,992	6,595,107
Profit / (loss) for the three months ended March 31, 2009	–	–	(74,957)	(74,957)
Balance as at March 31, 2009	5,203,677	975,438	341,035	6,520,150

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Three months ended March 31, 2009	Three months ended March 31, 2008
	Rupees	
Profit / (loss) after tax	(74,957)	194,756
Other Comprehensive income / (expense), net of tax		
Hedging reserve	(26,083)	–
Income tax relating to hedging reserve	9,129	–
	(16,954)	–
Total Comprehensive income / (expense) for the period	(91,911)	194,756

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Note	Three months ended March 31, 2009	Three months ended March 31, 2008
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	1,113,037	594,962
Finance costs paid		(81,623)	(23,688)
Long term loans and advances		5,944	9,281
Income tax paid		(34,702)	(17,068)
Net cash inflow from operating activities		1,002,656	563,487
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(706,837)	(1,117,187)
Purchases of intangible assets		(1,495)	–
Retention money against project payments		(216,772)	–
Proceeds on disposal of operating assets		370	536
Return on balances with banks		2,736	52,188
Net cash outflow from investing activities		(921,998)	(1,064,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finance - net		2,237,023	–
Repayment of long term finance		–	(1,275,429)
Proceeds from issue of Share Capital		–	327,464
Share issuance cost - net		–	(56,033)
Repayments of:			
- long term finances and morabahas		(100,000)	–
Net cash inflow / (outflow) from financing activities		2,137,023	(1,003,998)
Net increase / (decrease) in cash and cash equivalents		2,217,681	(1,504,974)
Cash and cash equivalents at beginning of the period		(745,295)	3,115,348
Cash and cash equivalents at end of the period		1,472,386	1,610,374

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 The Company was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984. The Company was listed on Karachi Stock Exchange in July 2008 and on Lahore Stock Exchange in March 2009.

1.2 The Company is a subsidiary of Engro Chemical Pakistan Limited. The address of its registered office is 1st Floor, Bahria Complex I, M. T. Khan Road, Karachi. The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds and other related chemicals.

1.3 In 2006, the Company commenced work on its expansion plan in respect of its existing capacity and backward integration project (the Project). The project's total cost is estimated at US $ 240,000, which includes construction of Ethylene Di Chloride, Vinyl Chloride Monomer (VCM), Chlor Alkali and Power plant. The new plants are being setup adjacent to the Company's existing PVC facilities in the Port Qasim Industrial Area.

2. BASIS FOR PRESENTATION

These condensed interim financial statements have been presented in condensed form in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. They do not include all the information required for annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2008.

The presentation of these financial statements has been amended to reflect the changes introduced by IAS-1: Presentation of Financial Statements.

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2008.

4. PROPERTY, PLANT AND EQUIPMENT

Additions to fixed assets and capital work in process during the period amounted to Rs. 1,012,897 (2008: Rs. 11,615,087) and deletions at cost therefrom were Rs. 1,562 (2008: Rs. 9,936) having a written down value of Rs. Nil (2008: Rs. 6,314)

	Unaudited March 31, 2009	Audited December 31, 2008
	Rupees	
5. STOCK-IN-TRADE		
Raw and packing materials	669,457	327,670
Work-in-progress	31,810	21,293
Finished goods	206,131	810,355
	907,398	1,159,318

(Amounts in thousand)

6. BORROWINGS

The Company entered into a Syndicated Term Finance Agreement on February 21, 2009 for Rs. 1,500,000. The facility is repayable in thirteen semi-annual installments commencing 6 months from Commercial Operations date or six months from December 30, 2009 (whichever is earlier). The facility carries mark-up at the rate of 3.0% over six months Karachi Inter Bank Offered Rate (KIBOR) and monitoring fee of Rs. 300 for the first year and Rs. 500 per annum, thereafter. Commitment fee at the rate of 0.15% per annum is also payable on that part of the finance that has not been drawn. During the period, Company has drawn down Rs. 1,000,000 against this facility.

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into interest rate swap agreements with two banks to hedge its interest rate exposure on floating rate borrowing from International Finance Corporation (IFC) for notional amounts aggregating to US$ 40 million. Under the agreements, the Company would receive six month USD-LIBOR on respective notional amounts and pay fixed rates, which will be settled semi annually. The fair values of swap agreements are debited to equity – net of tax. Details of the swap agreements are as follows:

Notional Amount US $	Effective Date	Termination Date	Fixed Rate %	Fair Value as at March 31, 2009 Rupees	Fair Value as at December 31, 2008 Rupees
15,000	December 15, 2008	June 15, 2017	3.385	54,157	60,154
5,000	June 15, 2009	June 15, 2017	3.005	9,333	–
15,000	June 15, 2009	June 15, 2017	2.795	17,124	–
5,000	June 15, 2009	June 15, 2017	2.800	5,623	–
40,000				**86,237**	**60,154**

8. DEFERRED LIABILITIES

	Unaudited March 31, 2009	Audited December 31, 2008
	Rupees	
Deferred tax	333,082	382,574
Retirement and other service benefits	35,734	38,500
	368,816	421,074

9. CONTINGENCIES AND COMMITMENTS

9.1 Commitments

- Performance guarantees issued by banks on behalf of the Company as at March 31, 2009 amounted to Rs. 405,450 (December 31, 2008: Rs. 264,200).

- Contracts signed in respect of capital expenditure for the Project, but not executed as at March 31, 2009 amounted to Rs. 496,894 (December 31, 2008 Rs. 1,305,738).

	Three months ended March 31, 2009	Three months ended March 31, 2008
	(Amounts in thousand)	
	Rupees	

10. COST OF SALES

	2009	2008
Opening stock of work-in-progress	21,293	22,861
Raw and packing materials consumed	1,392,160	1,351,116
Salaries, wages and staff welfare	43,299	27,916
Fuel, power and gas	104,264	35,633
Repairs and maintenance	23,580	3,633
Depreciation	69,788	42,229
Consumable stores	5,870	1,862
Purchased services	4,705	4,266
Storage and handling	42,819	33,239
Training and travelling expenses	727	667
Communication, stationery and other office expenses	243	430
Insurance	12,053	2,432
Other expenses	1,578	–
	1,701,086	1,503,423
Closing stock of work-in-progress	(31,810)	(13,817)
Cost of goods manufactured	1,690,569	1,512,467
Opening stock of finished goods	810,355	640,170
Closing stock of finished goods	(206,131)	(619,628)
	604,224	20,542
Cost of sales	2,294,793	1,533,009

11. DISTRIBUTION AND MARKETING EXPENSES

	2009	2008
Salaries, wages and staff welfare	12,722	9,738
Advertising, sales promotion and entertainment	9,641	5,190
Product transportation and handling	50,761	46,518
Rent, rates and taxes	1,430	510
Purchased services	1,775	2,933
Insurance	270	157
Depreciation	1,058	887
Training and travelling expenses	1,058	1,239
Communication, stationery and other office expenses	493	622
Other expenses	490	579
	79,698	68,373

(Amounts in thousand)

	Three months ended March 31, 2009	Three months ended March 31, 2008
12. ADMINISTRATIVE EXPENSES	Rupees	
Salaries, wages and staff welfare	7,233	13,998
Rent, rates and taxes	3,255	2,016
Purchased services	4,378	1,798
Insurance	101	–
Depreciation	1,655	1,225
Training and travelling expenses	6,013	2,288
Communication, stationery and other office expenses	3,218	971
Other expenses	1,651	321
	27,504	22,617

13. OTHER OPERATING EXPENSES

Other operating expenses for the current quarter include exchange losses of Rs. 23,145 on imported raw material, Rs. 14,245 on account of revaluation of retention money deducted from progress payments of foreign contractors against the project and Rs. 9,495 on account of revaluation of foreign currency loan. This head only included charge for WPPF and WWF in first quarter 2008. No such charge has been made in the current quarter due to the loss incurred during the quarter.

14. OTHER OPERATING INCOME

Other operating income in the current quarter includes Rs. 3,658 on account of interest income on deposits. Income from this source was Rs. 52,177 in the comparable quarter last year, due to availability of surplus funds.

15. FINANCE COSTS

The new PVC plant was capitalised with effect from January 1, 2009. The current quarter finance cost includes interest and other charges amounting to Rs. 41,927 on loans used to finance this plant.

(Amounts in thousand)

	Three months ended March 31, 2009	Three months ended March 31, 2008
	Rupees	

16. CASH GENERATED FROM OPERATIONS

Profit / (loss) before taxation	(115,319)	294,791
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	(2,766)	(1,411)
Provision for SFED	2,519	–
Depreciation	79,253	44,191
Employee share compensation expense	1,095	–
Amortisation	363	150
Income on deposits	(3,658)	(53,142)
Finance costs	58,364	7,808
Gain on disposal of operating assets	(370)	(71)
Working capital changes - note 16.1	1,093,556	302,646
	1,113,037	594,962

16.1 Working capital changes

Decrease / (Increase) in current assets		
Stores and spares	(26,862)	1,136
Stock-in-trade	251,920	(237,187)
Trade debts	(14,394)	(1,258)
Loans, advances, deposits, prepayments and other receivables (net)	33,636	15,005
	244,300	(222,304)
Increase in current liabilities		
Trade and other payables	849,256	524,950
	1,093,556	302,646

(Amounts in thousand)

17. TRANSACTIONS WITH RELATED PARTIES

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions. Following transactions were carried out with related parties during the period:

	Three months ended March 31, 2009	Three months ended March 31, 2008
	Rupees	
Holding Company		
Purchase of services	1,150	170
Sale of services	997	758
Sale of steam and electricity	12,627	10,527
Use of operating assets	872	–
Pension fund contribution	937	644
Provident fund contribution	701	527
Associated Company		
Purchase of goods	1,494,315	1,405,950
Sale of goods	–	77,466
Subsidiary Company		
Purchase of goods	–	1,089
Sale of goods	436,958	–
Related parties by virtue of common directorship		
Purchase of goods	6,465	1,820
Purchase of services	89,288	31,869
Sale of services	–	792
Insurance	–	458
Directors fee	30	20
Key management personnel		
Managerial remuneration	31,753	25,315
Retirement benefit funds	1,941	1,865
Other benefits	10,526	17,684

18. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 23, 2009 by the Board of Directors of the Company.

19. CORRESPONDING FIGURES

Corresponding figures in the balance sheet and statement of changes in equity comprise of balances as per the annual audited financial statements for the year ended December 31, 2008, whereas corresponding figures in the profit and loss account and cash flow statement comprise of balances of comparable period as per the condensed interim financial statements for the three months ended March 31, 2008.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

Engro Polymer & Chemicals Ltd.

and its subsidiary company

DIRECTORS' REPORT & UNAUDITED CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2009

DIRECTORS' REPORT TO THE SHAREHOLDERS ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

On behalf of the Board of Directors of Engro Polymer & Chemicals Limited, we are pleased to present the unaudited consolidated condensed Interim Financial Statements of the Company for the first quarter ended March 31, 2009.

Business Review

Global markets for PVC achieved some stability as compared to the end of last year as supply adjustments continue to be made. Availability of VCM was tight as Chinese manufacturers increased imports of VCM since other production routes became comparatively expensive. This resulted in a lowering of PVC-VCM margin by $71 per ton as compared to the same period of last year.

Domestic sales of the Company during the first quarter 2009 were the highest ever in any quarter at 28,900 tons as compared to 25,400 tons sold during same period last year. Lower prices of PVC resin and lesser availability of PVC scrap resulted in the increase in resin usage, while increased demand in the agricultural sector contributed towards the growth. A total of 9,100 tons of PVC was exported during the quarter.

The new PVC plant of 50,000 tons per annum capacity came into commercial production from January 1, 2009, taking the total production capacity of PVC to 150,000 tons per annum. During the quarter, 26,300 tons of PVC was produced, on account of planned maintenance outages and limited supply of VCM.

Revenue during the quarter increased by 27% over first quarter 2008, however, the Company incurred a loss after tax of Rs. 69 million as compared to a profit after tax of Rs. 196 million in first quarter of last year. Factors contributing to the loss include lower PVC-VCM margin and an exchange loss of Rs. 45 million. In addition to this, depreciation and financial costs were higher by Rs. 73 million, as new PVC plant and Utilities, were charged to the Profit and Loss account whereas full economic benefit of higher capacity could not be obtained due to low operating rate.

Near Future Outlook

After the successful commissioning of PVC expansion facility of 50,000 tons, the Company is geared up to have the back integrated site in operation by end of second quarter 2009, which is ahead of the original schedule.

The Company has signed an agreement with KESC to sell available surplus power up to 18 MW. The sale of power is expected to start in third quarter of this year.

Demand of PVC in the domestic market is expected to remain robust in the second quarter however, increase in load shedding may affect the capability of down stream processors. Since the integrated operations are not expected to commence till the end of the second quarter, the profitability of the business will continue to be determined by PVC-VCM margins which are expected to be lower than the first quarter. Profit is expected to remain under pressure due to tighter margins, higher fixed costs and financial charges until the integrated complex comes fully into production.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

Karachi
April 23, 2009

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2009

	Note	(Unaudited) March 31, 2009	(Audited) December 31, 2008
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	17,068,412	16,134,766
Intangible assets		10,394	9,262
Long term loans and advances		101,841	107,785
		17,180,647	16,251,813
Current Assets			
Stores and spares		154,014	127,152
Stock-in-trade	5	907,619	1,159,473
Trade debts - considered good, secured		83,908	69,514
Loans, advances, deposits, prepayments and other receivables		318,375	300,959
Tax recoverable		255,650	220,901
Deferred employee share compensation expense		3,286	4,381
Short term investments		–	43,648
Cash and bank balances		1,913,414	99,385
		3,636,266	2,025,413
TOTAL ASSETS		20,816,913	18,277,226
EQUITY AND LIABILITIES			
Share capital		5,203,677	5,203,677
Share premium		975,438	975,438
Employee share compensation reserve		9,858	9,858
Hedging reserve		(56,054)	(39,100)
Unappropriated profit		345,047	413,869
		6,477,966	6,563,742
Non-Current Liabilities			
Borrowings	6	10,210,095	7,973,072
Derivative financial instruments	7	86,237	60,154
Retention money against project payments		336,673	553,445
Deferred liabilities	8	368,816	421,074
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Current portion of long term borrowings			
- long term loan		30,000	130,000
Short term finances		437,928	842,568
Trade and other payables		2,811,750	1,678,242
Provisions		57,448	54,929
		3,337,126	2,705,739
Contingencies and Commitments	9		
TOTAL EQUITY AND LIABILITIES		20,816,913	18,277,226

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

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

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Note	Three months ended March 31, 2009	Three months ended March 31, 2008
		Rupees	
Net sales		1,942,923	1,817,869
Export sales		456,415	77,466
		2,399,338	1,895,335
Cost of sales	10	(2,294,853)	(1,532,449)
Gross profit		104,485	362,886
Distribution and marketing expenses	11	(92,507)	(68,373)
Administrative expenses	12	(27,675)	(22,617)
Other operating expenses	13	(44,585)	(22,079)
Other operating income	14	16,007	54,306
Operating profit / (loss)		(44,275)	304,123
Finance costs	15	(60,310)	(7,808)
Profit / (loss) before taxation		(104,585)	296,315
Taxation		35,763	(100,035)
Profit / (loss) for the period		(68,822)	196,280
Earnings / (loss) per share - basic and diluted		**(0.13)**	**0.39**

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Issued, subscribed and paid-up capital	Share premium	Unappropriated profit	Total
	Rupees			
Balance as at December 31, 2007 / January 1, 2008	4,436,000	425,216	316,412	5,177,628
Final dividend for the year ended December 31, 2007 - Rs. 0.54 per share	–	–	(252,896)	(252,896)
Profit for the three months ended March 31, 2008	–	–	196,280	196,280
Share capital issued	767,677	614,141	–	1,381,818
Share issuance cost, net	–	(36,422)	–	(36,422)
Balance as at March 31, 2008 / April 1, 2008	5,203,677	1,002,935	259,796	6,466,408
Profit for the nine months ended December 31, 2008	–	–	154,073	154,073
Share issuance cost, net	–	(27,497)	–	(27,497)
Balance as at December 31, 2008 / January 1, 2009	5,203,677	975,438	413,869	6,592,984
Profit / (loss) for the three months ended March 31, 2009	–	–	(68,822)	(68,822)
Balance as at March 31, 2009	5,203,677	975,438	345,047	6,524,162

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Three months ended March 31, 2009	Three months ended March 31, 2008
	Rupees	
Profit / (loss) after tax	(68,822)	196,280
Other Comprehensive income / (expense), net of tax		
Hedging reserve	(26,083)	–
Income tax relating to hedging reserve	9,129	–
	(16,954)	
Total Comprehensive income / (expense) for the period	(85,776)	196,280

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

(Amounts in thousand)

ENGRO POLYMER & CHEMICALS LIMITED
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	Note	Three months ended March 31, 2009	Three months ended March 31, 2008
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	1,073,942	597,759
Finance costs paid		(83,569)	(23,688)
Long term loans and advances		5,944	9,281
Income tax paid		(39,348)	(17,611)
Net cash inflow from operating activities		956,969	565,741
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(706,837)	(1,117,187)
Purchases of intangible assets		(1,495)	–
Retention money against project payments		(216,772)	–
Proceeds on disposal of operating assets		370	536
Short term investments - net		43,648	–
Return on balances with banks		5,763	52,188
Net cash outflow from investing activities		(875,323)	(1,064,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finance - net		2,237,023	–
Repayment of long term finance		–	(1,275,429)
Proceeds from issue of Share Capital		–	327,464
Share issuance cost - net		–	(56,033)
Repayments of:			
- long term finances and morabahas		(100,000)	–
Net cash inflow / (outflow) from financing activities		2,137,023	(1,003,998)
Net increase / (decrease) in cash and cash equivalents		2,218,669	(1,502,720)
Cash and cash equivalents at beginning of the period		(743,183)	3,162,360
Cash and cash equivalents at end of the period		1,475,486	1,659,640

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

1.2 The Company was incorporated in Pakistan in 1997 under the Companies Ordinance, 1984. The Company was listed on Karachi Stock Exchange in July 2008 and on Lahore Stock Exchange in March 2009.

1.3 The Company is a subsidiary of Engro Chemical Pakistan Limited. The address of its registered office is 1st Floor, Bahria Complex I, M. T. Khan Road, Karachi. The Company's principal activity is to manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds and other related chemicals.

1.4 In 2006, the Company commenced work on its expansion plan in respect of its existing capacity and backward integration project (the Project). The project's total cost is estimated at US $ 240,000, which includes construction of Ethylene Di Chloride, Vinyl Chloride Monomer (VCM), Chlor Alkali and Power plant. The new plants are being setup adjacent to the Company's existing PVC facilities in the Port Qasim Industrial Area.

2. BASIS FOR PRESENTATION

These consolidated condensed interim financial statements have been presented in condensed form in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. They do not include all the information required for annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2008.

The presentation of these financial statements has been amended to reflect the changes introduced by IAS-1: Presentation of Financial Statements.

These consolidated condensed interim financial statements are unaudited and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2008.

4. PROPERTY, PLANT AND EQUIPMENT

Additions to fixed assets and capital work in process during the period amounted to Rs. 1,012,897 (2008: Rs. 11,615,087) and deletions at cost therefrom were Rs. 1,562 (2008: Rs. 9,936) having a written down value of Rs. Nil (2008: Rs. 6,314)

5. STOCK-IN-TRADE

	Unaudited March 31, 2009	Audited December 31, 2008
	Rupees	
Raw and packing materials	669,458	327,670
Work-in-progress	31,810	21,293
Finished goods	206,351	810,510
	907,619	1,159,473

(Amounts in thousand)

6. BORROWINGS

The Company entered into a Syndicated Term Finance Agreement on February 21, 2009 for Rs. 1,500,000. The facility is repayable in thirteen semi-annual installments commencing 6 months from Commercial Operations date or six months from December 30, 2009 (whichever is earlier). The facility carries mark-up at the rate of 3.0% over six months Karachi Inter Bank Offered Rate (KIBOR) and monitoring fee of Rs. 300 for the first year and Rs. 500 per annum, thereafter. Commitment fee at the rate of 0.15% per annum is also payable on that part of the finance that has not been drawn. During the period, Company has drawn down Rs. 1,000,000 against this facility.

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into interest rate swap agreements with two banks to hedge its interest rate exposure on floating rate borrowing from International Finance Corporation (IFC) for notional amounts aggregating to US $ 40 million. Under the agreements, the Company would receive six month USD-LIBOR on respective notional amounts and pay fixed rates, which will be settled semi annually. The fair values of swap agreements are debited to equity – net of tax. Details of the swap agreements are as follows:

Notional Amount US $	Effective Date	Termination Date	Fixed Rate %	Fair Value as at March 31, 2009 Rupees	Fair Value as at December 31, 2008 Rupees
15,000	December 15, 2008	June 15, 2017	3.385	54,157	60,154
5,000	June 15, 2009	June 15, 2017	3.005	9,333	–
15,000	June 15, 2009	June 15, 2017	2.795	17,124	–
5,000	June 15, 2009	June 15, 2017	2.800	5,623	–
40,000				**86,237**	**60,154**

	Unaudited March 31, 2009	Audited December 31, 2008
	Rupees	
8. DEFERRED LIABILITIES		
Deferred tax	333,082	382,574
Retirement and other service benefits	35,734	38,500
	368,816	421,074

9. CONTINGENCIES AND COMMITMENTS

9.1 Commitments

- Performance guarantees issued by banks on behalf of the Company as at March 31, 2009 amounted to Rs. 405,450 (December 31, 2008: Rs. 264,200).

- Contracts signed in respect of capital expenditure for the Project, but not executed as at March 31, 2009 amounted to Rs. 496,894 (December 31, 2008 Rs. 1,305,738).

(Amounts in thousand)

	Three months ended March 31, 2009	Three months ended March 31, 2008
	Rupees	
10. COST OF SALES		
Opening stock of work-in-progress	21,293	22,861
Raw and packing materials consumed	1,392,285	1,350,027
Salaries, wages and staff welfare	43,299	27,916
Fuel, power and gas	104,264	35,633
Repairs and maintenance	23,580	3,633
Depreciation	69,788	42,229
Consumable stores	5,870	1,862
Purchased services	4,705	4,266
Storage and handling	42,819	33,239
Training and travelling expenses	727	667
Communication, stationery and other office expenses	243	430
Insurance	12,053	2,432
Other expenses	1,578	–
	1,701,211	1,502,334
Closing stock of work-in-progress	(31,810)	(13,817)
Cost of goods manufactured	1,690,694	1,511,378
Opening stock of finished goods	810,510	640,170
Closing stock of finished goods	(206,351)	(619,628)
	604,159	20,542
Cost of sales - own manufactured product	2,294,853	1,531,920
- purchased product	–	529
	2,294,853	1,532,449
11. DISTRIBUTION AND MARKETING EXPENSES		
Salaries, wages and staff welfare	12,722	9,738
Advertising, sales promotion and entertainment	9,641	5,190
Product transportation and handling	63,570	46,518
Rent, rates and taxes	1,430	510
Purchased services	1,775	2,933
Insurance	270	157
Depreciation	1,058	887
Training and travelling expenses	1,058	1,239
Communication, stationery and other office expenses	493	622
Other expenses	490	579
	92,507	68,373

(Amounts in thousand)

	Three months ended Mar. 31, 2009	Three months ended Mar. 31, 2008
	Rupees	
12. ADMINISTRATIVE EXPENSES		
Salaries, wages and staff welfare	7,233	13,998
Rent, rates and taxes	3,255	2,016
Purchased services	4,378	1,798
Insurance	101	–
Depreciation	1,655	1,225
Training and travelling expenses	6,013	2,288
Communication, stationery and other office expenses	3,218	971
Other expenses	1,822	321
	27,675	22,617

13. OTHER OPERATING EXPENSES

Other operating expenses for the current quarter include net exchange losses of Rs. 19,616 on imported raw material and exports of finished products, Rs. 14,245 on account of revaluation of retention money deducted from progress payments of foreign contractors against the project and Rs. 9,495 on account of revaluation of foreign currency loan. This head only included charge for WPPF and WWF in first quarter 2008. No such charge has been made in the current quarter due to the loss incurred during the quarter.

14. OTHER OPERATING INCOME

Other operating income in the current quarter includes Rs. 5,798 on account of interest income on deposits. Income from this source was Rs. 53,142 in the comparable quarter last year, due to availability of surplus funds.

15. FINANCE COSTS

The new PVC plant was capitalised with effect from January 1, 2009. The current quarter finance cost includes interest and other charges amounting to Rs. 41,927 on loans used to finance this plant.

(Amounts in thousand)

	Three months ended March 31, 2009	Three months ended March 31, 2008
	Rupees	
16. CASH GENERATED FROM OPERATIONS		
Profit / (loss) before taxation	(104,585)	296,315
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	(2,766)	(1,411)
Provision for SFED	2,519	–
Depreciation	79,253	44,191
Employee share compensation expense	1,095	–
Amortisation	363	150
Income on deposits	(5,798)	(53,142)
Finance costs	60,310	7,808
Gain on disposal of operating assets	(370)	(71)
Working capital changes - note 16.1	1,043,921	303,919
	1,073,942	597,759
16.1 Working capital changes		
Decrease / (Increase) in current assets		
Stores and spares	(26,862)	1,136
Stock-in-trade	251,854	(236,658)
Trade debts	(14,394)	(1,258)
Loans, advances, deposits, prepayments and other receivables (net)	(17,381)	14,487
	193,217	(222,293)
Increase in current liabilities		
Trade and other payables	850,704	526,212
	1,043,921	303,919

(Amounts in thousand)

17. TRANSACTIONS WITH RELATED PARTIES

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions. Following transactions were carried out with related parties during the period:

	Three months ended March 31, 2009	Three months ended March 31, 2008
	Rupees	
Holding Company		
Purchase of services	1,150	170
Sale of services	997	758
Sale of steam and electricity	12,627	10,527
Use of operating assets	872	–
Pension fund contribution	937	644
Provident fund contribution	701	527
Associated Company		
Purchase of goods	1,494,315	1,405,950
Sale of goods	226,259	77,468
Related parties by virtue of common directorship		
Purchase of goods	6,465	1,820
Purchase of services	89,288	31,869
Sale of services	–	792
Insurance	–	458
Directors fee	30	20
Key management personnel		
Managerial remuneration	31,753	25,315
Retirement benefit funds	1,941	1,865
Other benefits	10,526	17,684

18. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on April 23, 2009 by the Board of Directors of the Company.

19. CORRESPONDING FIGURES

Corresponding figures in the balance sheet and statement of changes in equity comprise of balances as per the annual audited financial statements for the year ended December 31, 2008, whereas corresponding figures in the profit and loss account and cash flow statement comprise of balances of comparable period as per the condensed interim financial statements for the three months ended March 31, 2008.

Asif Qadir
President & Chief Executive

Masaharu Domichi
Director

Engro Polymer & Chemicals Ltd.

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