engro polymer & chemicals

ANNUAL REPORT 2017

RISING with RESIN

engro polymer & chemicals

Annual Report 2017

Engro Polymer & Chemicals is proud to present its Annual Report for the year 2017.
This report focuses on Stakeholder Information, Corporate Governance,
the Directors' Report and Financial Statements for the year ended December 31, 2017

For any feedback, suggestions or queries kindly contact the following:

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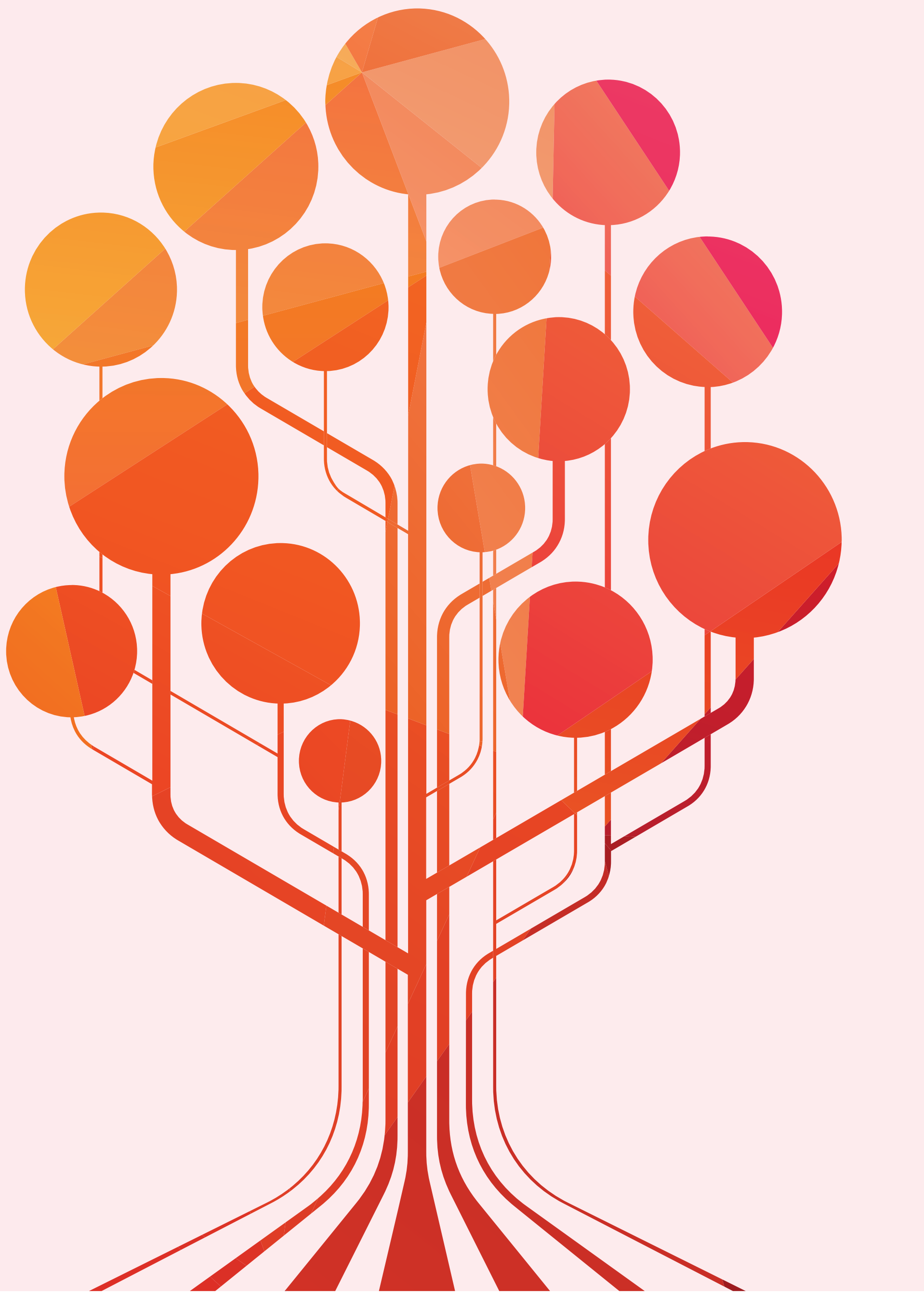
This report is also available on our website:
www.engropolymer.com

RISING with RESIN

A dream is never an easy chase; it is our belief in consistency, resilience and adherence to core values that has enabled us to progress from a polymer producer to an integrated Chlor Vinyl complex. In line with our vision, we aim to lead Pakistan in polymers & allied chemicals with international footprint.



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Particulars

Stakeholders' Information

Corporate Governance

Directors Report

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Financial Summary

Financial Statements

Notice of AGM and Annexures

Directors Report (in Urdu)

OUR MISSION

To achieve innovative growth which creates value for our stakeholders, customers and employees. Our commitment is to maintain the highest standards of ethics, safety and environmental responsibility.

OUR VISION

Lead Pakistan in Polymers & Allied Chemicals

with International Footprint.

Objective and Strategy:

At EPCL, we believe that strategy is the core of any business. In this regard, extensive deliberations are done at management and board levels. In line with the strategy, objectives are developed and cascaded down to divisions.

Corporate Objectives

- Manage and utilize resources and operations in such a way that health and safety of our people, neighbors, customers and visitors is ensured
- Enhance site reliability and ensure product availability
- Execute Board approved capital structure
- Execute key growth and sustainability projects
- Create value for Pakistan by increasing import substitution effect
- Ensure availability of talent base and motivated employees for achieving the organizational objectives
- Deliver a common set of business processes, standard master data and quality information in a timely fashion, all of which will improve the speed of decision making
- Create value for community through our dedicated CSR initiatives

Functional Objectives and Strategies

Based on the corporate objectives, functional objectives are set for all divisions and strategy is crafted.

Health, Safety and Environment

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Ensure safe work environment	Reduced Total Recordable Incident Rate (TRIR) and Fleet Accident Frequency Rate (FAFR)	The CPIs shall remain relevant in the future	Implementation of best practices as prescribed by DuPont Framework and regular monitoring of numbers on management's / BoD levels.
Carry out External DuPont Audit	DuPont Ratings		Close inspection and implementation DuPont reports
Minimize environmental impact	Performance is measured against several international benchmarks and is also verified by external authoritie		Environmental impact studied for all projects and implementation is carefully planned to ensure compliance to stringent environmental benchmarks

Manufacturing

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Conduct annual turnaround on site and carryout reliability projects to enhance site reliability	Number of unplanned shutdowns, production loss and tasks completed	The CPIs shall remain relevant in the future	Conduct plant turnaround within time frames and allocated resources. Preventive maintenace is done and critical equipments are tested for reliability regularly
Maintain optimal production levels	Production targets are set for all products		Monitoring the production facility / process closely to identify and eliminate bottle-necks, if any, on timely basis
Maintain raw material / energy consumption ratios	Raw material and energy consumption ratios have been set for all products against which performance would be compared		Regular monitoring of production / consumption ratios is done at all levels and action plan is devised in case of concern for immediate rectification

Marketing

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Optimize sales mix and development of domestic market	Volumetric targets are set and monitored on a monthly level	The plans for market development and enhancing sales are analyzed on an annual basis and will remain key to future growth of the Company	Detailed analysis of sales mix is conducted to monitor geographic productwise, applicationwise sales mix. Business development team works closely with downstream customers and provide technical services for existing products and help them with new product formulation and recipies

Human Resources

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Develop & retain talent, and increase workforce diversity	Attrition & diversity ratios	Talent development and retention shall remain the core focus area in the future	Attrition rates and diversity ratios are monitored and reported regularly. Job rotations / enrichment is planned to ensure retention of talent and to ensure diversity, work place environement is made conducive
Improve employee engagement	Employee Engagement Survey		Implement action items from previous surveys to ensure better employee engagement.CEO conducts regular open house sessions with employees to discuss potential concerns and to encourage conducive work place enviorment
Availability of requisite human resources in all aspects of operations	Uninturruped operations in all departments		Development of a succession plan for all key positions within the organization

Finance

Objectives	Critical Performance Indicator	Future Relevance	Strategy
Execute Capital structure	Capital structure and financial ratios targets	The CPIs shall remain relevant in the future	To drive for optimal mix between equity and leverage
Focus on overheads and cost efficiencies	Cost optimization and reduction		Reviewing cost structures and executing ideas to achieve desired optimization

Significant Changes in entity's Objectives from Previous Periods:

To keep the departmental objectives aligned with the strategic vision of the Company, the departmental objectives are consistently reviewed. Since the Company has announced expansion plans, the all departmental objectives are aligned accordingly to ensure timely and satisfactory completion of the projects to achieve desired result and value creation for shareholders.

Our Core Values

Our core values define every aspect of our way of doing business.

Ethics & Integrity

We do care how results are achieved and will demonstrate honest and ethical behaviour in all of our activities. Choosing the course of highest integrity is our intent and we will establish and maintain the highest professional and personal standards. A well founded reputation for scrupulous dealing is itself a priceless asset.

Community & Society

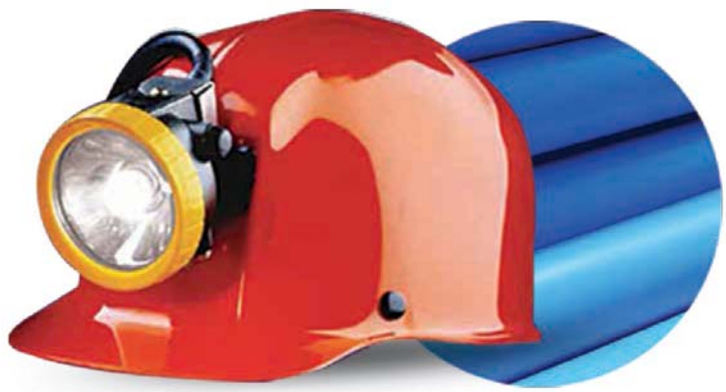
We believe that a successful business creates much bigger economic impact and value in the community, which dwarfs any philanthropic contribution. Hence, at Engro, sustainable business development is to be anchored in the commitment to engage with key stakeholders in the community and society.

Health, Safety & Environment

We will manage and utilise resources and operations in such a way that the safety and health of our people, neighbours, customers and visitors are ensured. We believe our safety, health and environmental responsibilities extend beyond protection and enhancement of our own facilities.

Innovation & Risk Taking

Success requires us to continually strive to produce breakthrough ideas that result in improved solutions and services. We encourage challenges to the status quo and seek organisational environments in which ideas are generated, nurtured and developed. Engro appreciates employees for well thought out risks taken in all realms of business and for the results achieved due to them, acknowledging the fact that not all risks will result in success.



Our People

We strongly believe in the dignity and value of people. We must consistently treat each other with respect and strive to create an organisational environment in which individuals are fairly treated, encouraged and empowered to contribute, and can grow and develop themselves and help to develop each other. We do not tolerate any form of harassment or discrimination.

Our Statement of Best Practices

- Overall, work towards creating an environment which promotes the realisation of our Vision and Values, by focusing on behavioural modification and systematic changes.
- Challenge the status quo by, experimenting and taking reasonable and calculated risk.
- Think EPCL, by placing Company interest above individual, sectional, departmental and achieving these before implementing.
- Collectively develop clear, concise and realistic goals, also agreeing on the process of achieving these before implementing.
- Balance task, team and individual needs, by keeping the helicopter view.
- Work through teams, by valuing all ideas and effectively committing people through consensus building and active involvement.
- Remind each other on the importance of using participatory processes, just as much as emphasising attention on safety, quality and continuous improvement.
- Recognise individual needs and help fulfill them.
- Trust each other by delegating authority and decision making to the lowest possible level.
- Encourage sharing a clear, consistent and timely feedback for learning and growth.
- Give everyone a chance by listening patiently and thinking before speaking.
- Recognise team and individual efforts to change by celebrating both lessons and successes.

Our Statement of Business Ethics

The policy of EPCL is one of the strict observance of all laws applicable to its business. Our policy does not stop there. Even where the law is permissive, EPCL chooses the course of highest integrity. Local customs, traditions and mores differ from place to place, and this must be recognised. But honesty is not subject to criticism in any culture. Shades of dishonesty simply invite demoralising and reprehensible judgments. A well-founded reputation for scrupulous dealing is itself a priceless Company asset.

An overly-ambitious employee might have the mistaken idea that we do not care how results are obtained, as long as they gets results. They might think it best not to tell higher management all that they are doing, not to record all transactions accurately in their books and records, and to deceive the Company's internal and external auditors. They would be wrong on all counts.

We do care how we get results. We expect compliance with our standards of integrity throughout the organisation. We will not tolerate an employee who achieves results at the cost of violation of laws or unscrupulous dealing. By the same token, we support and we expect you to support, an employee who passes up an opportunity or advantage which can only be secured at the sacrifice of principle.

Equally important, we expect candor from managers at all levels and compliance with accounting rules and controls. We don't want employees to misrepresent facts, whether they are misrepresenting in a mistaken effort to protect us or to make themselves look good.

One of the kinds of harm which result when a manager conceals information from higher management and the auditors is that subordinates within his organisation think they are being given a signal that Company policies and rules, including accounting and control rules, can be ignored whenever inconvenient. This can result in corruption and demoralisation of an organisation. Our system of management will not work without honesty, including honest book-keeping, honest budget proposals and honest economic evaluation of projects.

It has been and continues to be EPCL's policy that all transactions shall be accurately reflected in its books and records. This, of course, means that falsification of its books and records and any off-the-record bank accounts are strictly prohibited.

Our Approach Towards Creating Meaningful Value

Our Board of Directors is representative of our shareholders' interests and works with the President & CEO in deciding the overall strategic vision and direction of the Company.

Two principal Board Committees assist the Board in making decisions related to business management and compensation. Furthermore, there are numerous Functional Committees acting at the operational level in an advisory capacity to the President & CEO, providing suggestions and recommendations related to business, environment and employee matters.

Functional Heads provide advice and recommendations in their own capacities and concerning their respective business areas. These include Health and Safety, Technical Matters Relating to the Plants, Marketing and Sales, Finance, Employee Matters, Supply Chain, Information Technology and Logistics.

The Senior Management of the Company considers feedback a significant contributor for the review of objectives and for the development of future plans and strategies. The Company gathers information through various stakeholders, including the government, shareholders and community, which ensures an efficient flow of information, both in and out of the Company.

Engaging Stakeholders

Engro Polymer & Chemicals Limited understands the importance of stakeholder engagement and recognises that there is no better way to ensure that our Company remains a responsible corporate citizen, having a positive impact on all of our stakeholders. We engage with our stakeholders both formally and informally, periodically and regularly.

EPCL's stakeholders include:

Media

Our engagement with print & visual media takes place through regular press releases on key achievements and activities as well as through informal conversations on Company news and updates throughout the year.

Investors, Lenders and Shareholders

Investors and shareholders look forward to our Annual General Meeting as well as Corporate Reports (Annual and Sustainability Reports), which include comprehensive information on both financial and non-financial matters related to the organisation. Furthermore, analyst briefings are conducted on quarterly basis, while disclosures to the stock exchanges on strategic events are made as and when required.

Suppliers and Customers

Our suppliers and customers are engaged through periodic formal and informal meetings / conferences. We regularly provide them with technical assistance related to their businesses, to benefit both the industry and the economy in which we operate.

Host Communities (local to our facilities and throughout Pakistan)

We consider ourselves responsible for our host communities and hold regular interaction in order to understand how we can improve our relation. The Company is extremely active in health, education, livelihood and environmental projects for the betterment of these communities.

Employees

EPCL concentrates on employee engagement as it is key to performance. A survey is carried out every year to assess the levels of engagement and motivation at the workplace, and based on feedback areas of weakness are improved and strengths held stable.

Regulators

The Company complies with all regulatory requirements and in this regard maintains close coordination with relevant regulators including the stock exchange, tax authorities and Securities and Exchange Commission of Pakistan (SECP).

Stakeholders' Information

Company Information

Board of Directors

Mr. Ghias Khan
Mr. Imran Anwer
Mr. Feroz Rizvi
Mr. Noriyuki Koga
Mr. Mohammad Asif Sultan Tajik
Mr. Nadir Salar
Mr. Hasnain Moochhala

Company Secretary

Mr. Shazeb Siddiki

Bankers

Allied Bank Ltd
Askari Bank Ltd
Bank Alfalah Ltd
Bank Al Habib Ltd
Bank Islami Pakistan Ltd
Burj Bank Ltd
Citi N.A
Deutsche Bank AG
Faysal Bank Ltd
Habib Bank Ltd
Industrial & Commercial Bank of China Ltd
MCB Bank Ltd
Meezan Bank Ltd
National Bank of Pakistan
NIB Bank Ltd
Standard Chartered Bank Ltd
Summit Bank Ltd
Tha Bank of Punjab
United Bank Ltd

Auditors

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

Registered Office

12th Floor, Ocean Tower, G-3, Block 9,
Clifton, Khayaban-e-Iqbal, Karachi - 75600
PABX : +92-21-35166863-64
FAX : +92-21-35166865
UAN : 111 411 411
E-mail : epcl-info@engro.com

Share Registrar

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

Plant

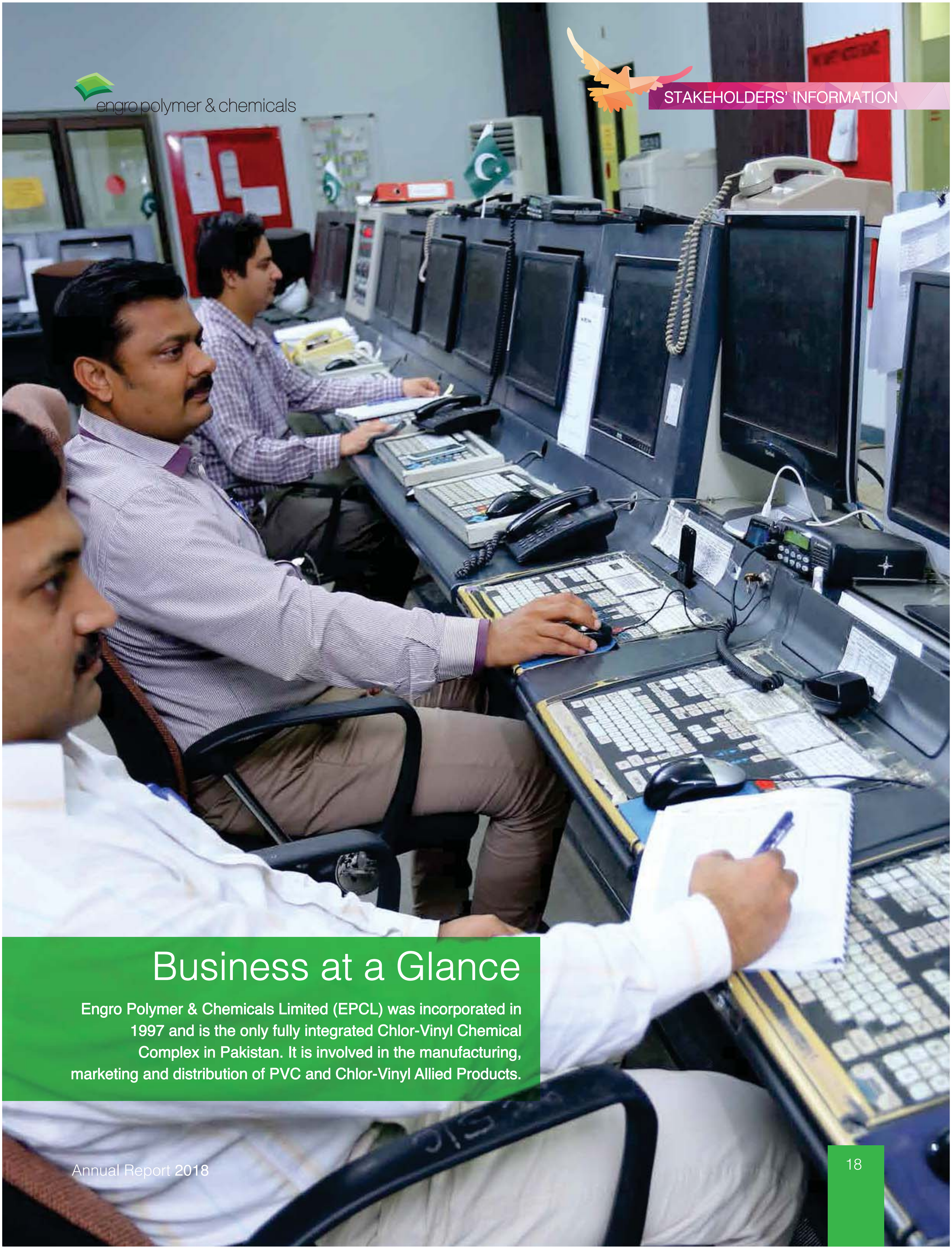
EZ/1/P-ii-1, Eastern Zone, Bin Qasim, Karachi

Website

www.engropolymer.com

CEO's Message

https://engropolymer.com/corporate_highlights/ceo-message.php



Business at a Glance

Engro Polymer & Chemicals Limited (EPCL) was incorporated in 1997 and is the only fully integrated Chlor-Vinyl Chemical Complex in Pakistan. It is involved in the manufacturing, marketing and distribution of PVC and Chlor-Vinyl Allied Products.

Exporting Countries

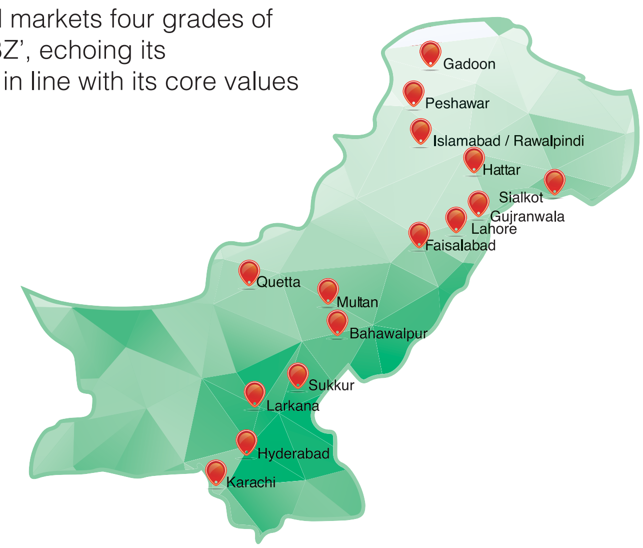
- Ethylene: UAE, Itly, USA and Singapore
- Ethylene: Di Cholride (EDC): Saudi Arabia, Qatar, Indonesia and Germany

Importing Country

- Poly Vinyl Chloride : India

PVC

The Company manufactures and markets four grades of PVC under the brand name 'SABZ', echoing its commitment to environment and in line with its core values



PVC

Karachi	Larkana	Multan
Faisalabad	Lahore	Sukkur
Bahawalpur	Gujranwala	Hattar
Islamabad / Rawalpindi	Peshawar	Gadoon
Sialkot	Hyderabad	Quetta

AU 67 S: Soft sheet & garden hose

AU 72: Artificial leather, wire coating & Geomembrane

AU 67 R: Pipe, soft sheet & profiles

AU 60: Figid sheet & pipe fittings

PVC PLANT INFORMATION

Capacities:

- PVC – 178 KTA
- EDC – 127 KTA
- VCM – 204 KTA

Caustic & Allied Chemicals

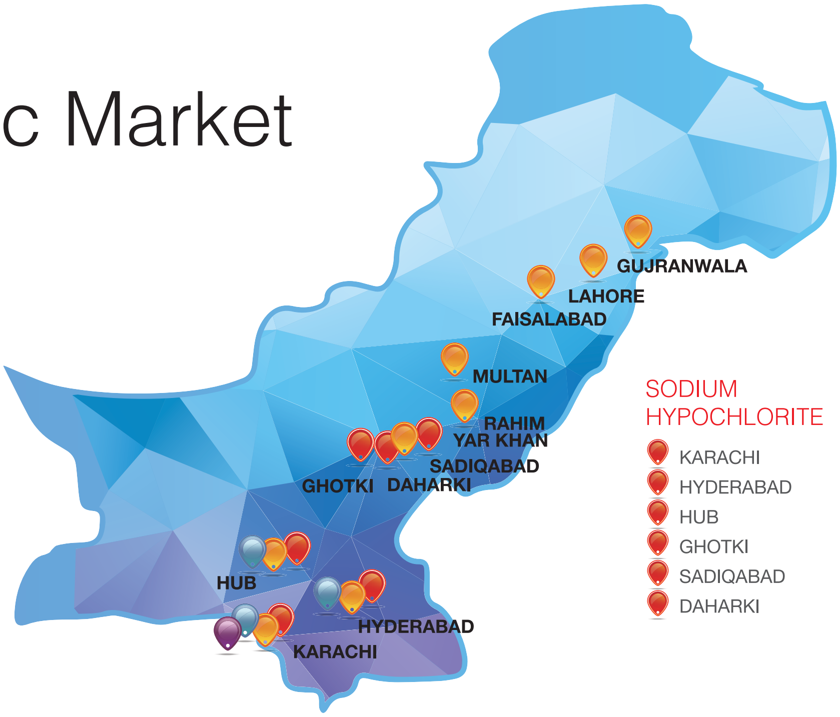
Raw Material

Salt is our primary raw material for Caustic and Allied Chemicals

Production Design Capacities

- Caustic – 106 KTA
- Hypo – 20 KTA
- HCL – 60 KTA
- Hydrogen – 3 KTA

Domestic Market



CAUSTIC SODA
- KARACHI
- HUB
- HYDERABAD
- MULTAN
- RAHIM YAR KHAN
- FAISALABAD
- LAHORE
- DAHARKI
- GUJRANWALA

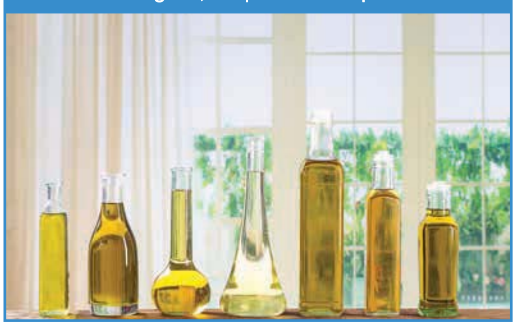
SODIUM HYPOCHLORITE
- KARACHI
- HYDERABAD
- HUB
- GHOTKI
- SADIQABAD
- DAHARKI

HYDROCHLORIC ACID
- KARACHI
- HUB
- HYDERABAD

HYDROGEN
- KARACHI

Caustic & Allied Chemical

Caustic Soda:
Dyeing and mercerizing in textile, FFA removal from edible oil & ghee, soap and water purification



Sodium Hypochlorite:
Water treatment, detergents, denim bleaching and paper bleaching

Hydrochloric Acid:
Pickling, oil well acidizing, water treatment, cleaning, food processing and medicine

Hydrogen:
Used in the manufacturing of terephthalic acid

SWOT Analysis

Strengths

- Integrated production facility capable of operating at high capacity utlization
- Established brand name and diversified product portfolio
- Strong human resource base and unique technical expertise in Chlor-Vinyls
- Established domestic presence and access to global export markets
- Strong credit ratings

Weakness

- Increased exposure due to volatility in international commodity prices limiting pricing power
- Dependence on specialised raw material, which is subject to supply swings
- Over supplied caustic market

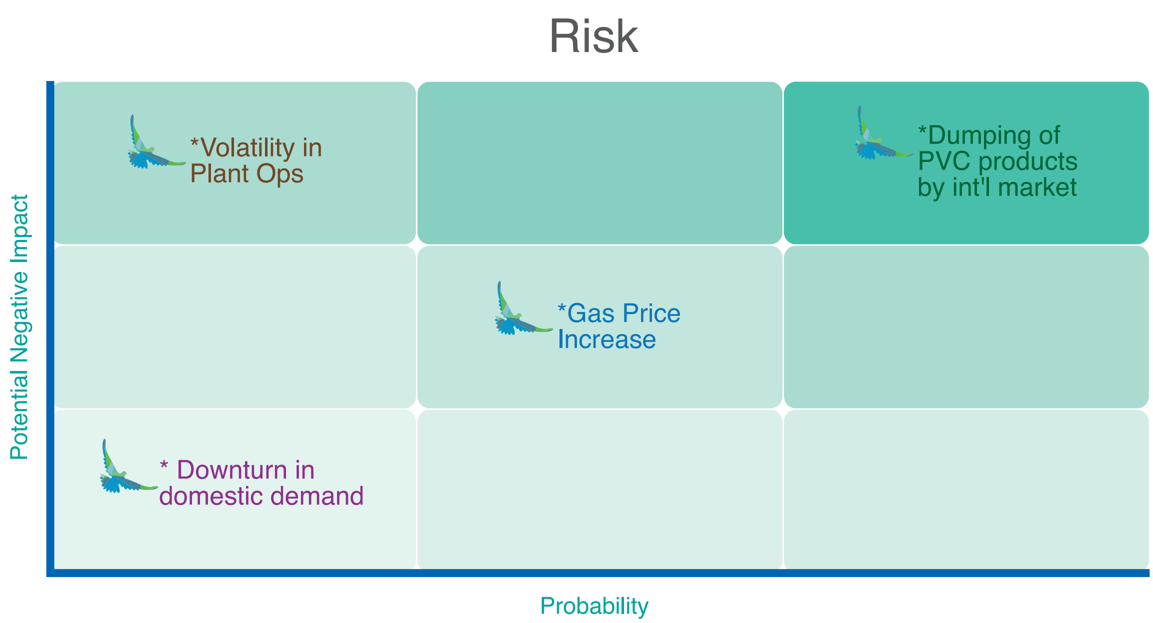
Opportunities

- Lower per capita PVC consumption in the country
- Uptick in PVC demand with increased construction activity, infrastructural projects and spending on public sector development
- Diversified downstream integration and new market development
- Alternate energy projects

Threats

- Changes in tariff and duty structures
- Rise in gas prices in Pakistan
- Dumped imports of PVC

Risk and Opportunity Report



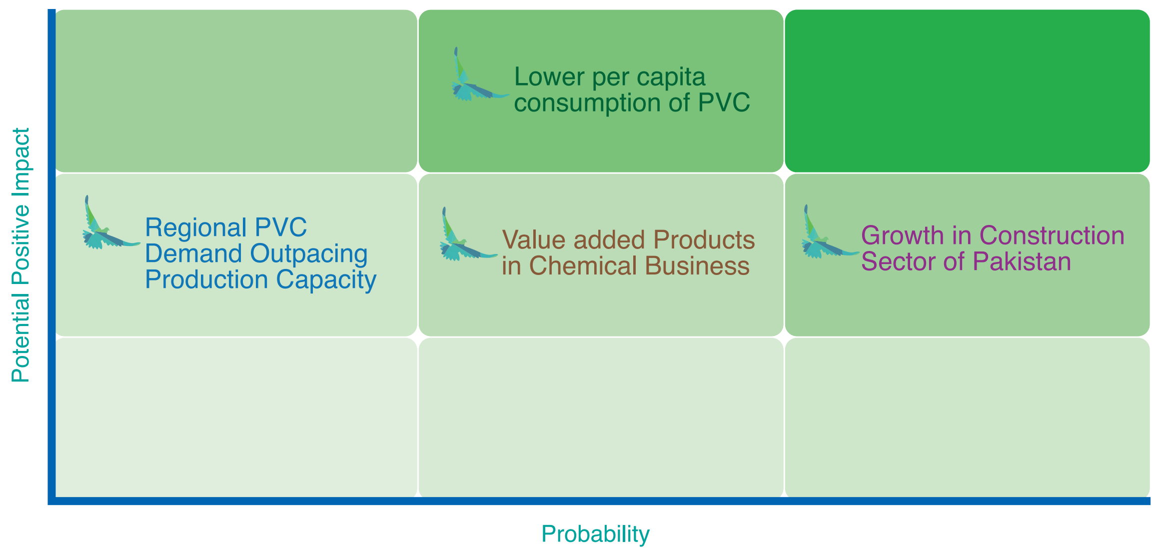
Dumping of PVC Resin by International Market
Risk - The continued flow of dumped products curtails EPCL's ability to operate in a level playing field and impairs value creation.
Mitigating Risk - In 2017, National Tariff Commission imposed provisional Anti Dumping Duties, after EPCL presented its case. In this regard, we have been pursuing with relevant authorities and have been presenting our case.

Gas Price Increase
Risk – Gas is essential to plant operations. Increase in gas prices can have substantial adverse impact to the Company.
Mitigating Risk – EPCL has been exploring efficiency and other gas conservation projects, however, increase in gas price would have detrimental impact on the Company's operations.

Volatility in Plant Operations
Risk – Disruption in plant operations can severely hamper production, the probability of which is low.
Mitigating Risk – EPCL is continuously investing in plant infrastructure and benchmarking with acclaimed global players to ensure best practices are followed.

Downturn in domestic demand
Risk – The decrease in market demand for caustic and PVC will have an impact on the bottom line.
Mitigating Risk – The company is helping its customers build new PVC products and increasing the demand. These market development activities include PVC Foam Board, PVC Wood Plastic and PVC Wall Panels. The Company also has the capability to export surplus quantity.

Opportunity



Lower per capita consumption of PVC

Opportunity – The per capita consumption of PVC for Pakistan is the lowest in South Asian region standing at 1.2KG/capita compared to 2.3KG/capita for India. This phenomenon exists primarily because Pakistan uses PVC in conventional applications. For this, EPCL is focusing on new PVC products including PVC Foam Board, PVC Wood Plastic and PVC Wall Panels to increase the size of the market.

Growth in Construction Sector of Pakistan

Opportunity – The construction sector of Pakistan has grown by 9% in 2017, strong sector growth bodes well for our primary segment, i.e. pipes and fittings.

Value added Products in Chemical Business

Opportunity – EPCL is focusing and investing in increasing the portfolio of products in its chemical business. These include introduction of Caustic Flakes along with investing in Sodium Hypochlorite and Hydrochloric Acid to reap higher margins and diversify the product portfolio.

Regional PVC Demand Outpacing Production Capacity

Opportunity – The demand has outpaced production capacities providing with an opportunity to export in the regional market.

Key Figures

Sales Revenue (Rs. in thousands)

2016: 22,854,024

2017: 27,730,736

Earnings Per Share (in Rs.)

2016: 0.99

2017: 3.09

Profit After Tax (Rs. in thousands)

2016: 659,933

2017: 2,053,016

Capital Ependiture (Rs. in thousands)

2016: 644,657

2017: 1,092,858

Total Assets
(Rs. in thousands)

2016
24,420,761

2017
24,364,326

Market Capitalisation
(Rs. in thousands)

2016
12,247,634

2017
18,948,668

Share Price
(in Rupees)

2016
18.46

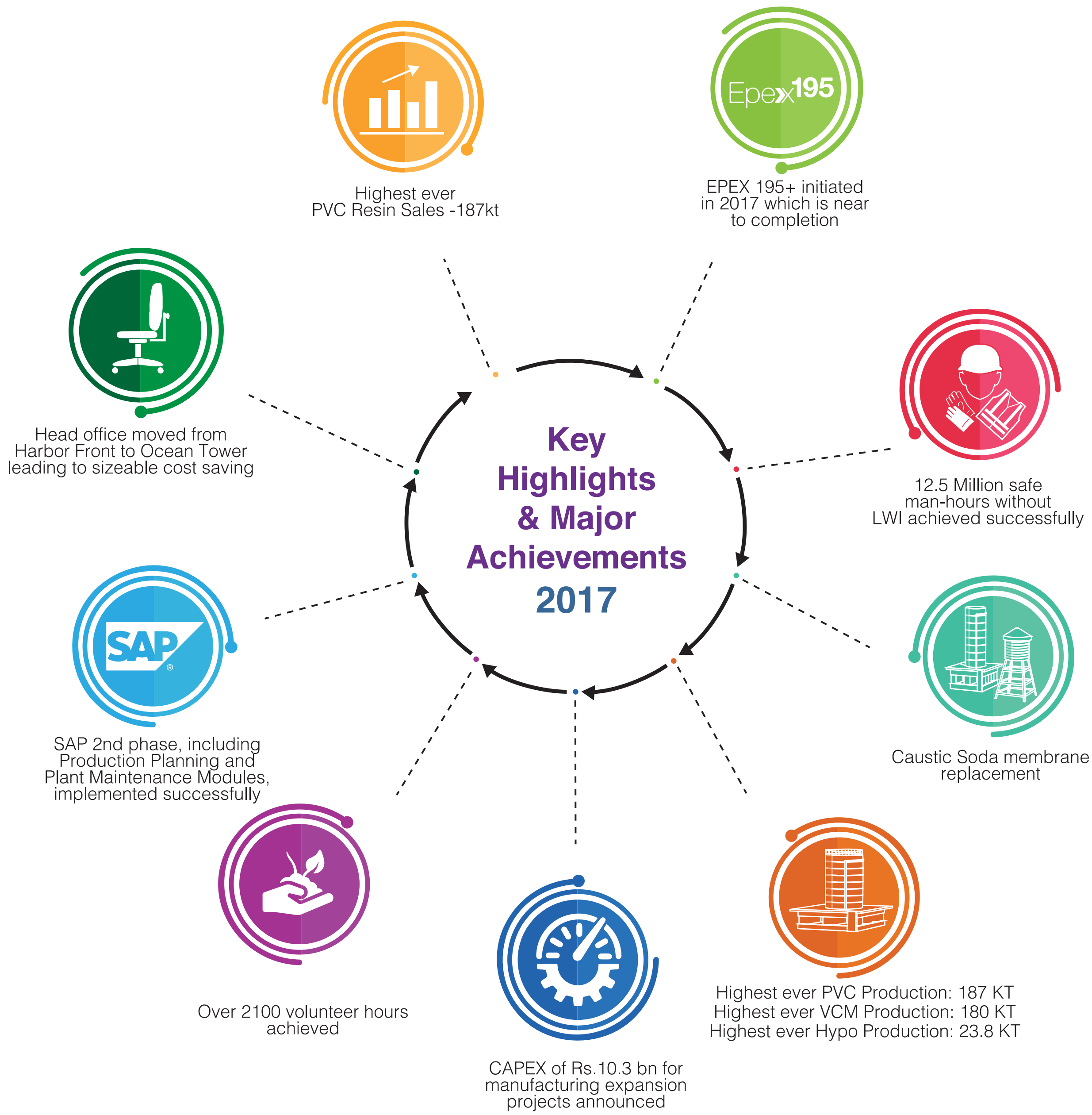
2017
28.56

Total Equity
(Rs. in thousands)

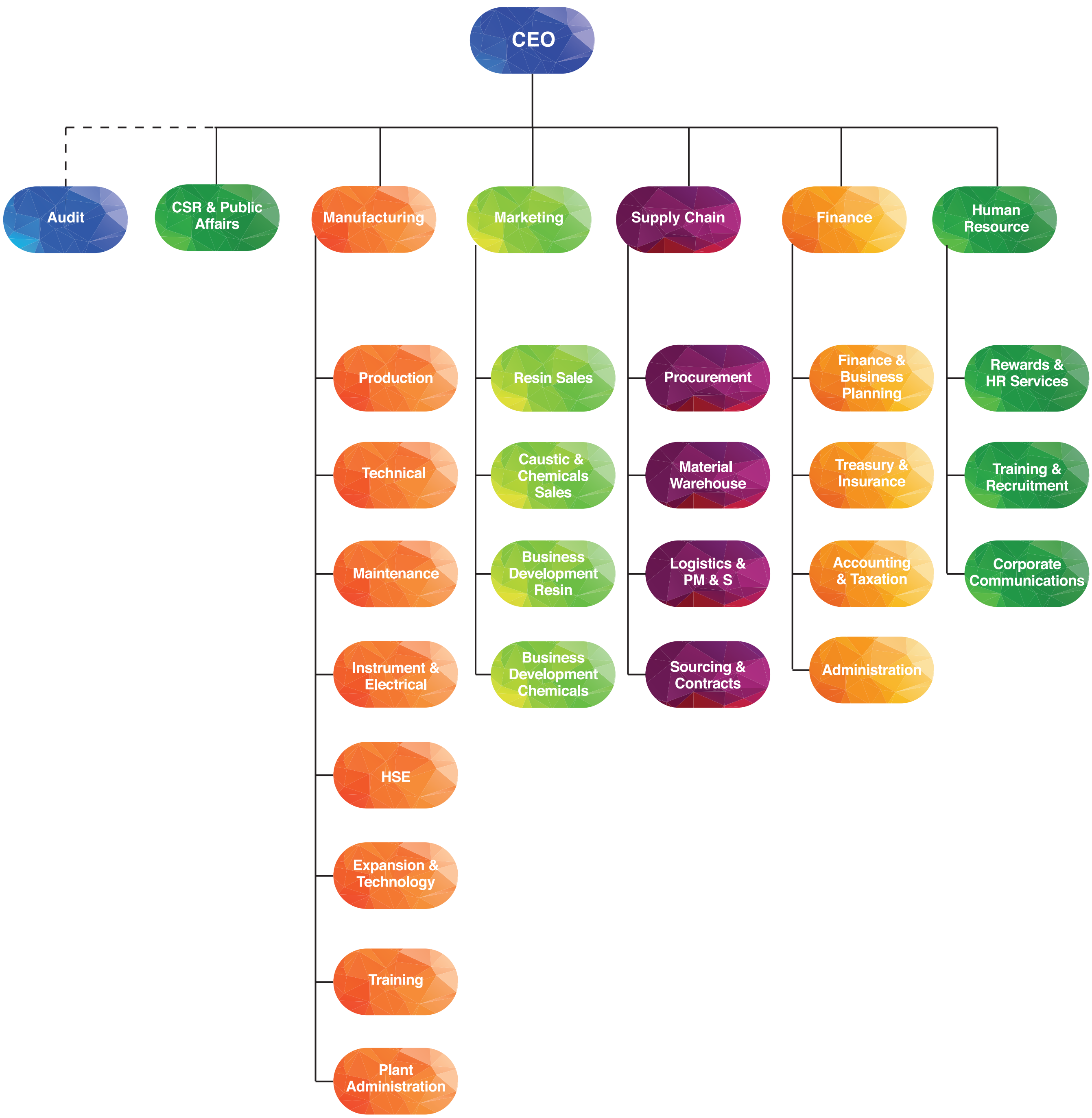
2016
6,004,179

2017
7,760,109

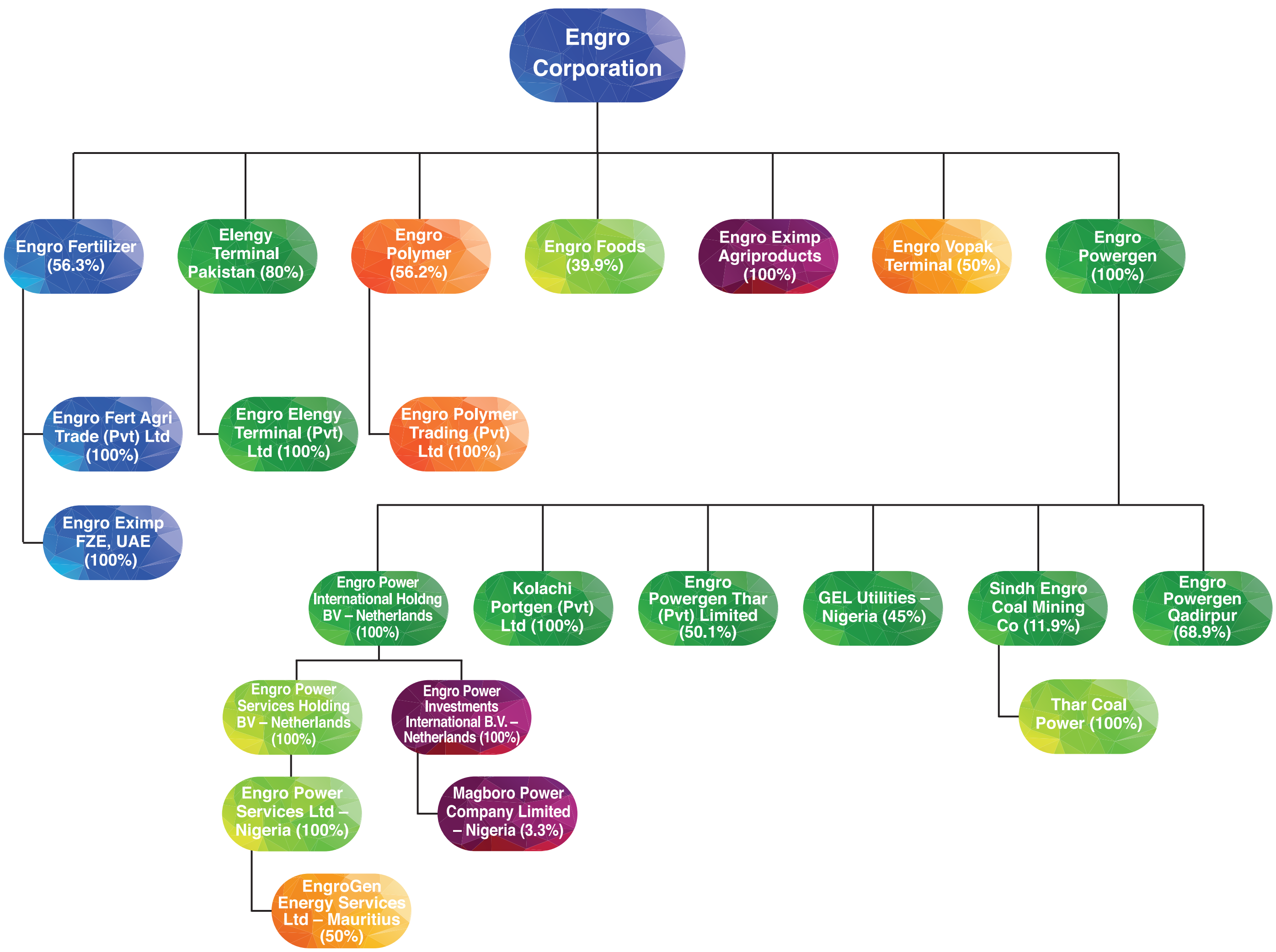
Key Highlights and Major Achievements



Organisational Structure



Engro Corporation – Conglomerate Organogram



Awards, Achievements and Accreditations

Certifications:

DuPont Certification
DuPont PSM / PSRM system covers the Personnel as well as Process Safety & Risk Management aspects. It encompasses every safety system and procedure including, but not limited to, Safe Work Procedures, Management of Change, Quality Assurance, Hazard Analysis, Risk Management and Driving Safety of Highly Hazardous Chemicals in a way that is in accordance with Occupational Safety & Health Administration (OSHA) standards.

DuPont assesses various safety system of an organisation on a scale of '1' (basic systems in place) to '5' (sustained world class performance). In 2017, 2nd party audit was done for PSMs in which EPCL scored 3.7, showing marginal improvement from internal audit of 2015 in which EPCL scored 3.5.

QMS – ISO 9001 Certification
The Company has been ISO-9001 (Quality Management System) certified since 1999, which meant increased customer satisfaction via documented systems and procedures. The company continues to remain ISO9001 certified for Manufacturing and Sales of PVC Resin and Allied Chlor Vinyl Products vide the certification audit carried out by URS in 2017, during which no major or minor non conformity was reported.

EMS – ISO 14001 Certification
The Company is ISO-14001 (Environment Management System) certified by a credible third party (URS). Accordingly, the organization has amplified its focus on Health, Safety and Environmental Policies through re-certification.

Green Office Certification:
In 2013, initiative on Green Office Certification by WWF was taken. An audit was carried out in December 2017 for: Paper Reduction, Energy Conservation and Waste Reduction, which were all found to be satisfactory by WWF. Now total 10 buildings have been Green office certified by WWF.

OHSAS – ISO 18001 Certification
The Company implemented OHSAS ISO-18001 (Occupational Health & Safety Administrative Series) in 2013. Surveillance audit was done by URS in 2017. EPCL carried through this successfully and re-certified witout any major Non-conformity.

EPCL has obtained & maintained memberships of the following world renowned organizations as well to keep itself aligned and updated on the best practices in all areas of Process and personnel safety:

- Center of Chemical Process Safety (CCPS)
- DuPont
- National Safety Council (NSC)
- British Safety Council (BSC)

Unilever Responsible Sourcing Audit (URSA), a prerequisite for continuation of business with Unilever, who are the major customers for the caustic product, was conducted in January, 2018 and was successfully concluded with an incompliance score of "10" (Critical Incompliances: ZERO, Minor Incompliances: ONE-10 points, Observations: ZERO) resulting in accreditation for "3 years".

This year's 4 man-day audit tested us in the areas of Business Practices & Controls, Worker Remuneration, Rights, & Law Compliances, General Legal and Social Compliance, Health, Safety, and Environment – Practices, Compliances, and Controls. This incompliance score speaks volumes about our organization's practices, manufacturing division in particular, and validates our alignment with best international practices in all facets.

Credibility

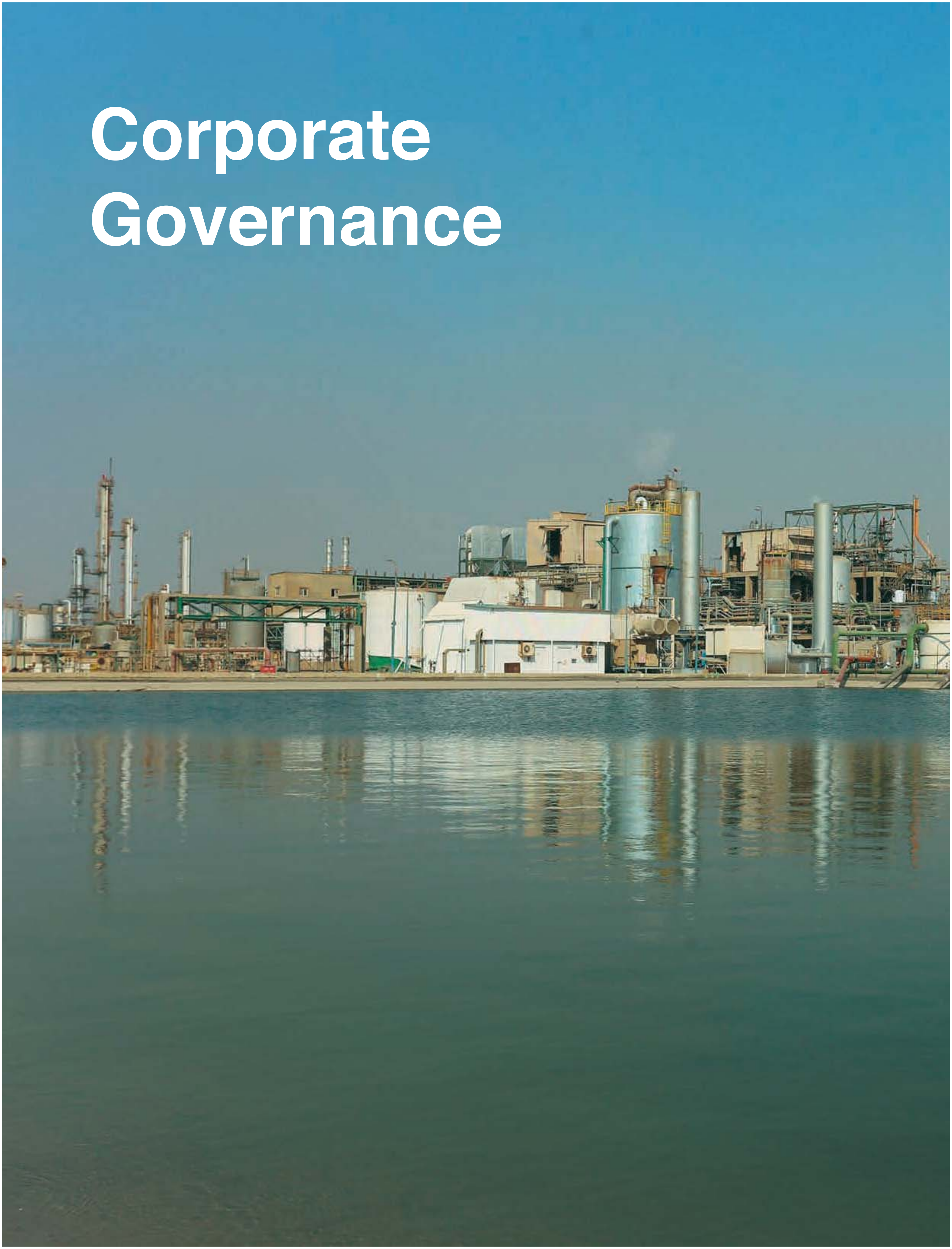
PACRA Credit Ratings
In 2017, the Company was awarded an investment grade rating by PACRA. The credit rating of the Company has been upgraded to 'A' Long term and 'A1' Short term rating. Strong rating is a testimony to the fact that the Company has achieved operational consolidation and has promising fundamentals. It will further enhance the Company's ability to optimize capital structure and cost of capital.

Best Corporate Report Awards
The Joint Evaluation Committee of ICAP-ICMAP awards 'Best Corporate Report' in different sectors. The Company's Annual Report for 2013 was awarded first prize by the committee and was awarded second prize on annual reports for 2009, 2010, 2014, 2015 and 2016 in chemical sector.

AGM Issues & Responses

Issues raised in AGM	Response
Shareholders requested that Board of Directors should consider declaration of dividend	Since the Company posted a positive equity in 2017, therefore, the Company paid interim dividend of Rs. 0.45 / share and declared a final dividend of Rs. 0.8 / share (Cummulatively, Rs. 1.25 / share) making a dividend payout ratio of 40%
Issuance of right shares was suggested instead of preference shares	It was clarified by the directors that the preference shares were also to be issued in the form of right issue. Further, the Company has also planned to fund the PVC / VCM expansion project through right issue of ordinary shares
One of the share holders suggested to change the auditors of the Company	Considering the ratings of A. F. Fergusons as awarded by the Institute of Chartered Accountants of Pakistan (ICAP) and the consent of majority shareholders, the re-appointment of auditors, as recommended by the Board of Directors was approved

Corporate Governance



Governance Framework

Our Governance Framework is designed to ensure that the Company embodies its Core Values and Principles, institutionalising excellence in everything that we do. Driven by the highest standards of integrity, transparency and zeal to protect stakeholders' value, EPCL has ordinated its Governance Framework on the industry's best practices. The Board of Directors and Senior Management place a significant emphasis on internal controls, which trickles down to each and every employee in the Company.

Our Corporate Governance is grounded on the basis of proper Management policies and the Organisation conforms to accepted guidelines of Pakistan Stock Exchange Limited as well as the Securities and Exchange Commission of Pakistan (SECP). The Board of Directors is committed to honest, ethical, knowledgeable and comprehensive management and to implement good Corporate Governance as a means of accomplishing maximum success and effectiveness. For the Company, Corporate Governance is a tool for enhancing and reinforcing our values and sustainable growth. Developing good Corporate Governance is an iterative process and aims to incorporate standards that are universally practiced and appreciated.

The Internal Environment

The Organisation is structured in a way that corresponds well to its business plan and responsibilities are clearly assigned to each department. High quality personnel are hired and given continuous opportunities to develop knowledge and competencies, and represent the Company's commitment to ethical and professional business standards. The Organisation also encourages employees to participate as well as understand their work, while instilling in them the responsibility of reducing risk. Work is consistently being upgraded, improved and fashioned in such a way that internal controls form an integral part of operations. Operating manuals of key functions have been produced to ensure efficiency of operations and avoid the duplication of effort.

Internal Control Framework

Responsibility

The Board is ultimately responsible for EPCL's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure in achieving Business Objectives and provides reasonable assurance against material misstatements or losses that the Company could possibly face.

The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive Officer.

Framework

An established control framework is maintained by the Organisation, constituting clear structures, authority limits and accountabilities. All Policies and Standard Operating Procedures are properly documented in operating manuals. Both Corporate Strategy and the Company's Business Objectives are established by the Board, after which they are integrated by Divisional Management into business strategies with supporting Financial Objectives.

Risk Assessment

EPCL conducts its operations keeping in view of the risks involved and has instituted measures to control risk and ensure that it remains manageable. In this way, damage due to risk is minimised and stability is ensured. Long-term and annual plans are designed ensuring that concrete measures of success can be obtained. Auditing operations and insurance measures are also continuously improved with the help of various tools in the effort to reduce risk.

Control Activities

The Company has determined a number of control activities that are in accordance with the nature of business operations and has assigned responsibilities in such a way that mutual supervision is in effect.

Information Systems' Governance Framework and Safety of Accounting Records

EPCL information systems from 1st of Jan 2018 are being driven by ECORP IS laying down a Digitization Strategy 2020 for EPCL with the vision of 'Digitization' of processes & Information to make the organization **Paperless & Wireless** thereby, enabling the employees to **Work from anywhere, anytime & from any device.** It will also harness on automation to deliver **'Sales Operations without Human Intervention'**.

The driving force of the Digitization IT Strategy 2020 is to improve the business end to end, be it operations, manufacturing, supply chain or engaging with customers to generate a value that creates a sustainable impact in the growth of EPCL. The Information Systems, Governance Framework sets minimum control requirements for Information Systems that must be met by all businesses across EPCL. It also lays down the various policies related to the Management, usage and protection of EPCL's Information Systems provisions.

The framework is aligned to the industry's standard Control Objectives for Information and Related Technology (COBIT) ISO 27001 and ITIL v3. EPCL maintains a robust system for the maintenance of its books of accounts, including detailed contingency plans for their safekeeping and recovery in the event of a disaster. The Company fully complies with the regulatory requirements envisaged in the Companies Act 2017 the listing regulations and the relevant pronouncements thereunder.

Conflict of Interest Policy

At Engro Polymer & Chemicals Limited, every employee, director and executive are required to avoid any direct or indirect interests, which might conflict with the interests of the Company when dealing with customers, suppliers, contractors, competitors or any other person or organisation doing or seeking to do business with the Company or any affiliate.

Additionally, in the event of such conflicts arising in the conduct of employees', executives' or directors' personal affairs, including transactions in securities of the Company, of any affiliate, or of any unaffiliated company having a business relationship with Company interests, full compliance to the restrictions and set of disclosures requirements laid down by the Management should be ensured. A robust mechanism to report exceptions, if any, has been established within the Company.

Investor Relations Policy

Engro Polymer & Chemicals Limited strives to develop and maintain trustworthy relations with its stakeholders, including shareholders and investors. It recognises the importance of timely and fair disclosure of all material information to them, without advantage to any particular investor, group or investment advisor / analyst, in order to enable them to make informed decisions about investing in the Company's equity and other debt instruments.

- The Company will ensure that a Shares Registry or Customer Call Centre exists to handle shareholders / other investors' complaints and tackle any problems that they may be facing with regard to their investments or access to relevant Corporate Communications.
- The Company will disclose all material information in a fair and transparent manner in compliance with legal requirements and listing regulations of the stock exchanges where it is listed.

- It may also disclose, through designated spokespersons, other financial or non-financial information that it considers useful for enhancing stakeholders understanding. This may be done through analyst briefings, press releases, television programs or postings on the Company's website.
- Where it makes any forward-looking statements / projections based upon information available at the time of disclosure or assumptions of future events. It will qualify such statements by disclosing the factors that could cause actual results to materially differ from those being implied in such statements.
- To prevent information leaks and maintain fairness in disclosure the Company will observe a "quiet period" prior to the announcement of quarterly / annual results, during which it will decline to respond to inquiries about its business performance and related matters.

HSE Policy

“To be recognised as a world class performer in the field of Health, Safety & Environmental Management”

Engro Polymer will:

- Conduct its business in a manner that protects the health and safety of employees, contractors, others involved in our operations and the community in which we operate.
- Continuously improve environmental performance to achieve sustainable development.
- Strengthen its business by making Health, Safety & Environment (HSE) considerations an integral part of all business activities.
- Comply with all laws and regulations.
- Practice transparent public reporting of the HSE performance.
- Ensure that HSE is a major responsibility of appropriately Trained, Empowered and Accountable Employees & Management.
- Promote a culture of learning & practicing HSE Management among employees and contractors.
- Encourage off the Job HSE awareness among employees and families.

Imran Anwer
President and CEO
Engro Polymer and Chemicals Limited

To achieve these objectives, Engro Polymer shall:

Health

- Identify and evaluate health risks related to its operations that potentially affect its employees, contractors or the public.
- Implement programs and appropriate protective measures to control such risks, including appropriate monitoring of its potentially affected employees. Carry out pre-employment and periodic medical check-up of its employees.
- Provide or arrange for medical services necessary for the treatment of employee occupational illness or injuries and for handling medical emergencies.

Safety

- Implement a rigorous system of Process Safety Risk Management.
- Institutionalise behavioral safety practices using the Personnel Safety Management System.
- Keep abreast of the latest international codes, standards and practices and adopting the same where applicable.

Environment

- Comply with all applicable environmental laws, regulations and apply responsible standards where laws and regulations do not exist.
- Conserve natural resources & energy by continuously improving our processes and measuring performance.
- Continuously improve our processes to minimise pollution and waste.

Cardinal Rules

- Mandatory to report all "On the job" unsafe act / condition, near miss and incident.
- Mandatory to follow Company Policies, Safety Rules and Laws.
- Work with a valid work permit.
- Wear mandatory PPEs in designated areas.
- Bypassing Safety Critical device without authorisation is prohibited.
- Lighting a flame without authorisation is prohibited.
- Walking under a suspended load is prohibited.
- Engaging in or provoking horseplay or fighting within Company premises is prohibited.
- Damaging Company property intentionally is prohibited.
- Sleeping & carrying mobile phones in Plant operating areas is prohibited.
- Bringing weapon or intoxicant on site is prohibited.

Not following the above rules will be treated as Misconduct.

Jahangir Waheed
Vice President Manufacturing
Engro Polymer and Chemical Limited

Driving Safety Policy

The safety and wellbeing of our employees & contractors is of foremost importance to the Organisation. We, therefore, have a responsibility of not only safeguarding ourselves when on the road, but also to play our part to protect those around us.

It is incumbent on all company employees, whether permanent or on contract, when driving or being driven, on company business, to consistently apply & follow driving safety rules as below:

- Be in possession of valid driving license while driving.
- Wear seat belts on front seats in cars and on designated seats in other vehicles being used for company business.
- Wearing of crash helmets for both motor cycle drivers and pillion riders. Texting or using cell phone while driving

is illegal in Pakistan. In case of dire need, stop the vehicle in a safe area to text or use the cell phone, or have a passenger operate it.

- Use of alcohol and drugs is prohibited. Use of other substances, including certain cold or allergy medications which may cause drowsiness and impair driving ability, should be used with caution.
- Follow driving laws and regulations for road safety such as adherence to posted speed limits, directional signs, use of turn of signals and adopt defensive driving techniques.
- Promptly report any road accident to his / her supervisor in accordance with established procedures of incident reporting.

Imran Anwer
President and CEO
Engro Polymer and Chemicals Limited

Succession Planning

Every year at Engro Polymer & Chemicals Limited "Talent Review Sessions' are conducted. Main objective of talent review process is to map the succession plan of a department with the capacity, potential and career development needs of employees in order to develop a comprehensive Talent Management Plan. Talent review process is a series of structured, facilitated process where employees (direct reports) are reviewed in terms of their key strengths, career goals, stage of readiness, areas for development and action plans. Outcome of these sessions has helped the Company in increasing the rate of internal moves as well as replacements.

Review

The Board meets at least once every quarter to consider the Organisation's financial performance, financial and operating budgets and forecasts, business growth and development plans, investment plans and other Key Performance Indicators. Post completion reviews are performed on all material investment expenditures.

Responsibilities of the Chairman

At EPCL, as per Code of Corporate Governance, Chairman along with other Board members play a major role in ensuring that the statutory and fiduciary duties of Directors are properly carried out and the Board, as a whole, functions effectively in deciding the Corporate Policy, while CEO and his Senior Executives devise the long-term and short-term operational plans for the Company.

Formal Orientation

The Human Resource department chalks out a formal orientation plan, which is followed at the induction of a new Board member. The orientation plan is devised to familiarise the new member with the business. Each Divisional Head of the Company takes them through a presentation pertaining to their own divisions and macro-level policies are discussed. Plant site and Head office visits are a part of this orientation plan.

Training Program for Directors

The Directors Training program has been completed by Ghias Khan, Imran Anwer and Feroz Rizvi during the preceding years, from recognised institutions of Pakistan, approved by the SECP.

Whistleblower Policy

Speak out – the Whistleblowing system has been established by the Board as an integral part of governance at EPCL and it acts as an additional measure to promote and strengthen high standards of governance and business conduct. EPCL expects all employees, suppliers and contractors to not only abide by the Company's Code of Business Conduct but also encourages all to speak out about any concerns they have regarding business ethics including corruption, frauds, incorrect financial reporting, violation of applicable Health, Safety & Environmental standards, harassment, discrimination, other unfair employment practices or other possible breaches of applicable laws and corporate policies.

All complaints and concerns can be reported directly or via divisional and department heads to the Corporate Audit Department and Chairman Audit Committee. EPCL provides opportunity for open and candid communication. All complaints and concerns are investigated confidentially. In 2017, seven incidents were reported and dealt under the policy.

Internal Audit

At EPCL, Internal Audit is an independent department functionally reporting to the Board Audit Committee and administratively to the CEO.

The Internal Audit department is responsible for impartially assessing the key risks of the Organisation appraising and reporting on the adequacy and effectiveness of EPCL's Risk Management and Internal Controls in financial, information systems and other business and operational areas. Internal Audit at EPCL provides recommendations which are taken up by Management to remediate control lapses. The observations are shared on a quarterly basis with Board Audit Committee, Chief Executive Officer and the concerned Divisional Management.

Internal Audit is also responsible for monitoring and reporting of ethical issues. All allegations in relation to breach of the Company's Code of Business Conduct are thoroughly investigated by Internal Audit in cooperation with management and subsequently reported to the Audit Committee.

It works in collaboration with the Business by taking up coaching responsibilities, driving performance improvement initiatives and closing internal control gaps. The role of Internal Audit Function continues to change in reaction to events, risk & regulation affecting the Company whilst ensuring that it's mandate is aligned with the organizational objectives and risks.

Being integrated with the business – while maintaining strict independence – is very important at EPCL.

Salient features of Internal Audit Charter

Internal Audit provides independent, objective assurance and advisory services to evaluate and improve the effectiveness of the control environment, risk management and compliance processes and assesses whether these are adequate and functioning appropriately as intended to ensure:

- Significant financial, managerial and operating information is accurate, reliable and timely;
- Significant statutory or regulatory issues impacting the Company are recognised and addressed appropriately;
- Resources are acquired economically, used efficiently and protected adequately;
- Quality and continuous improvement are fostered in the Company's control process;

- Risks are appropriately identified and managed; and
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.

Audit Report Ratings

During the year EPCL had 9% (compared to 26% in 2016) of its Internal Audit Reports rated as Management Attention Required (MARs) against a restrictive threshold of 10% set for all Engro Group Companies. There were no 'unsatisfactory' rated reports in 2017.

Report of the Audit Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended 31st December 2017. Our key focus was to assist the Board of Directors in fulfilling their governance and stewardship responsibilities ensuring integrity of financial reporting and robustness of internal controls and risk management process at Engro Polymer & Chemicals Limited.

Audit Committee meetings take place ahead of Board meetings and the Audit Committee Chairman provides an update of the key issues discussed to the Board at each meeting. Minutes of Audit Committee meetings are provided to the Board and the External Auditors.

The terms of the Audit Committee's mandate are governed by the Board of Directors and the Code of Corporate Governance and the Head of Internal Audit acts as the Secretary of the committee. The Audit Committee met five times during the year 2017. The CFO and other departmental Heads were invited on a need basis for matters pertaining to their areas. As required by the Code, the Committee also independently met external and internal auditors during the year.

The Internal Audit plan was continually evaluated by the Committee which ensured that all major critical areas were covered in the plan. The relationship with the External Auditor worked well and the Audit Committee remained satisfied with its independence and effectiveness.

During 2017, the following key responsibilities were satisfactorily carried out by the Audit Committee:

- Ensuring compliance with the Code of Corporate Governance 2012 and applicable statutory regulations;
- Review of quarterly, half-yearly and annual financial statements of the Company prior to their approval by the Board of Directors, focusing on major judgmental areas, financial estimates, going concern assumption, compliance of accounting standards, local regulations and other statutory / regulatory requirements;
- Review of Related Party Transactions, ensuring that the pricing methods used were on terms equivalent to those that prevail on arm's length basis;
- Ensuring that proper, accurate and adequate accounting records have been maintained by the Company;
- Recommend on the appointment of the external auditors to the Board to be confirmed by the Company shareholders in the Annual General Meeting; and
- Review of Management Letter issued by external auditors and Management's response / actions plans.

Over and above its core responsibilities, the Committee performed the following activities during 2017:

- Review of new policies / modifications to existing policies and Management's compliance with all Company's policies, procedures and guidelines;

- Review of the Enterprise Risk Management (ERM), register to ascertain that business risks are well identified and adequate action plans for mitigating risks are developed and implemented;

- Review the Learn Share Improve (LSI) Reports raised during the year related to issues involving ethical, legal, policy & procedural violations; and

- Whistleblower complaints lodged during the year were reviewed and appropriately investigated.

The Committee members possess extensive experience of Finance, Accounting, commercial and Engineering and I am grateful for their contribution throughout the year. The Committee also appreciated the enthusiastic support of Management. The Committee will continue over the coming year to support and work with the Board to identify, monitor and mitigate potential risks through robust and appropriate control procedures and best practices of Corporate Governance.

The Committee assessed the 2017 Financial Statements as fair balanced and understandable and that it provided sufficient information to enable the shareholders to assess the performance.

Mr. Feroz Rizvi
Chairman of the Audit Committee
Engro Polymer and Chemicals Limited

Directors

As at December 31, 2017 the Board comprises of one Executive Director, one Independent Director and five Non-Executive Directors, four of whom are executives in other Engro Group companies, who have the collective responsibility for ensuring that the affairs of the Company are managed competently and with integrity.

A Non-Executive Director, Mr. Ghias Khan, Chairs the Board and the Chief Executive Officer is Mr. Imran Anwer. Biographical details of the Directors are given later in this section.

A Board of Directors' meeting calendar is issued annually that schedules the matters reserved for discussion and approval. The full Board met 7 times this year and discussed matters relating to inter alia, long-term planning, giving consideration both to the opportunities and risks of future strategy.

All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on businesses and full papers on matters where the Board will be required to make a decision or give its approval.

Board Evaluation

Code of Corporate Governance 2012, mandatorily requires evaluation of the Board of Directors as a whole, its Committees and the contribution of each Director to the strategic direction and steerage of the Company. In this regard, a comprehensive range of self-evaluation surveys were conducted in the Company with respect to the performance of its Board of Directors and Board Committees. Purposive feedback from all Board members was solicited on areas of strategic clarity & beliefs, direction of business plan and functional adequacy of its role. Equally emphasised, the individual contribution of each Director was assessed and evaluated during the year by the Chairman of the Board highlighting significant areas of development for them.

Evaluation Criteria of Board Performance:

- Has clarity on Company beliefs, values and strategic / business plans
- Board meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues
- Quality material is received by Directors for Board meetings
- Board Members receive timely meeting notices along with advance written agendas
- Clear and concise background material for the meetings is provided
- Minutes of the Meeting are accurately documented
- Board receives timely reports on finances/budgets/compensation and other important matters
- Board Members respect the difference between the Board's policy making role and CEO's management role
- Board goals, expectations, and concerns are communicated to the CEO
- Overall rating for the performance of the Board

Board Meetings and Attendance:

In 2017, the Board of Directors held 7 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Director's Name	Meetings Attended
Mr. Ghias Khan	7
Mr. Kimihide Ando(1)	1
Mr. Shahzada Dawood(1)	1
Mr. Noriyuki Koga	5
Mr. Feroz Rizvi	7
Mr. Soichi Ogiwara(3)	2
Mr. Asad Said Jafar(1)	1
Mr. Zafar Hadi(1)	2
Mr. Mazhar Hasnaini(2)	3
Mr. Farman Ahmed Khan Lodhi(1)	2
Mr. Hasnain Moochhala	3
Mr. Imran Anwer	7
Mr. Nadir Salar Qureshi	4
Mr. Muhammad Asif Sultan Tajik	5

(1) Term ended on April 14, 2017 without re-appointment (2) Resigned on July 10, 2017 (3) Resigned on April 2, 2017

Enterprise Risk Management

EPCL launched the Lean Enterprise Risk Management (ERM) in 2011. It is the policy of EPCL to view Risk Management as integral to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives. Operating in a highly dynamic environment mandates assessment of the organizations strategy and quantum of risks that the entity is willing to accept by adequately assigning responsibilities throughout the organization. It is a continuous cycle led by the Chief Risk Officer (CRO), endorsed by the Management & Board of Directors, with the objective of proactively managing risks across the company over the years.

Business Risks and Challenges

Risk 1 - Reduction of duty protection on PVC and Caustic Soda

Impact – Duty provides an incentive to local manufacturers, absence of Duty would make domestic players vulnerable to unfair competition.

Strategy – EPCL has been presenting its case to relevant authorities for protection of domestic industry

Risk 2 - Increase in Raw Material duty

Impact – Cost of production would increase.

Strategy - EPCL has been presenting its case to relevant authorities for protection of local manufacturing industry

Risk 3 - Dumping of PVC products by international market

Impact – Dumped products are available at less than market competitive rates hampering the pricing capability for EPCL.

Strategy - EPCL has been presenting its case to relevant authorities on the basis of which provisional anty-dupming duty has been imposed and EPCL will continue pursuing the case in future.

Risk 4 - Operational Issues at Plant

Impact - Plant operations are imperative for EPCL to maintain its position as key supplier to domestic market. Disruptions in plant operations compromise the current position of EPCL.

Strategy – Ensure sustainable operations by continuously monitoring plant operations. Identifying potential impediments in plant operations and resolve at initial stages. The company has ensured sustainable operations at VCM and PVC plant.

Risk 5 - Increase in Natural Gas Price

Impact - Gas prices have a magnified impact on EPCL's bottom line as processes are energy intensive.

Strategy - EPCL Implemented energy conservation projects and has also devised a strategy for different price levels of natural gas.

Treasury Management

Liquidity Risk Management:

Liquidity Management is a crucial aspect of our business owing to a combination of various external factors including volatlity in international commodity prices, currency exchange rate and gas prices. The company diligently monitors current and future cash position of the company. Frequent cash forecasting enables the company to determine capital requirements, with a clear distinction between short term and long-term funding. Long term cash requirements are measured in our Corporate Planning Cycle over a 5-year horizon. Peak cash cycles are mitigated using approved lines of credit. Excess cash is placed in instrument to earn the optimal returns. Overall working capital cycle in days of the company, remains positive as our sales are mostly based on cash while we enjoy credit from our raw material suppliers.

Foreign Exchange Risk Management:

EPCL's revenues and import liabilities are subject to foreign exchange volatility. PVC revenue is determined in US Dollars with reference to international PVC pricing. However, PVC revenue determination mechanism provides a natural hedge against foreign exchange fluctuation exposure on USD dominated liabilities. Furthermore, the company frequently monitors its Net Foreign Currency liabilities exposure and takes decisions accordingly to restrict the downside from currency devaluation by booking forward contracts on usance import LCs (in case they are available).

In the ensuing year, with intent of managing the foreign exchange exposure prudently, foreign currency liabilities on import LCs were reduced to minimize the negative impact of foreign exchange movements.

Interest Rate Risk Management:

The company's capital structure involves sizeable leverage exposing EPCL to interest rate risk. As of December 31, 2017 outstanding KIBOR based borrowings stood at Rs. 8,750 Mn. The company tends to evaluates various options to hedge against interest rate risk.

Credit Risk Management:

The company diligently monitors and manages the credit quality of its financial assets. Exposure to credit risk is minimal as unsecured receivables from customers and advances to vendors are restricted. Most of trade debt is secured by bank guarantees and letter of credits, accepted only through financial institutions with credit ratings as approved by the Board. Credit risk with regards to investments is limited, as the Company places its idle funds in government securities and with institutions approved by the Board or with institutions possessing credit ratings as approved by the Board.

Management Approach

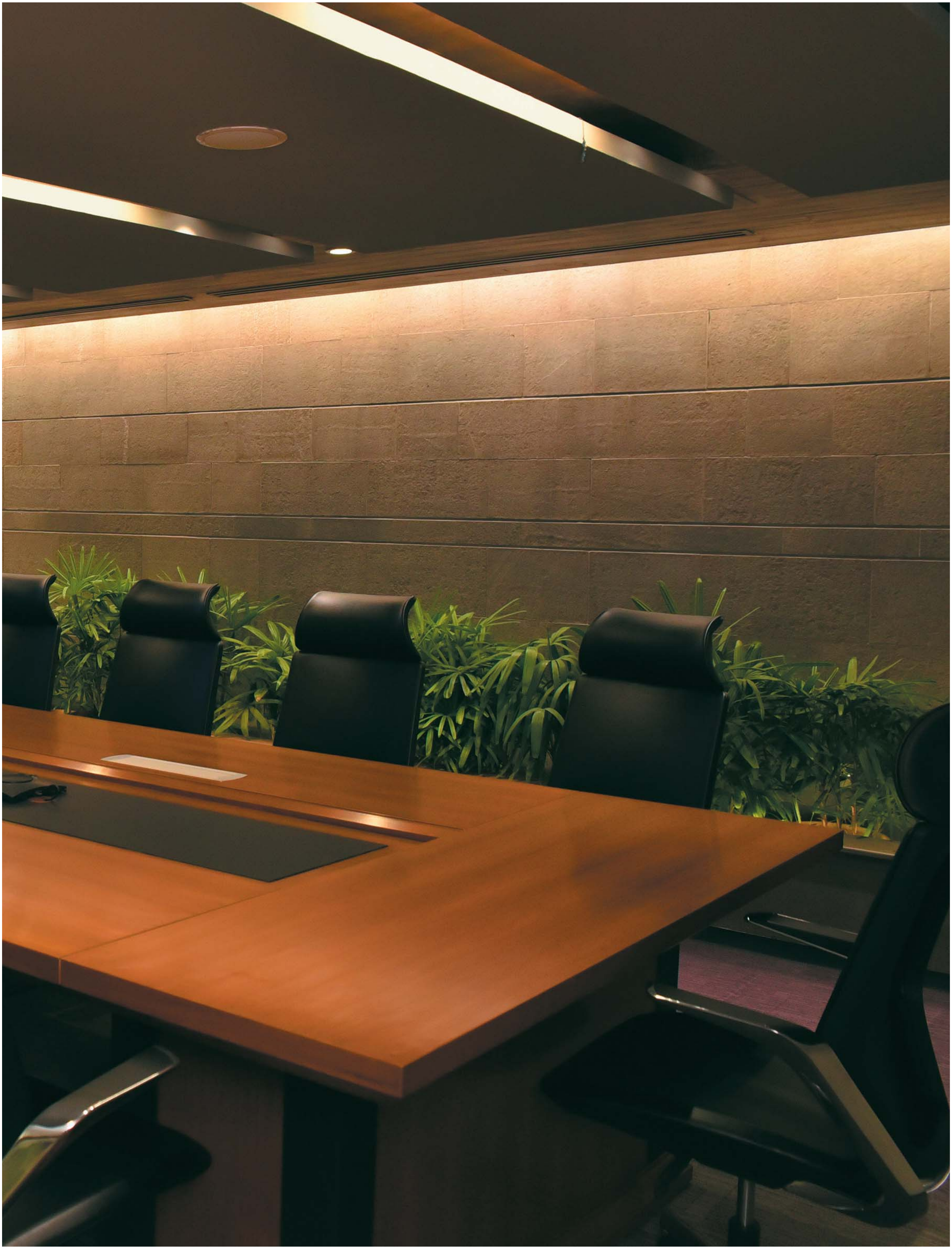
Materiality Approach Adopted by Management:

Material levels, other than those provided under regulations, are judgmental and may vary substantially from scenario to scenario. Matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company.

Procedures Adopted for Quality Assurance of Products / Services:

We benchmark the quality of our product with international players to ensure provision of optimum value for money to our customers. Therefore, the Company's flagship brand 'SABZ' has become synonymous to quality PVC in the country.

Board of Directors



Profile of Directors

Ghias Khan
Chairman

Ghias Khan is the President and Chief Executive Officer of Engro Corporation Limited. Before being appointed President and CEO on December 1st 2016 he had held several executive and board roles across Dawood Hercules Group companies.

Joining Dawood group via acquisition in 2005, Ghias was the CEO of Inbox Business Technologies one of Pakistan's largest technology companies. During his 15 years at Inbox Ghias grew the employees to over 1900, and pivoted the company from a computer manufacturer to a systems integrator, and then again to a technology enabled digital services company.

Most recently Ghias was the Executive Director & Head of the Chairman's Corporate Office at Dawood Hercules. He was the principal aide of the Chairman of the Group on a range of matters of institutional importance including but not limited to board governance, communications, external relationships and special projects. Ghias also served as Chairman of Elixir Securities from 2011-2014. Ghias is a strong believer in the social enterprise and the responsibility of businesses to environmental and human wellbeing. Ghias holds an MBA from the Institute of Business Administration in Karachi.

Imran Anwer
Chief Executive Officer

Imran is a Chartered Accountant with over 20 years of experience. Before becoming the CEO of Engro Polymers in 2015, he was VP Business Development and Finance at Engro Foods since 2005, prior to which he worked for PwC Karachi and Deloitte & Touche Jeddah.

Feroz Rizvi
Director

Mr. Rizvi qualified as a Chartered Accountant from England and Wales. On return to Pakistan he joined ICI Pakistan Ltd and moved through various business on function including a period of secondment to ICI Head Office in London, retired from the company as Finance Director. Mr. Rizvi has vast experience in the field of Corporate Finance, Strategy Corporate Restructuring merge and acquisition. He has worked in Pakistan, UK and Saudi Arabia.

Noriyuki Koga
Director

Mr. Noriyuki Koga has joined Mitsubishi Corporation in 1992 and has held several positions during this time. He is currently the General Manager of Mitsubishi Corporation's Chlor-Alkali Department and has a degree in Law from Keio University in Japan. He joined the EPCL Board in 2017.

Profile of Directors

Mohammad Asif Sultan Tajik

Director

Asif holds a degree in mechanical Engineer from NED University and in addition has a post graduate degree in Business Administration from IBA. He has over 33 years of service of which the last 27 years have been with Exxon/Engro Fertilizers. He started his career with the armed forces of Pakistan and served as a captain in EME for 4 years His last three executive positions in Engro have been as GM Manufacturing Engro Fert Daharki, VP Manufacturing Engro Polymers & Chemicals and VP HR Engro Fertilizers before taking up the position of Sr VP Manufacturing Engro Fertilizers Daharki

Nadir Salar

Director

Nadir Salar Qureshi joined Engro Corporation Ltd in March 2017 as Chief Strategy Office. He completed his MBA from Harvard Business School, and his Bachelors and Masters degrees in Nuclear Engineering from MIT. He brings with him expertise in multiple sectors across GCC, Turkey, Australia, India, ASEAN and EU. He is also experienced in consulting private equity and finance. Nadir began his career with Engro Chemical Pakistan Ltd as a Business Analyst and then moved on to organizations such as Hub Power Company, Bain & Company, Carrier Corporation and Abraaj Capital, leading up to his most recent role as Chief Investment Officer at Makara Capital in Singapore. Nadir is a Director on the boards of Engro Fertilizers Limited, Engro Powergen Limited, Engro Polymer Limited and Engro Vopak Terminal Limited.

Hasnain Moochhala
Director

With extensive local and global experience, Hasnain has partnered with businesses of significant size across China, South and East Asia, delivering turnaround business performance whilst ensuring robust business controls and compliance in matrixed and complex environments. His key achievements in his prior roles encompass a strong record in the delivery of material M&A transactions, the formulation of global best practice in Joint Venture Governance, cost leadership and the building and sustaining of strategic partnerships with various stakeholders. Hasnain has also led, coached and mentored local teams in Singapore and Pakistan, as well as virtual teams across Asia Pacific and Europe.

Principal Board Committees

The Board has established two committees to oversee essential aspects of the organisation

Board Audit Committee (BAC)

The Board Audit Committee meets at minimum once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of Internal Control, Risk Management and the Audit Processes. The BAC has the power to call for information from the Management and to consult directly with external auditors or their advisors as considered appropriate.
The Chief Financial Officer and the Head of Internal Audit regularly attend BAC meetings by invitation to discuss matters relating to financial statements and audits. The Committee also frequently meets with external auditors independently. The Committee met 5 times during 2017.

Members

Mr. Feroz Rizvi (Chairman)
Mr. Noriyuki Koga (Director)
Mr. Hasnain Moochhala (Director)

Secretary

Mr. Vijay Kumar

Board Compensation Committee (BCC)

The Board Compensation Committee meets with the aim of reviewing and recommending all elements of the compensation system, as well as the Organisation and employee development policies relating to Senior Executives including Members of the Management Committee. It reviews the key human resource initiatives and the organisational structure of the Company.

The President attends BCC meetings by invitation, and the Committee met twice during 2017. The Members of the Committee are as follows:

Members

Mr. Ghias Khan (Chairman)
Mr. Noriyuki Koga (Director)
Mr. Feroz Rizvi (Director)
Mr. Nadir Salar (Director)

Secretary

Mr. Salman Hafeez

Functional Committees

MANAGEMENT COMMITTEE
Mr. Imran Anwer (Chairman)
Mr. Jahangir Waheed (Member)
Mr. Syed Ali Akbar (Member)
Mr. Salman Hafeez (Member)
Mr. A. Qayoom Sheikh (Member)
Mr. Imran Khalil (Member)
Mr. Aneeq Ahmed (Secretary)

COED
Mr. Imran Anwer (Chairman)
Mr. Jahangir Waheed (Member)
Mr. Syed Ali Akbar (Member)
Mr. A. Qayoom Sheikh (Member)
Mr. Imran Khalil (Member)
Mr. Salman Hafeez (Member & Secretary)

SCC
Mr. Jahangir Waheed (Chairman)
Mr. Muhammad Imran Baloch (Member)
Mr. Imran Khalil (Member)
Mr. Aneeq Ahmed (Member)
Mr. Rizwan Ahmed Taqi (Member)
Mr. Salman Hafeez (Member)
Mr. Muhammad Rizwan (Secretary)

CORPORATE HSE
Mr. Imran Anwer (Chairman)
Mr. Jahangir Waheed (Member)
Mr. A. Qayoom Sheikh (Member)
Mr. Imran Khalil (Member)
Mr. Syed Ali Akbar (Member)
Mr. Salman Hafeez (Member)
Mr. Farrukh Iqbal Qureshi (Secretary)

INQUIRY COMMITTEE
(Harassment of Women at the Workplace Act 2010)

Mr. Jahangir Waheed (Chairman)
Mr. Syed Ali Akbar (Member)
Mr. Vijay Kumar (Member)
Ms. Hina Mahmood (Member)

Management Committee

Imran Anwer
Chairman

Imran is a Chartered Accountant with over 20 years of experience. Before becoming the CEO of Engro Polymers in 2015, he was VP Business Development and Finance at Engro Foods since 2005, prior to which he worked for PwC Karachi and Deloitte & Touche Jeddah.

Jahangir Waheed
Member

Jahangir Waheed is Vice President Manufacturing at Engro Polymer & Chemicals. He brings with him almost 30 years of manufacturing experience, and has held key positions at Engro Fertilizer, Engro Powergen and SAFCO KSA. Jahangir completed his Masters in Chemical Engineering with specialization in Research in Industrial Computerized Control from King Fahad University KSA in 1987.

Muhammad Imran Khalil
Member

Imran is a Chartered Accountant by profession with over 13 years of post qualification experience in finance and audit. Prior to joining EPCL in 2015, he was associated with Engro Foods as General Manager Internal Audit. He has also held various other senior positions including Chief Financial Officer at UBL Funds and KASB Funds.

Syed Ali Akbar
Member

Ali has been associated with EPCL since 1998, he has held several positions in the Company including Services and Training Manager, Operations Manager and Commissioning and Startup Manager. He has a Bachelors in Chemical Engineering from Dawood College of Engineering and Technology.

Salman Hafeez
Member

Salman has over 12 years of experience in Talent Acquisition, Learning & Organization Development, Employee Relations as well as HR Business Partnership in FMCG, Banking as well as Telecommunication Industry.Prior to joining EPCL, he was associated with Jazz (previously known as Mobilink) as Regional Head HR South. He has also worked at Standard Chartered Bank as Senior Talent Acquisition Manager and for Philip Morris Pakistan as a HR Business Partner. He holds a Masters degree from Iqra University.

Abdul Qayoom Shaikh
Member

Abdul Qayoom Sheikh started his career at Engro Polymer and Chemicals as a graduate trainee engineer in 2001. He has spent the last fifteen years in different key positions at EPCL. He was previously heading the Operations department and took over as Technical Manager in 2015. Currently he has been rotated to the position of Marketing Manager. He has a bachelors degree in Chemical Engineering from NED University.

Aneeq Ahmed

Secretary

Aneeq Ahmed started his career as graduate trainee engineer in Engro and is currently heading Maintenance Department at EPCL. He has 15 years of professional experience, held several key positions in the Company including Unit Manager Stationary and Machinery, also played pivotal role in VCM plant relocation project from USA. He has a bachelor's degree in Mechanical Engineering from N.E.D University of engineering and technology and master's degree in Business Administration from Institute of Business Administration.

President's Review

In 2017, Engro Polymer & Chemicals Ltd consolidated its position and capitalized on opportunities to achieve better results. In 2017, EPCL posted Profit after Tax of Rs. 2,053 Mn compared to Profit after Tax of Rs. 660 Mn in 2016. Primary drivers of profitability were improved vinyl chain margins, PVC domestic market growth, continuous focus on manufacturing & operational efficiencies and most importantly, the firm commitment of its people.

EPCL continued to follow stringent systems and policies to inculcate strong consideration for Health Safety and Environment in its operational and nonoperational fronts. During the year, several milestones were achieved in this account including completion of 12.46 million man-hours without loss work injury.

https://engropolymer.com/corporate_highlights/ceo-message.php

The international PVC market remained strong in 2017, particularly in Asia which accounts for 66% of the global demand. There is a shortfall between demand and production in South Asia, resulting in the region being a net importer of PVC.

Domestic PVC market has posted year on year growth of 11%. Despite strong growth, Pakistan's per capita PVC consumption remains around 1.2 Kg/Capita which is much lower than regional averages. Currently, EPCL fulfils bulk of the market demand, while remaining gap is fulfilled through imports. Major concern with regards to imports remains that of dumping of PVC material through import channels which, if remain unchecked, can adversely impact the growth and value creation of the Company. In this context, National Tariff Commission imposed provisional Anti Dumping Duties during 2017 on import of PVC which provided a much needed breather to the Company. Going forward, organic growth, robust demand in construction sector and introduction of new PVC applications including Foam Board, Wall Panels will continue to stimulate demand growth. Caustic market remained competitive due to excess capacities available in the market and demand growing at a relatively slower pace.

On the Operational front, our safety indicators remain healthy. The Company achieved highest ever PVC & VCM production with emphasis on operational efficiencies. The PVC debottlenecking exercise of the Company remained on track and the Company will enjoy higher production going forward. On the Caustic plant, we have planned to replace membranes in 2018 that will improve efficiency and enhance production.

Cash generation remained healthy and enabled the company to fund Capital Expenditures internally. The company also cut down on foreign exchange liabilities to avoid forex loss on currency devaluation. The company also replaced expensive loans with low cost loans decreasing financial charges and creating a more sustainable ecosystem. Improvement in financial health was endorsed by PACRA which upgraded the rating of 'A' for Long Term and 'A1' for short term investment for EPCL. As community service is at the heart of EPCL's management, free medical camps were conducted in the ensuing year; nearly 4,800 patients were examined free of cost. Around 120 additional students were admitted in EPCL's TCF School bringing the total number of students to 300. The employees also arranged blood donation drives throughout the year. The Company had the lowest attrition rate this year. The employees were motivated and engaged through multiple platforms including training and open communication forums to discuss and debate any issues that they may have.

After consolidating the business position in 2017, we are now exploring new opportunities offered by promising business context. In this regard, Board of Directors has approved our vision statement i.e. "Lead Pakistan in Polymers & Allied Chemicals with International Footprint". The company has announced a CAPEX plan of Rs. 10.3 Bn. Capital Expenditure includes expansion of PVC capacity by 100KT, debottlenecking of VCM capacity by 50KT, better positioning in caustic soda market through addition of caustic flaker, debottlenecking of Sodium Hypochlorite and Hydrochloric Acid and several other reliability projects. These additions will help the company to leverage the existing expertise and in diversifying product portfolio.

Going forward, domestic demand, energy dynamics and the international vinyl chain prices will continue to play a vital role in Company's profitability. This, in addition to support from the regulatory bodies on Anti Dumping Duty will be key to ensuring value creation. The Company will maintain focus on streamlining operations and continue exploring opportunities to gain further optimization on the operational front.

EPCL will continue striving to serve the domestic market by delivering volumes and quality to create a sustainable value chain for each stakeholder. We are consistently sharpening our strategy to better create economic value for our shareholders. I would like to express my gratitude to our employees, customers, suppliers, business partners and stakeholders for believing in the management and the organization and look forward to a stronger relationship in the coming years.

Imran Anwer
President and CEO
Engro Polymer and Chemicals Limited


Annual Report 2017

Directors' Report

The Directors' of Engro Polymer & Chemicals Limited are pleased to submit the annual report and audited accounts for the year ended December 31, 2017. The year 2017 will be recalled as a year of turning the tide for EPCL, during which the Company posted highest ever production and sales numbers with commendable operational efficiencies while remaining steadfast to Health Safety & Environment (HSE) protocols and ethical standards.

During the year, the Company posted Revenue of Rs. 27,731 Mn as against Rs. 22,854 Mn and Profit After Tax of Rs. 2,053 Mn as compared to Rs. 660 Mn last year. The Board of Directors also approved interim cash dividend of Rs. 0.45 per share and final cash dividend of Rs. 0.8 per share for 2017, making it a total of 1.25 per share for the year 2017.

Principal Activities

Engro Polymer & Chemicals Limited ("EPCL" or "The Company") is a subsidiary of Engro Corporation Limited ("ECL" or "The Holding Company of EPCL"), which is a subsidiary of Dawood Hercules Corporation Limited ("DH Corp" or "The Holding Company of ECL"). EPCL was incorporated in 1997 as a Public Limited Company under the Companies' Ordinance 1984 and commenced commercial operations in 1997. Shares of the Company are listed on Pakistan Stock Exchange. The principal activity of the Company is to produce and market Chlor-Vinyl products which include Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), Caustic Soda, Hydrochloric Acid and Sodium Hypochlorite. The Company's flagship brand 'SABZ' has become synonymous to quality PVC in the country. EPCL strongly endorses its triple bottom line philosophy – People, Planet and Profit.

Vision Statement Development

In 2017, the Company consolidated its structure and developed a road map for the future. In this regard a year long exercise was conducted to establish a vision statement for the Company. The exercise involved all relevant stake holders and the following vision statement was approved by the Board of Directors.

"Lead Pakistan in Polymers & Allied Chemicals with International Footprint"

To achieve the vision, a comprehensive strategy has been crafted and both short term and long term plans have been developed. In the short run, the Company will capitalize on the opportunities offered by our existing platform with an aim to make business more sustainable while in the long term, the strategy would be to expand the business scope and explore options in other polymers and allied chemicals as well.

Nature of Business & Business Model

Engro Polymer & Chemicals Limited operates in the Chlor-Vinyl segment and its profitability is a function of business context within which it operates.

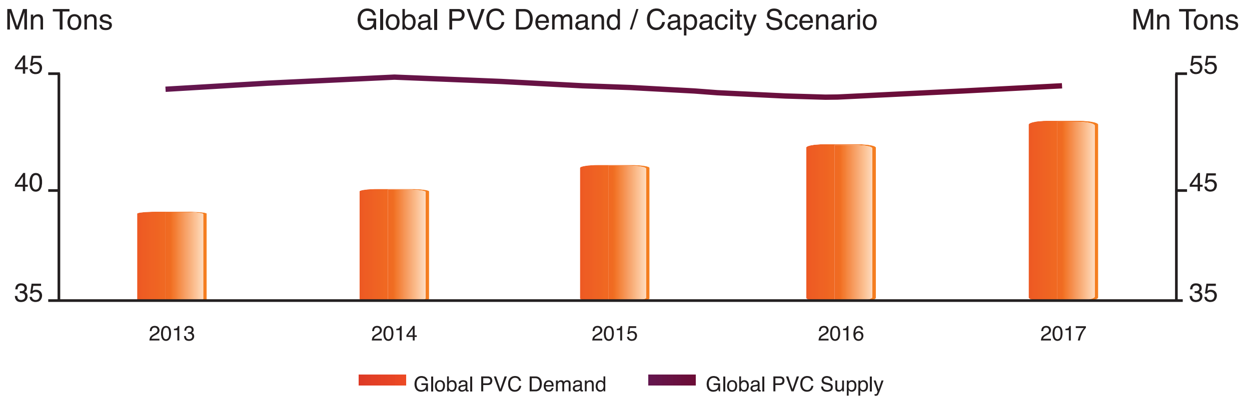
Macro-Economic Scenario

2017 was an eventful year for the domestic economy; The economic growth maintained its upward trajectory while increasing current account and trade deficits sparked concerns over long term economic prospects. GDP posted growth of 5.28% as compared to 4.7% last year, Construction sector remained upbeat and registered a growth of 9.05%.

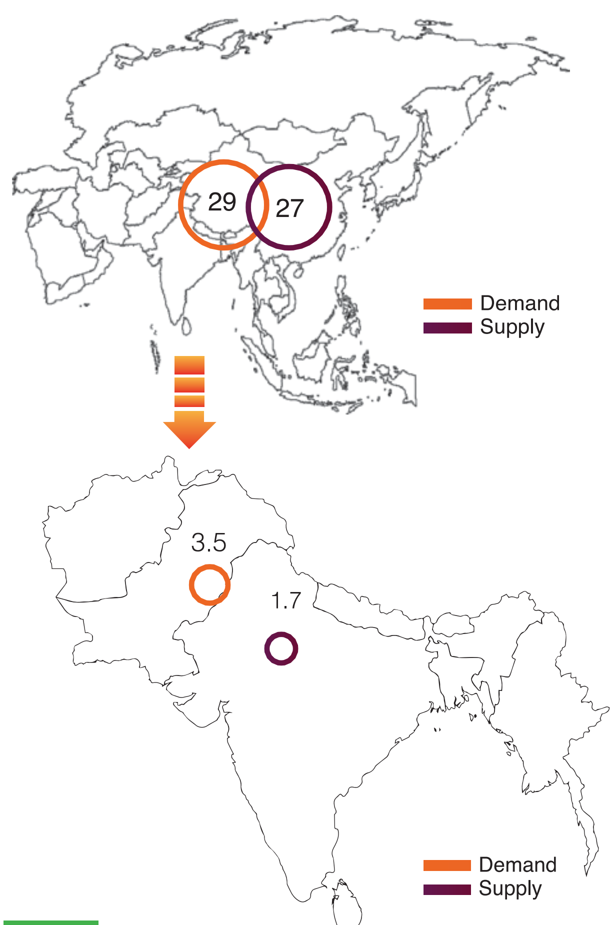
EPCL benefited from strong dynamics of the construction sector as the overall demand for PVC remained strong. Both public and private sector contributed to demand offtake which translated into market growth for PVC. Considering the infrastructure gap and low PVC consumption base for Pakistan, we are optimistic that this growth pattern is sustainable and if conducive environment is provided, manufacturing base of the country can contribute to its full potential.
Considering the overall foreign reserves position and concerns over current account deficit, we urge the government to bridge the gap between imports and exports not only by encouraging exports but also by focusing on import curtailment through import substitution.

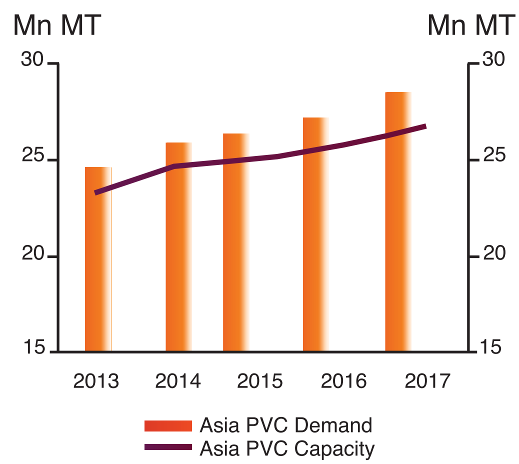
Vinyl market

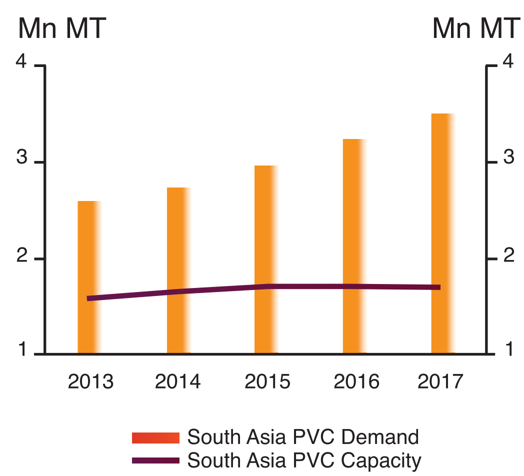
Global PVC demand crossed the 43 Mn tons mark, posting a growth of 4.1% as against growth of 2.3% last year. Strong growth can be attributed to robust demand from Asia. On the supply side, the overall capacity remained flat, easing the oversupply situation.



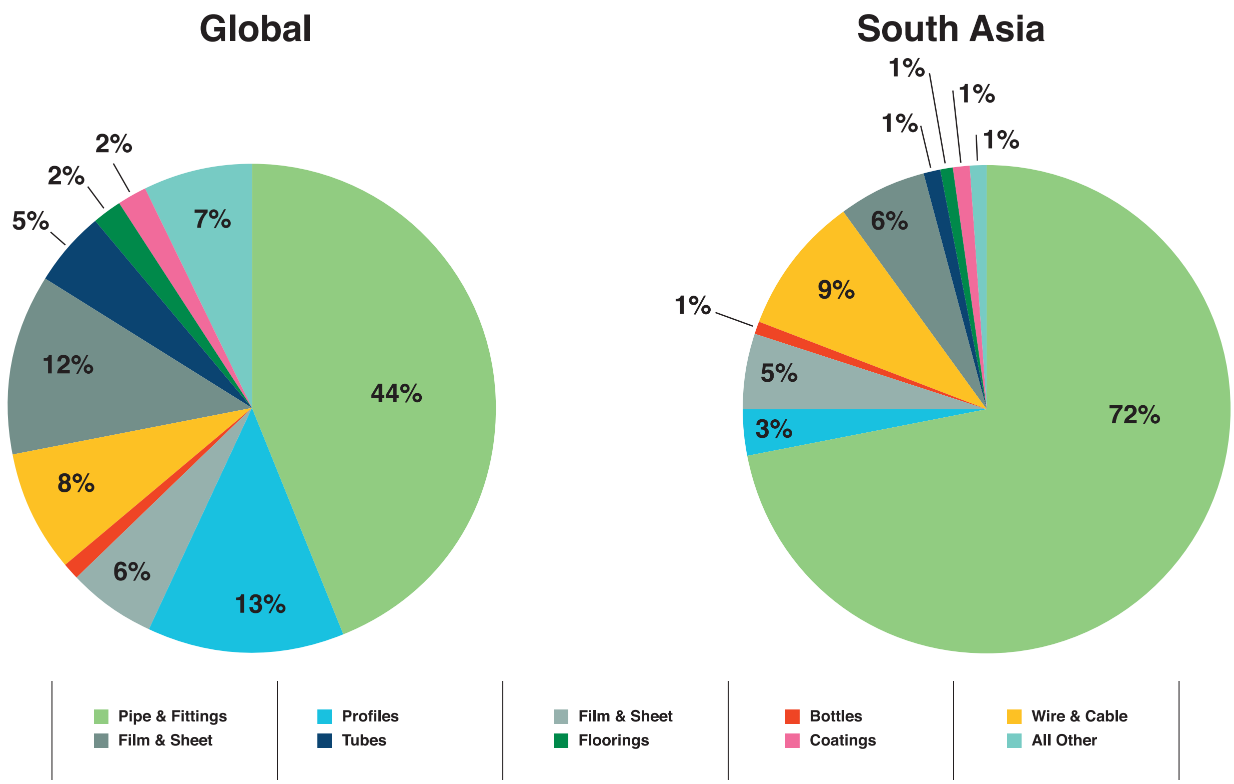
While Asia is the prime contributor to global demand, dynamics of Asia do not depict that of the world. In 2017, Asia contributed to ~66% of the global demand while its contribution to global supply remained 50%, creating a demand supply gap, making it a net importer of PVC. The overall growth dynamics for PVC in Asia have remained favorable as compared to the world average due to infrastructure gap, rising population and booming housing sector.

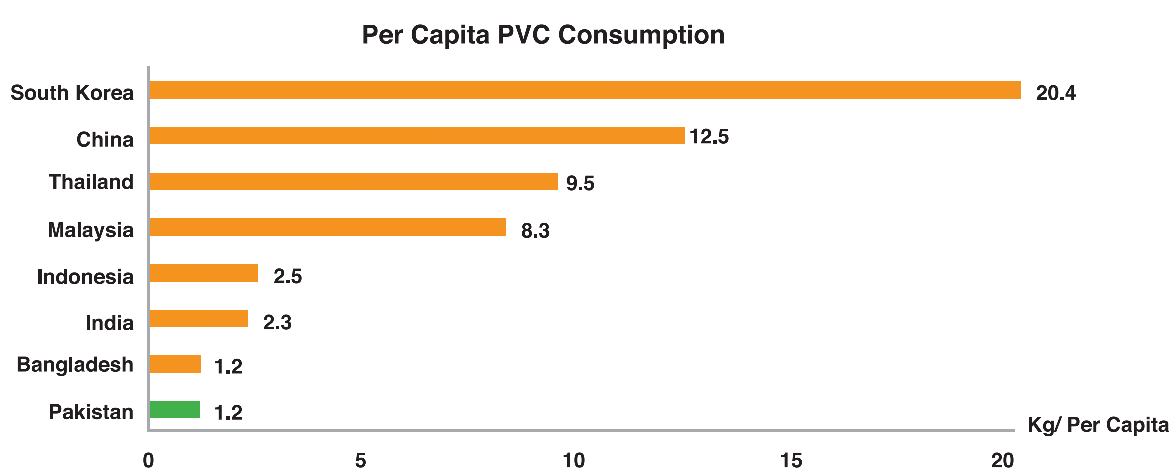






Within Asia, if we focus on South Asia which is represented by India, Pakistan, Bangladesh, Sri Lanka, demand growth is strong. In 2017, South Asian demand for PVC stood at ~3.5 Mn tons while supply was only 1.8 Mn tons, creating a demand/supply gap of almost 100%, making the region a major importer of PVC. Growing population and low per capita consumption are considered to be triggers for demand growth in the future. Our conviction is further endorsed by the fact that currently, application of PVC in South Asia is limited to conventional segments like pipes & fitting while on a global level, applications such as plastic bottles and packaging contribute significant share in sales mix.





Pakistan

Domestic PVC market has posted strong growth of 11% year on year in 2017. Pakistan's per capita PVC consumption remains around 1.2 Kg/Capita which is much lower than regional averages. During the year, demand increased across the board with pipes & fittings segment dominating the sales mix. In pipe & fittings segment, growth was supported by government projects, CPEC related spending, private housing and tube well pipe refurbishment. In anticipation of strong future demand, several pipe manufacturers have upgraded their facilities and have added new production capacity which would cater to the expected increase in the demand for PVC resin.

Strong demand outlook from existing segments coupled with encouraging outlook of new products will continue to drive growth in the local market. On the supply front, EPCL fulfills bulk of the market demand, while remaining gap is fulfilled through imports. Major concern with regards to imports remains that of dumping of PVC material through import channels which, if remain unchecked , can adversely impact the growth and value creation of the Company. In this context, National Tariff Commission imposed provisional Anti Dumping Duties during 2017 on import of PVC which provided a much needed breather to the Company and encouraged the board to consider future expansion plans.

Market Development Activities

EPCL continues to work towards product and market development for its downstream customers. During 2017, the local market witnessed the introduction of new PVC products namely:

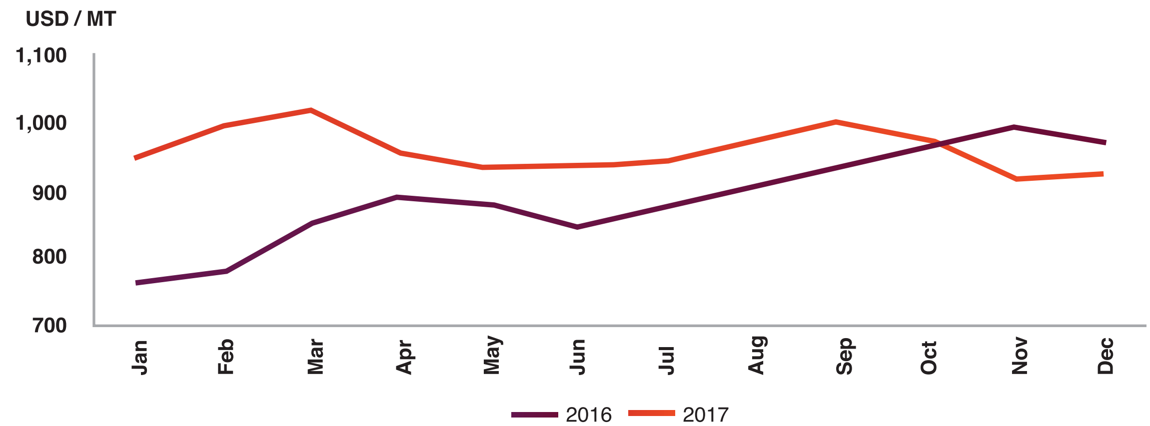
PVC Foam Board & PVC Wood Plastic – It's a substitute of wood which provides aesthetics of wood with characteristics of plastic. Having low maintenance cost and higher durability, this product can potentially become a product of choice for end consumers. Considering the popularity of the product several new entrants have ventured into producing this product and it is expected that resin consumption from this sector will pick up.

PVC Wall Panels – A decorative wall panel which is starting to substitute tiles and wallpaper economically. Trial run for production has commenced and several companies are in process to announce commercial production.

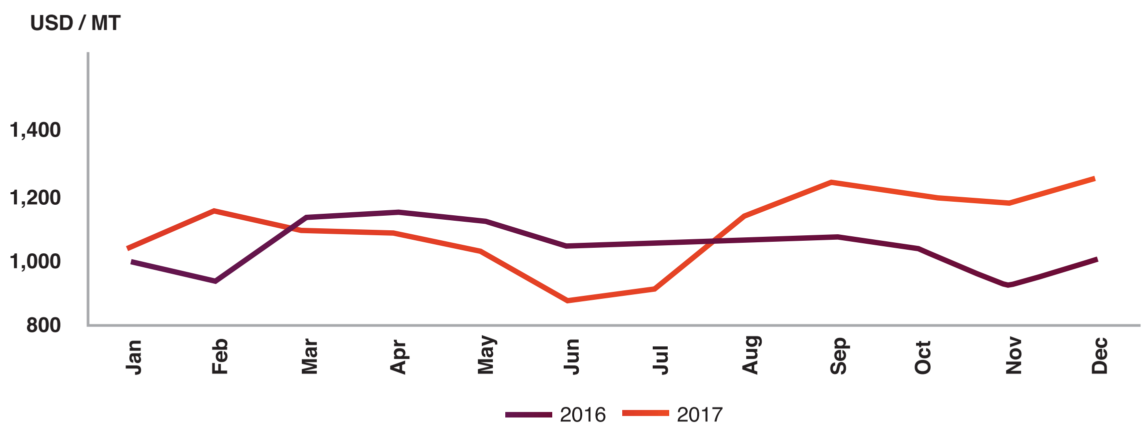
Another highlight of market development this year was EPCL's role at Build Asia Conference, where EPCL played the role of an aggregator and consolidated several PVC applications under one roof to showcase versatility of PVC and its numerous uses.

International Vinyl chain prices

PVC is a globally traded commodity, however, prices vary from region to region. Price relevant for Pakistan is South Asian Price (applicable to India/Pakistan/Bangladesh/SriLanka). In 2017, PVC performed relatively better against last year with prices ranging between $900 & $1,020/MT.

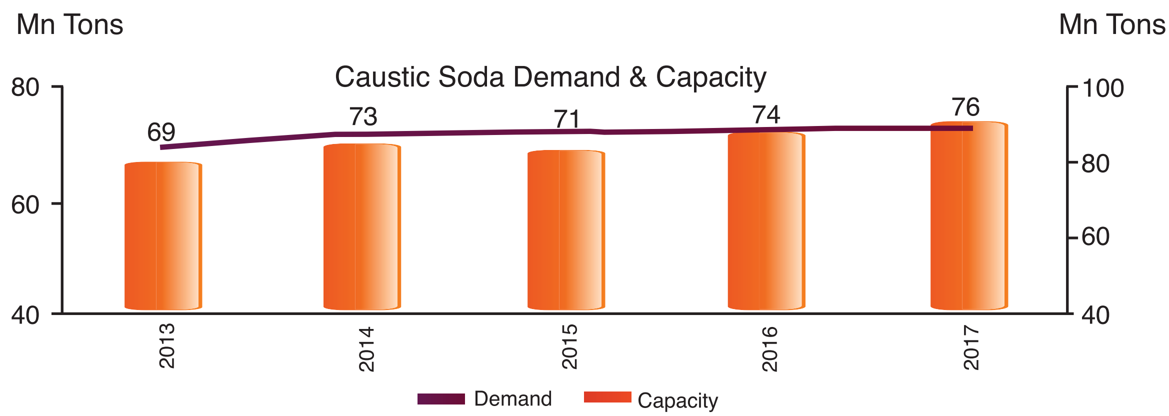


Ethylene, the primary raw material for PVC production, exhibited volatility on account of movements in prices of downstream derivatives and supply disruption. Ethylene market drives strength from various downstream markets which makes it more prone to volatility. Ethylene prices averaged around $ 1,092 for the year 2017, higher than 2016's levels of $1,039. According to IHS, a global publication provider, global capacity additions are expected to ease current supply tightness.

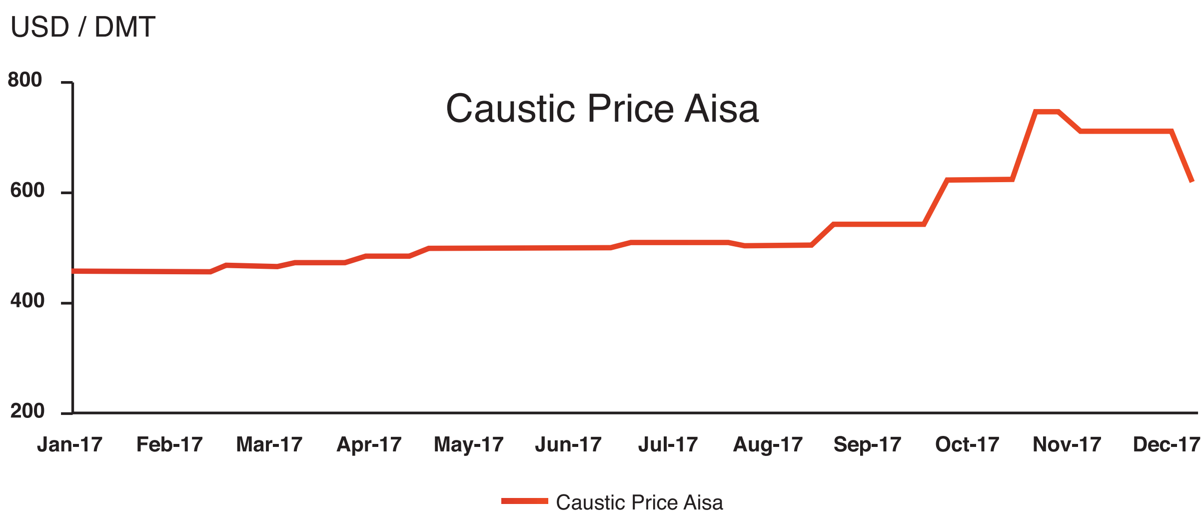


Chlor Alkali Market

During 2017, global caustic soda demand remained steady and posted a growth of 2.8%. Growth remained skewed towards developing countries particularly Asia.



During the year the price of caustic soda in the international market remained volatile. Prices in Asia surged to over $ 748/ ton due to strong demand from Alumina sector in China. However, strong prices could not sustain and prices became soft towards the end of the year.



On the domestic front, Caustic Soda market remained lackluster due to oversupply situation and as a result the spike in international prices could not translate into local price increases, however, the Company was able to earn better margins on surplus exports. Going forward, the growth of caustic business will largely be dependent on textile sector, dynamics of which remains soft but analysts expect rupee devaluation to be a catalyst for textile sector growth. On the other hand, segments like Soap & Detergents offer promising potential.

Other products in the Chlor Alkali segment namely Sodium Hypochlorite (used as bleaching agent mainly by textile industry, as disinfectant and as water treatment agent) and Hydrochloric Acid (used in power plants, gelatin segment, steel galvanizing industry, waste water treatment rice glucose industry etc.) performed well during the year. Going forward we expect Sodium Hypochlorite to replace chlorine gas for water purification while HCL consumption will improve as new power plants become operational in the country.

Operational Efficiencies

In order to meet the growing demand of the local market, the manufacturing division operated at capacity utilization of ~100% and achieved highest ever production of PVC along with commendable operational performance.

During 2017, management successfully completed debottlenecking of PVC plant, taking the capacity to 195,000 MT. With regards to VCM debottlenecking, it is in progress as per the approved plan. During the year, several projects related to plant reliability were executed. Some of these were

a. Rehabilitation of two cooling water cells completed
b. Replacement of Chlorine line
c. Electrolyzer mesh replacement
d. Internal UHP jetting during Grade changes resulting in higher productivity on PVC
e. SAP Production Planning and Plant Maintenance Modules implementation setting the base for a completely integrated ERP system

In order to maintain and preserve reliability of the plant, annual turnaround was performed on site to improve efficiencies of all major equipments, particularly HGPI of Gas Turbine-B which vastly improved the energy efficiency of the machine and provided a marked improvement on utilities cost.

Energy management and conservation

Energy prices have remained a challenge for manufacturing sector in Pakistan and is one of the main cost drivers for the Company. During 2017, energy prices remained stable; however, Gas Infrastructure Development Cess (GIDC) imposed in 2015 continues to have an adverse impact on profitability. GIDC has been challenged by the Company in Sindh High Court and is hopeful for a positive result. However, pending the decision from courts, the levy has been fully provided in the financial statements of the Company.
On Energy conservation front, the WWF Green Office re-assessment was successfully carried out at the Plant and it was certified as green office. Several significant initiatives have been taken for energy conservation including maintenance work performed on gas turbine.

Financial Overview & Management

During 2017, the Company achieved profit after tax of Rs. 2,053 Mn as compared to profit after tax of Rs. 660 Mn in 2016. The dynamics of vinyl segment turned favorable due to improving international dynamics coupled with strong demand offtake in the country. Ethylene procurement remained challenging during the year as our primary supplier had declared force majeure in 2017, limiting supplies. Since EPCL had diversified its supplier base, it was able to procure ethylene from international market and run smooth plant operations. During the year, reliable plant operations along with efficient ratios supported the bottom line and shareholder value.

Profitability

During the year, revenue of the Company witnessed a strong uptick of 21% due to increasing prices of PVC and strong demand growth. Growth in revenue translated into higher profitability ratios on account of supportive material prices, operational efficiencies and management quality. During the year, the Company had to book one time provisions totaling to Rs. 412 Mn to provide for slow moving spares and tools purchased at the time of backward integration in 2007, tax write-off due to change in export sales mix, provision for demolishment of material warehouse and admin building which will be cleared for new expansion, provision for stamp duty and one-time gain on head office disposal.

Liquidity & Cash flows

The financial performance of the Company resulted in healthy cash generation from operations. Due to healthier cash inflows, the Company not only managed to finance CAPEX internally but also managed to cut down its foreign exchange liabilities to avoid the forex loss on currency devaluation. During the year, the Company also replaced its expensive loans with lower cost loans reducing borrowing costs, thereby creating a smooth ecosystem for operations.

Financing

Throughout the year the Company focused on reducing its working capital costs. In this regard it utilized Export Refinance Facility, Money Market Loans and streamlined trade finance to bring in cash flow efficiencies

PACRA Credit Ratings

In 2017, the Company was awarded an investment grade rating by PACRA. The credit rating of the Company has been upgraded to 'A' Long term and 'A1' Short term rating. Strong rating is a testimony to the fact that the Company has achieved operational consolidation and has promising fundamentals. It will further enhance the Company's ability to optimize capital structure and cost of capital.

Capital Structure

The assets of the Company are financed by debt and equity in the ratio of 53:47 as compared to 60:40 in 2016 while our interest cover improved to 4.9 times in 2017 as compared to 2.3 times in 2016.

Risk Management Framework

EPCL launched the Lean Enterprise Risk Management framework in 2011. It is the policy of EPCL to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives.
We recognize that we are operating in a complex business context and the Company mandates assessment of the organization's strategy and quantum of risk that the entity is willing to accept by adequately assigning responsibilities throughout the organization. EPCL entrusts accountability at all levels and requires monitoring, communicating and reporting changes in the risk environment and the effectiveness of actions taken to manage identified risks is on an ongoing basis.

Risks are identified across the organization and are ranked based on their impact and probability. Upon identification of risks, a strategy is devised to mitigate its impact which is regularly monitored by the Management Committee. Risk Management process is led by Chief Risk Officer (CRO) and endorsed by the Board Audit Committee (BAC).

Strategic Risk

Volatility in plant operations

Strategy	Result
Implemented prudent maintenance & inspection strategy, addressed known vulnerabilities during turnarounds, established licensing agreements with international consultants to address technical issues, and replaced critical assets ahead of time to ensure smooth operations	The strategy yielded stable operations throughout the year

Commercial / Operational Risk

International Commodity prices

Strategy
Developed in-house business intelligence, established network with international olefins analysts to have better insight of international price trend and fundamentals defing market dynamics

Result
Management regularly reviews prices of final products and primary raw materials. Based on analysis they develop pricing/procurement strategy to capitalize on market dynamics

Energy Prices

Strategy
Implemented energy conservation projects and devised a strategy for different price levels of natural gas

Result
The impact of increase in gas price is being managed through efficiency enhancement.

Financial Risk

Liquidity Risk / Balance sheet profile

Strategy
Performed debt replacement for expensive borrowings and ensured efficient working capital management to maintain stable liquidity position and to minimize finance costs.

Result
Enabled the Company to replace expensive loans with low cost borrowing resulting in financial cost savings for the Company.

Foreign Exchange Risk

Strategy
Closely collaborated with banks and kept minitoring key economic indicators to hedge foreign exchange exposure on liabilities using forward contracts.

Result
Reduced impact of PKR devaluation by reucing Dollar based LCs in anticipation of weakening Rupee.

Business Continuity Plan

EPCL recognizes its responsibility to operate and ascertain protection of business operations from any sort of disruption. With this vision and intent, the Company initiated the Business Continuity Plan in 2013. The plan ensures smooth functioning of critical business processes in the event of an unforeseen disaster and has the following objectives:

- To provide a framework for building resilience and the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand and value creating activities
- To assess the risks to our operations and to understand the impact of the risks should they materialize whilst considering business priorities and organizational interdependency
- To manage the response to and aftermath of any potential disruption, in an effective and appropriate manner to minimize impact
- To recover business operations as quickly as possible should an incident result in disruption to our critical business operations or support services
- To test and review at regular intervals and revise as required, the plans supporting the Business Continuity The plan encompasses EPCL's response strategy, minimum operating requirements, BCP team organization, damage assessment, and primary site restoration activities. It ensures preservation of critical data by mapping out key elements of the process of disaster recovery. The management regularly evaluates the threats to its business and infrastructure & has developed a strategy to adequately respond to any unpredictable challenges it might face.

Responsible Citizenship & CSR Activities

The CSR program of the company is consolidated under the umbrella of Engro Foundation, together with all Engro subsidiaries with an aim to create greater impact on the society.

Community Health Campaign

EPCL launched "Community Health Campaign" that continued throughout the year and held clinics for Gynecology, Dermatology, Bone Mass Density, Diabetes, Eye, TB, General OPDs & Blood screenings. Approx. 4,800 patients were examined and treated free of cost for different diseases in collaboration with Indus Hospital, LRBT & Sehat Kahani.

Education

In the year 2013, EPCL set up a primary school with TCF where today around 300 students are given quality education. In 2017, additional 120 students were enrolled in the school. The school was also equipped with solar power generation system to provide with uninterrupted supply of electricity for smooth continuation of its operations.

Blood Donation Drive

EPCL also conducted Blood Donation Drives at plant and Head Office with the cooperation of The Indus Hospital whereby employees were encouraged to actively participate and help in saving lives.

CSR Plans for 2018

The company has allocated highest ever budget of Rs. 85 Mn for CSR in 2018. The investment in communities will focus on Health, Education and Environment amongst other things to contribute efficiently towards making the maximum impact.

Business Ethics & Anti-Corruption

Business Ethics is our fundamental value and lies at the heart of what we do at EPCL. The Board of Directors of the Company has univocally set down the acceptable business practices and behaviors in the "Code of Conduct" to ensure that all our business dealings are undertaken whilst maintaining highest standards of ethical values. We uphold a "Zero tolerance" policy against all sorts of unethical practices no matter how adverse the outcome. This is ascertained through implementation of effectively designed and executed audit plans and assurance procedures which proscribe all sorts of unethical behaviors and highlight matters causing concerns in respect of business conduct. In addition thereto, multiple channels are available to our Stakeholders to speak-up and identify practices and behaviors that are unacceptable to our fundamental and core values.

Corporate governance affects the way we direct our company and the relationships we have with interested parties. Management has placed due emphasis on transparency and ethical practices which play a fundamental role in developing our employees and those dealing with us in the capacity of vendors and customers as responsible professionals and corporate citizens.

Health Safety & Environment

Safety is top of the core values of the Company. Management commitment and employees adherence to the rules and procedures led to another safe year. The Company met all its Safety KPIs defined for 2017. Best in class Total Recordable Injury Rate (TRIR) closed at 0.11, setting the benchmark even higher. Travelling Safety performance remained exemplary as well with Fleet Accident Frequency Rate (FAFR) being ZERO. Manufacturing site has been pursuing the De-bottlenecking projects (DBN project) without any Lost Time Injury. As part of the Road map for audits, the Company went through multiple 2nd party Surveillance audits & Surveys in 2017.

- IMS audit by 3rd party (included Environment & OHIH Management systems along with Quality).
- Safety Management System by 2nd party
- Insurer Risk Survey by Marsh & McLennan Several other key activities which helped in effective management of already robust and time tested systems included:

- Successful Launch of Globally recognized Operational Excellence and Risk Assessment software OPERA throughout the organization.
- Fire Risk Assessment Study road map developed and measures to reduce major identified risk have been initiated accordingly.
- Process Hazard Analysis (PHA) exercise conducted as per plan in addition to EPEX-195 DBN Project on four areas of the process plants.
- LOPA workshop conducted for PVC-I Plant and Safety Integrity Level determination of all relevant instrument loop. Study is completely in compliance with Safety Instrumented Function (SIF) IEC-61508/61511 International Electro Technical commission.
- Health risk assessment (HRA) study conducted for complete manufacturing site.
- New office building construction works have been completed safely without any Lost Time Injury.

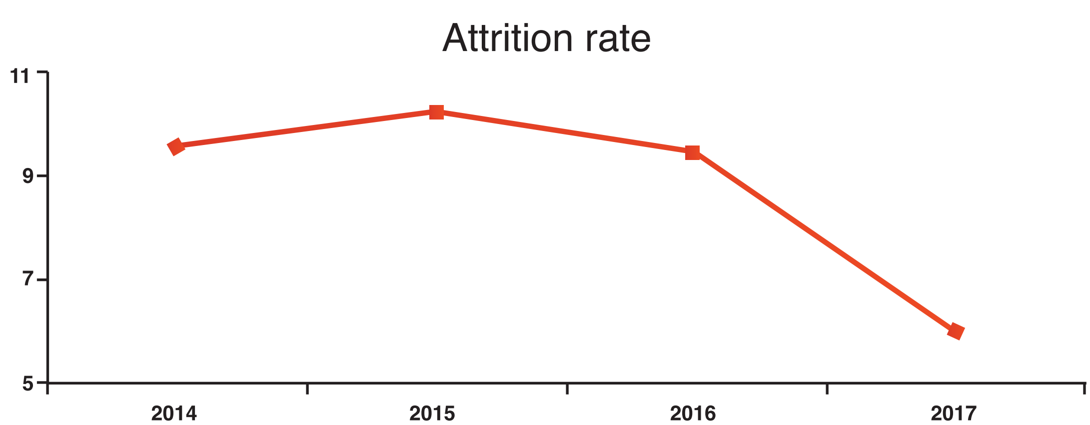
Information systems

The focus of initiatives taken in 2017 was to create ease in operations for all stakeholders across the board through digitalization. For customer's initiatives included EPCL connect, an online ledger viewing facility, EPCL TechConnect, a mobile application with access to technical knowledge. For employees, initiatives included EPCL Learn IT, an android application to view and download training forms.

In 2017, SAP Phase II was also implemented whereby Production Planning and Plant Maintenance (PP / PM) Modules were integrated with the current SAP system resulting in organization wide deployment of SAP in manufacturing & non-manufacturing functions replacing Legacy Maximo system. This module is the base to comprehensive system integration; encompassing market dynamics and in-house production trends, profitability and costing analysis. Value addition of this module stems from its ability to track inventory movement. This entails streamlining procurement of raw material, monitoring production ratios and product delivery to end consumer.

Human Resources

The success of EPCL is attributed to the quality Human Resource availability and their commitment towards the organization. For this, various initiatives were taken to ensure maximum engagement and motivational levels. For free flowing communication across all levels, Town Hall sessions were arranged with the CEO, which helped in employees getting the opportunity to understand management and leadership strategy rationale. Face to face sessions were another forum used to address concerns and keep all employees up to date with the strategy. Workplace by Facebook was also actively used throughout the organization by all functions to solidify robust and transparent communication efforts. The result of these initiatives has resulted in the downward sloping attrition rate graph as seen below



Stakeholder Engagement & Relations

The Company believes in engaging with stake holders at all levels, during the year we used press releases, securities analyst briefings on quarterly and annual results, disclosures to the stock exchanges on strategic events, plant visits and informal conversations with relevant stakeholders.
The company complies with all regulatory requirements and in this regard and maintains close coordination with relevant regulators including the stock exchanges, tax authorities and Securities and Exchange Commission of Pakistan.

EPCL has hundreds of vendors and customers and we seek to engage them from time to time through formal and informal meetings and conferences. We have engaged with our customers regularly to provide them with technical assistance related to their businesses for the benefit of the industry
The Company considers employees as an integral driver of growth, we measure employee motivation and satisfaction through various benchmarks and findings and results are shared by the respective managers and HR strategy is tailored to address the highlighted areas.

Future Outlook

After consolidating its position in 2017 EPCL has prepared itself to capitalize on the opportunity offered by promising business context. In December 2017, the Board of Directors announced a Capital Expenditure plan of Rs. 10.3 Bn. The Capital Expenditure includes expansion of PVC capacity, better positioning in caustic soda market through addition of caustic flaker and several efficiency projects, details of which are as follows:

PVC Expansion: The mega project includes addition of new PVC plant with the capacity of 100,000 MT (taking total capacity to 295,000 MT) and VCM plant capacity de-bottlenecking for additional capacity 50,000 MT. The project has been targeted to be completed in Q3 of 2020 with the CAPEX of approximately Rs. 7.6 Bn as notified to the Pakistan Stock Exchange on December 28, 2017. In this regard, Board of Directors have also approved the acquisition of additional land.

Caustic Flakers Plant: Flakers is to be added as new product to the product line of the Company and plant of 20,000MT capacity will be installed. The project is expected to be completed by Q3 of 2018 with the CAPEX of approximately Rs. 0.34 Bn. The addition to the product line would help EPCL to capitalize on the inherent proximity advantage for south market and exports through sea.

Membrane Replacement: This project is focused on reliability side of the existing caustic plant which is expected to be completed by Q3 of 2018 with a CAPEX of approximately Rs. 0.6 Bn. The replaced membranes are expected to sustain for next eight years and will help in cost efficiencies.

Upgradation of Gas Turbines: This project targets on improving the efficiency and reliability of the power plants with approximate CAPEX of Rs. 0.22 Bn.

Capacity De-bottlenecking of CA's Allied Products: To capitalize on growth in demand, the Company has planned to enhance the capacity of Sodium Hypochlorite and Hydrochloric Acid. The enhanced capacity would maximize the value for chlor-alkali segment with CAPEX of approximately Rs. 0.15 Bn.

Corporate Review

Shareholding in the Company

The shareholding in the company as at December 31, 2017 is as follow:

Shareholders' Category	No. of Shareholders	No. of Shares held	Percentage of holding
Directors, Chief Executive Officer, spouse and minor children	7	7	0.0001%
Associated Companies, undertaking and related parties	3	441,800,827	66.59%
Banks, DFIs, Non-Banking Financial Institutions	4	7,066,000	1.07%
Insurance Companies	7	23,864,000	3.60%
Modarabas and Mutual Funds	30	76,315,800	11.50%
Shareholders holding 10%	2	440,759,987	66.43
General Public (Individuals)			
a. Local	29,440	82,480,581	12.43%
b. Foreign			
Others	**197**	**31,941,573**	**4.81%**

Category of Shareholding

Information of shareholding required under the reporting framework is as follow:

1. Associated Companies, Undertaking and Related Parties

Shareholders' Category	No. of Shares held
Engro Corporation Limited	372,809,989
Mitsubishi Corporation	67,949,99
EPCL Employees' Trust	1,040,840
	441,800,827

2. Modarba and Mutual Fund

Name of Shareholders			No. of Shares held
CDC	-	TRUSTEE MCB PAKISTAN STOCK MARKET FUND	7,233,500
CDC	-	TRUSTEE PICIC INVESTMENT FUND	1,750,000
CDC	-	TRUSTEE PICIC GROWTH FUND	3,374,000
CDC	-	TRUSTEE ALHAMRA ISLAMIC STOCK FUND	2,876,500
CDC	-	TRUSTEE MEEZAN BALANCED FUND	1,745,000
CDC	-	TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	765,000
CDC	-	TRUSTEE AL MEEZAN MUTUAL FUND	3,702,000
CDC	-	TRUSTEE MEEZAN ISLAMIC FUND	15,957,500
CDC	-	TRUSTEE UBL STOCK ADVANTAGE FUND	4,909,500
CDC	-	TRUSTEE ATLAS ISLAMIC STOCK FUND	350,000
CDC	-	TRUSTEE AL-AMEEN SHARIAH STOCK FUND	6,758,500
CDC	-	TRUSTEE NAFA STOCK FUND	2,244,500
CDC	-	TRUSTEE NAFA MULTI ASSET FUND	408,000
CDC	-	TRUSTEE ASKARI ASSET ALLOCATION FUND	61,500
CDC	-	TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	2,823,000
CDC	-	TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1,000,000
CDC	-	TRUSTEE FIRST HABIB STOCK FUND	100,000
CDC	-	TRUSTEE NAFA ASSET ALLOCATION FUND	359,000
CDC	-	TRUSTEE HBL IPF EQUITY SUB FUND	80,800
CDC	-	TRUSTEE HBL PF EQUITY SUB FUND	119,500
CDC	-	TRUSTEE KSE MEEZAN INDEX FUND	200,000
CDC	-	TRUSTEE UBL ASSET ALLOCATION FUND	744,000
CDC	-	TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	3,294,000
CDC	-	TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	892,500
CDC	-	TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	690,000
CDC	-	TRUSTEE NAFA ISLAMIC STOCK FUND	1,019,500
CDC	-	TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	10,509,500
CDC	-	TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	261,500
CDC	-	TRUSTEE MEEZAN ASSET ALLOCATION FUND	1,305,000
CDC	-	TRUSTEE MEEZAN DEDICATED EQUITY FUND	782,000

3. Directors and their spouse and minor children

Shareholders' Category	No. of Shares held
MR. GHIAS UDDIN KHAN	1
MR. NORIYUKI KOGA	1
MR. FEROZ RIZVI	1
MR. NADIR SALAR QURESHI	1
MR. HASNAIN MOOCHHALA	1
MR. IMRAN ANWER	1
MR. MOHAMMAD ASIF SULTAN TAJIK	1

4. Executives

Shareholders' Category	No. of Shares held
Executives	917,362

5. Public sector companies and corporations

Shareholders' Category	No. of Shares held
Public sector companies and corporations	250,000

6. Banks, Development Finance Institutions, Insurance, Takaful, Modarabas & Pension Funds

Shareholders' Category	No. of Shares held
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance, Takaful, Modarabas & Pension Funds	7,066,000

7. Shareholding five percent or more voting interest in the Company

Names of Shareholders	No. of Shares held	Percentage of Shares held
Engro Corporation Limited	372,809,989	56.19%
Mitsubitshi Corporation	67,949,998	10.24%

8. Details of purchase / sales of shares by Directors, Executives and their spouse/ minor children

Name	Shares Purchased	Shares Sold	Rate	Date of Purchase / Sale
Muhammad Asif Nasim	-	500	18.25	6-Jan-17
Muhammad Asif Nasim	-	500	18.3	6-Jan-17
Muhammad Asif Nasim	-	10,500	18.3	6-Jan-17
Muhammad Asif Nasim	-	5,000	18.35	6-Jan-17
Muhammad Asif Nasim	-	5,000	18.4	6-Jan-17
Muhammad Asif Nasim	-	500	18.35	6-Jan-17
Muhammad Asif Nasim	-	400	18.3	11-Jan-17
Muzzaffar Islam	-	5,000	24.8	6-Apr-17
Syed Muhammad Farooq Ahmed	20,000	-	26.78	21-Apr-17
Muhammad Saadullah Abulkhairi	500	-	57.57	1-Jun-17
Ijaz Kherro	-	171	37.2	13-Jun-17
Muzzaffar Islam	-	5,000	34.05	12-Jul-17
Muhammad Rehan Khan	500	-	33.4	25-Sep-17
Izhar ul Haq	-	4,000	34.49	19-Oct-17

9. Pattern of Shareholding – As At December 31, 2017

No. of Shareholders	Size of Holding			No. of Shares
499	1	-	100	12,784
19,378	101	-	500	9,242,993
5,881	501	-	1,000	4,241,590
2,471	1,001	-	5,000	6,277,949
572	5,001	-	10,000	4,640,714
212	10,001	-	15,000	2,771,245
108	15,001	-	20,000	2,005,976
112	20,001	-	25,000	2,700,316
53	25,001	-	30,000	1,512,187
30	30,001	-	35,000	988,262
23	35,001	-	40,000	887,250
10	40,001	-	45,000	439,863
45	45,001	-	50,000	2,231,012
16	50,001	-	55,000	849,707
14	55,001	-	60,000	828,375
7	60,001	-	65,000	438,000
12	65,001	-	70,000	825,500
4	70,001	-	75,000	295,004
23	35,001	-	40,000	887,250
10	40,001	-	45,000	439,863
45	45,001	-	50,000	2,231,012
16	50,001	-	55,000	849,707
14	55,001	-	60,000	828,375
7	60,001	-	65,000	438,000
12	65,001	-	70,000	825,500
4	70,001	-	75,000	295,004
16	75,001	-	80,000	1,254,500
9	80,001	-	85,000	746,400
8	85,001	-	90,000	715,000
8	90,001	-	95,000	752,850

No. of Shareholders	Size of Holding			No. of Shares
32	95,001	-	100,000	3,198,500
9	100,001	-	105,000	941,000
5	105,001	-	110,000	539,500
2	110,001	-	115,000	225,500
4	115,001	-	120,000	474,500
6	120,001	-	125,000	747,500
3	125,001	-	130,000	388,000
1	130,001	-	135,000	133,500
3	135,001	-	140,000	418,500
2	140,001	-	145,000	288,000
4	150,000	-	155,000	600,500
3	155,001	-	160,000	478,000
1	160,001	-	165,000	164,500
3	170,000	-	175,000	515,000
4	175,001	-	180,000	715,500
2	185,000	-	190,000	374,500
1	190,001	-	195,000	191,000
11	200,000	-	205,000	2,203,000
2	210,001	-	215,000	426,000
2	215,001	-	220,000	436,500
2	220,001	-	225,000	446,500
2	225,001	-	230,000	455,500
4	245,001	-	250,000	998,500
2	250,001	-	255,000	509,000
2	255,001	-	260,000	515,500
2	260,001	-	265,000	526,000
1	270,001	-	275,000	274,500
3	275,001	-	280,000	837,500
2	300,000	-	305,000	600,000
1	315,001	-	320,000	316,869
2	330,000	-	335,000	664,425
2	340,000	-	345,000	685,000

No. of Shareholders	Size of Holding			No. of Shares
1	350,000	-	355,000	350,000
1	355,001	-	360,000	359,000
2	365,000	-	370,000	731,500
1	385,001	-	390,000	387,000
1	400,000	-	405,000	400,000
1	405,001	-	410,000	408,000
1	410,001	-	415,000	412,100
1	475,001	-	480,000	478,500
1	490,001	-	495,000	493,000
4	500,000	-	505,000	2,000,500
1	570,000	-	575,000	570,000
2	580,001	-	585,000	1,162,651
1	600,000	-	605,000	600,000
2	615,001	-	620,000	1,238,199
1	690,000	-	695,000	690,000
2	700,000	-	705,000	1,400,000
1	720,001	-	725,000	722,000
1	730,001	-	735,000	732,500
1	740,001	-	745,000	744,000
1	765,000	-	770,000	765,000
1	780,001	-	785,000	782,000
1	855,001	-	860,000	856,000
1	865,001	-	870,000	868,000
1	890,001	-	895,000	892,500
2	900,000	-	905,000	1,800,000
1	950,000	-	955,000	950,000
1	975,000	-	980,000	975,000
3	1,000,000	-	1,005,000	3,000,000
1	1,015,001	-	1,020,000	1,019,500
1	1,040,001	-	1,045,000	1,040,840
1	1,050,000	-	1,055,000	1,050,000
1	1,055,001	-	1,060,000	1,056,000

No. of Shareholders	Size of Holding			No. of Shares
1	1,105,001	-	1,110,000	1,109,000
1	1,125,000	-	1,130,000	1,125,000
1	1,260,001	-	1,265,000	1,261,500
1	1,305,000	-	1,310,000	1,305,000
1	1,480,001	-	1,485,000	1,484,563
1	1,600,000	-	1,605,000	1,600,000
2	1,745,000	-	1,750,000	3,495,000
1	1,775,000	-	1,780,000	1,775,000
1	2,085,001	-	2,090,000	2,086,500
1	2,105,001	-	2,110,000	2,106,500
1	2,240,001	-	2,245,000	2,244,500
1	2,290,001	-	2,295,000	2,293,677
1	2,820,001	-	2,825,000	2,823,000
1	2,845,001	-	2,850,000	2,848,000
1	2,850,001	-	2,855,000	2,851,500
1	2,875,001	-	2,880,000	2,876,500
1	2,890,001	-	2,895,000	2,891,500
1	2,935,001	-	2,940,000	2,935,500
1	3,290,001	-	3,295,000	3,294,000
1	3,370,001	-	3,375,000	3,374,000
1	3,600,000	-	3,605,000	3,600,000
1	3,700,001	-	3,705,000	3,702,000
1	4,155,001	-	4,160,000	4,155,500
1	4,905,001	-	4,910,000	4,909,500
1	6,005,000	-	6,010,000	6,005,000
1	6,755,001	-	6,760,000	6,758,500
1	7,230,001	-	7,235,000	7,233,500
1	10,505,001	-	10,510,000	10,509,500
1	15,955,001	-	15,960,000	15,957,500
1	20,215,001	-	20,220,000	20,218,000
1	67,945,001	-	67,950,000	67,949,998
1	372,805,001	-	372,810,000	372,809,989
29,688				**663,468,788**

Board Meetings and Attendance

In 2017, the Board of Directors held 7 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

Shareholders' Category	No. of Shares held
Mr. Ghias Uddin Khan	7/7
Mr. Kimihide Ando(1)	1/7
Mr. Shahzada Dawood(1)	1/7
Mr. Noriyoki Koga	5/7
Mr. Feroz Rizvi	7/7
Mr. Shoichi Ogiwara(3)	2/7
Mr. Asad Said Jafar(1)	1/7
Mr. Zafar Hadi(1)	2/7
Mr. Mazhar Hasnaini(2)	3/7
Mr. Farman Ahmed Khan Lodhi(1)	2/7
Mr. Hasnain Moochhala(4)	3/7
Mr. Imran Anwer	7/7
Mr. Nadir Salar(5)	4/7
Mr. Asif Sultan Tajik	5/7

(1) Term ended on April 14th, 2017 without re-appointment.
(2) Resigned on July 10th, 2017.
(3) Resigned on April 2nd, 2017.
(4) Co-opted as director on the Board w.e.f. July 11th, 2017 in place of Mr. Mazhar Hasnaini.
(5) Elected on the Board on April 14th, 2017.

Major Judgment Areas

Main areas related to Income Taxes, provisions, contingencies / commitments, Deferred Tax Assets, and other areas involving subjective judgements and having material impact on financial statements are detailed in Notes to the accounts.

Accounting Standards

The accounting policies of the company fully reflect the requirements of the repealed Companies Ordinance, 1984 (as required by circular CLD/CCD/PR(11) / 2017 dated October 4, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) that the companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017 shall prepare their consolidated financial statements in accordance with provisions of repealed Companies Ordinance, 1984) and such approved International Accounting Standards and International Financial Reporting Standards as have been notified under this ordinance as well as through directives issued by the Securities and Exchange Commission of Pakistan.

Provident Fund

In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Accordingly, the following information is based on the latest audited financial statements of the Fund maintained by the Holding Company as at June 30, 2016 and unaudited financial statements as at June 30, 2017.

Details of the fund are as follows:

Rs'000	June 30, 2017	June 30, 2016
Size of the fund - Total assets	3,941,927	3,386,894
Cost of the Investment made	2,493,496	2,920,257
Percentage of Investments made	92%	92%
Fair Value of Investments	3,643,638	3,018,947

Compliance with Corporate Governance

The Board of Directors reviews all significant matters of the Company. These include Company's strategic direction, annual business plans and targets, decision on long term investment and borrowings. The Board of Directors is committed to maintain high standards of Corporate Governance.

The Board of Directors is pleased to report that:

- The financial statements prepared by the management present fairly its state of affairs, the results of its operations, cash flows and changes in equity
- Proper books of accounts have been maintained
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored
- There are no significant doubts upon the ability of the Company to continue as a going concern
- There have been no departures from the best practices of corporate governance, as detailed in the listing regulations

Shares traded and average prices

During the year 1,991 Mn shares of the Company were traded on Pakistan Stock Exchange. The average price of the Company's share based on daily closing rates was Rs. 30.18. The 52 week low high during 2017 was Rs. 18.11 – 39.71 per share, respectively.

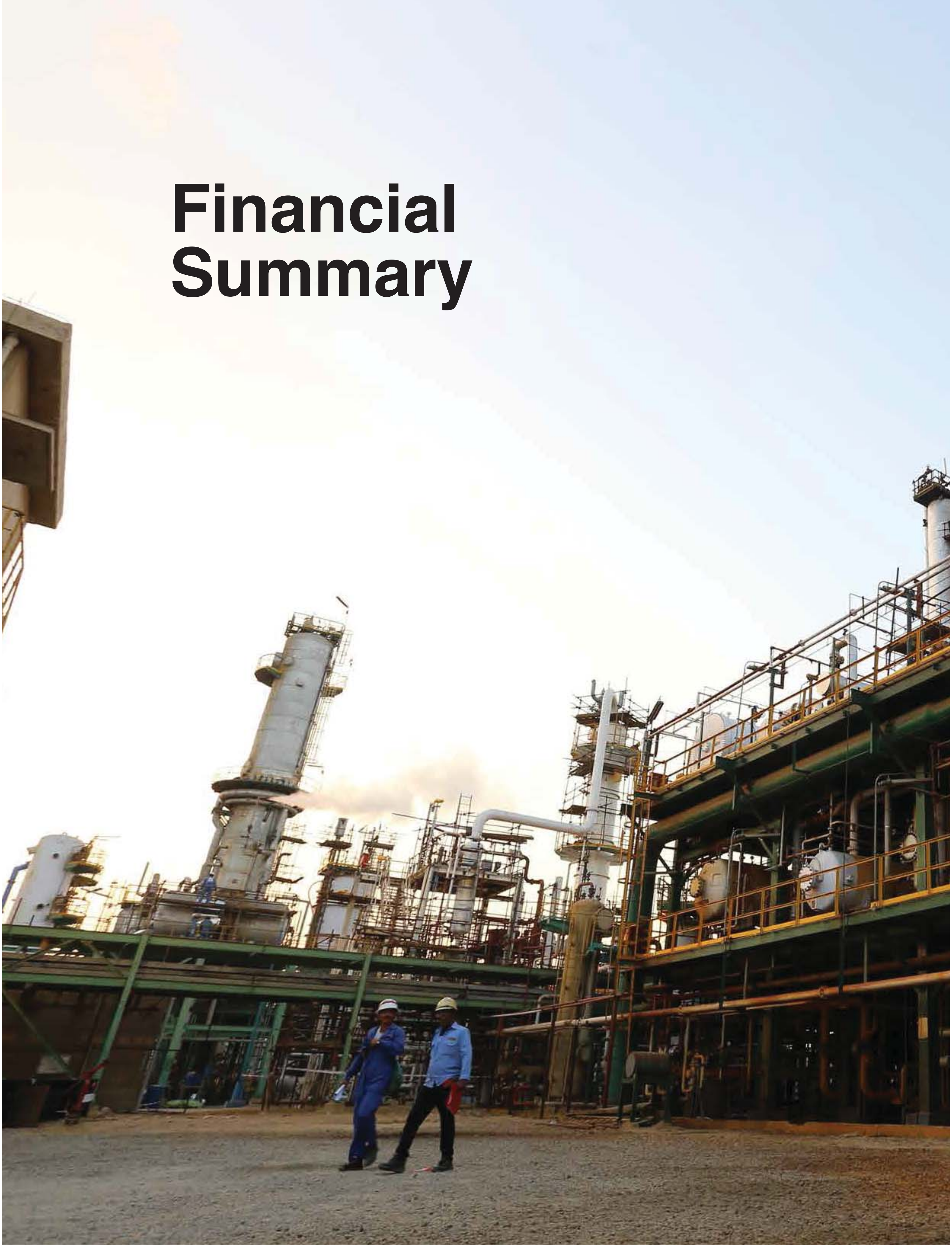
Dividends

During the period, an interim dividend of 4.5% i.e. Rs. 0.45 per share had been declared. In addition to this an annual dividend of 8% i.e. Rs. 0.8 per share has been declared by the Board of Directors and is to be approved by the shareholders in Annual General Meeting.

Auditors

The present auditors, M/s A.F. Ferguson & Co. retire, and offer themselves for reappointment. The Board Audit Committee has recommended the reappointment and the Board of Directors has endorsed the recommendation.

Financial Summary



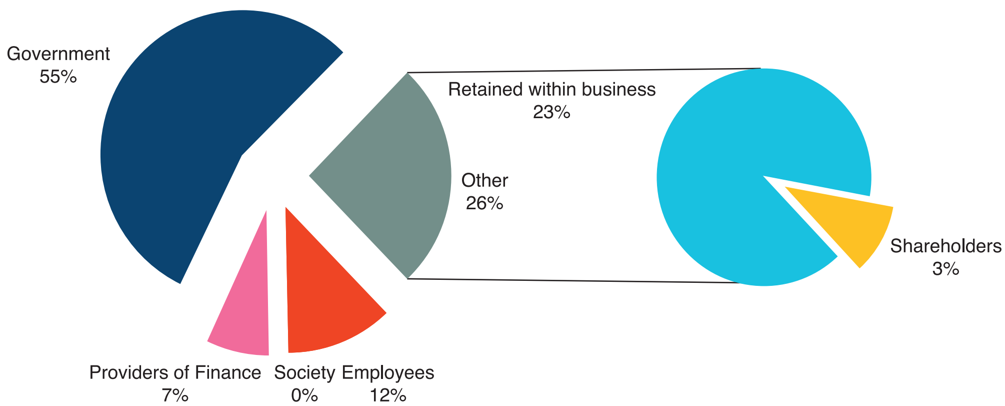

MS-402

Engro Polymer and Chemicals Limted
Consolidated Statement of Value Added

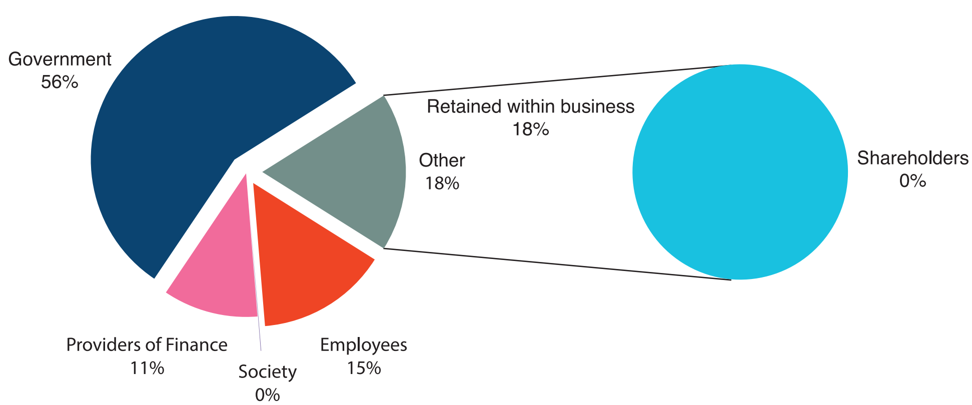
For the year ended December 31, 2017

	2017 Rs in '000	%	2016 Rs in '000	%
Wealth Generated				
Gross Sales and Other Income	32,556,163		26,714,508	
Materials and Services Purchased	(20,916,028)		(18,112,996)	
	11,640,135	100%	8,601,512	100%
Wealth Distributed				
Employees	1,392,607	12%	1,267,998	15%
Salaries, wages and other benefits				
Society	3,397	0%	4,575	0%
Donations and other CSR activities				
Providers of Finance	819,775	7%	919,587	11%
Finance costs				
Shareholders	298,561	3%	-	0%
Dividend				
Government	6,427,205	55%	4,871,223	56%
Income tax, Sales Tax output, Duties, WWF and WPPF				
Retained within business	2,698,590	23%	1,538,129	18%
Retained earnings, Depreciation and amortization.				
	11,640,135	100%	8,601,512	100%

Distribution of value added - 2017

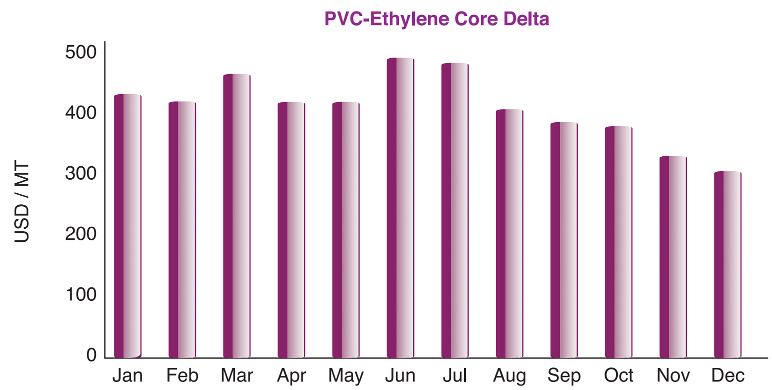


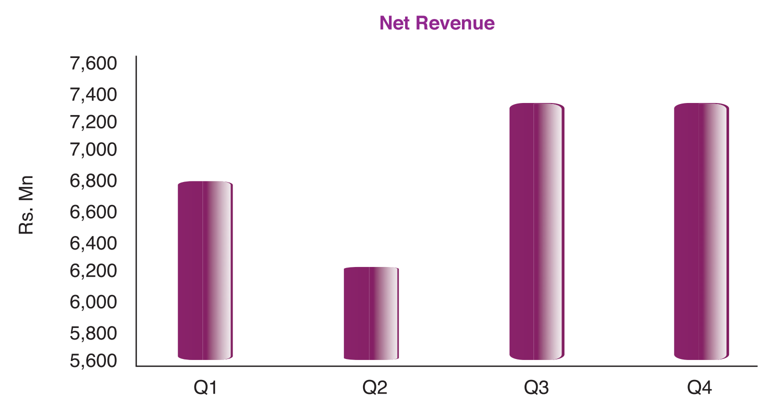
Distribution of value added - 2016

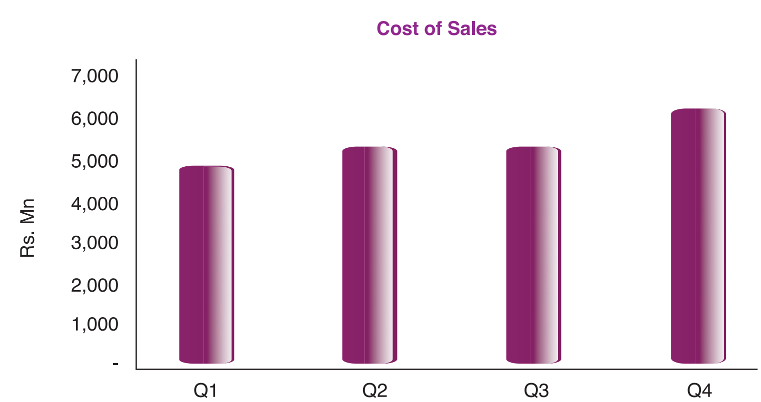


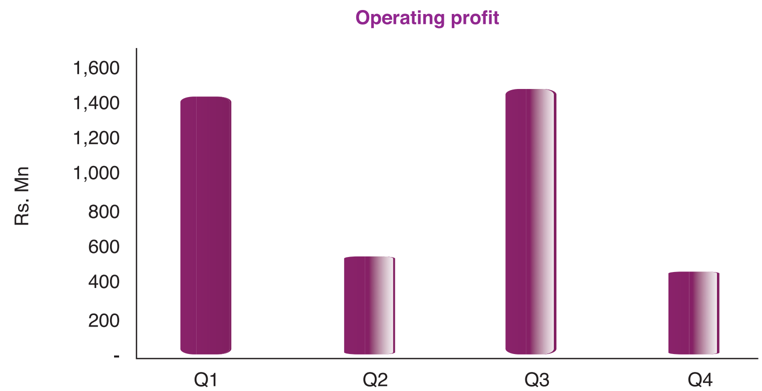
Employess   Society   Providers of Finance   Government   Retained within business   Shareholders

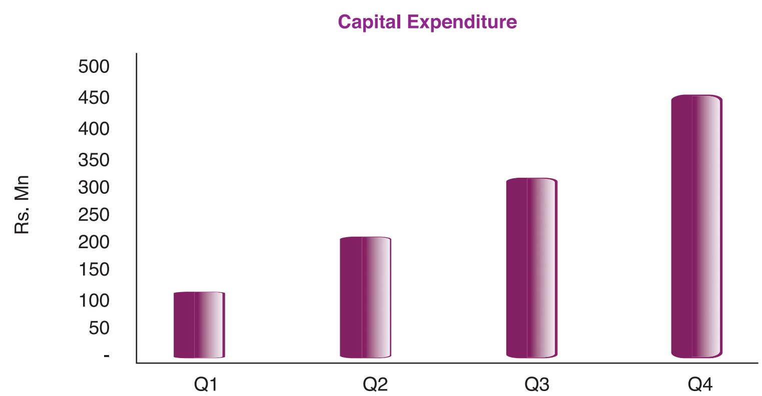
Quarterly Analysis

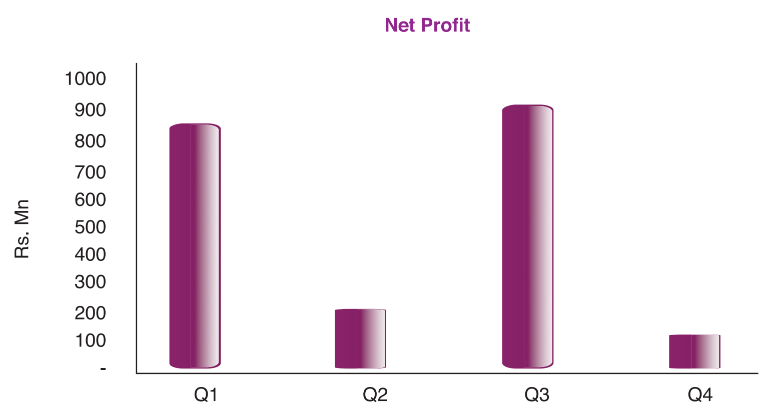







Operating profit
Rs. Mn
1,600
1,400
1,200
1,000
800
600
400
200
-
Q1
Q2
Q3
Q4


Capital Expenditure
Rs. Mn
500
450
400
350
300
250
200
150
100
50
-
Q1
Q2
Q3
Q4


Net Profit
Rs. Mn
1000
900
800
700
600
500
400
300
200
100
-
Q1
Q2
Q3
Q4

Q1

- Domestic market witnessed growth in PVC demand in Q1 2017 due to robust demand from construction sector and infrastructure projects
- International PVC prices remained stable, however, increase in ethylene prices resulted in slightly reduced margins
- On Chlor-Alkali front, market dynamics remained competitive yet the sales remained stable

Q2

- Softening of PVC prices and major turnaround conducted during the quarter resulted in reduced margins
- Chlor-Alkali market remained competitive, however, a decline in sales volume was witnessed due to turnaround at plant
- Through Finance Act, 2017 applicability of Super tax was extended and a provision for Rs. 65 Mn was recognized

Q3

- In line with strong PVC demand, EPCL's sales also increased significantly
- Although International prices of PVC strengthened significantly on the back of healthy demand in the region, Ethylene prices also witnessed an upsurge in 3Q due to supply constraints from major crackers & healthy downstream margins, keeping the margins in check
- Cummulative impact of stable chlor-alkali market and reduced pressure on prices of Caustic Soda resulted in better revenues

Q4

- Domestic market maintained the positive trajectory and EPCL closed the year with highest ever PVC sales and production quantities. Ethylene prices remained firm during the quarter, due to planned turnarounds and strong demand from some derivative products
- Increased international prices of caustic soda did not translate into gains for the Company due to competitive industry dynamics
- Reduced cost of debt due to balance sheet re-profiling completed in Q4 2016 resulted in reduced financial charges through out the year
- Deferred tax write off and other one time provisions also impacted the bottom line

Six Years Cash Flow with Direct Method

Cash Flow Statements - Direct Method (Rs in million)	2017	2016	2015	2014	2013	2012
Cash flows from customers	27,671	22,835	22,382	23,789	24,335	20,412
Cash payments to suppliers and others	(24,939)	(18,473)	(22,157)	(21,033)	(20,118)	(17,560)
Cash generated from operations	2,732	4,362	225	2,756	4,217	2,852
Finance costs	(607)	(886)	(995)	(1,026)	(1,412)	(1,670)
Long term loans and advances	(6)	(4)	-	(14)	(3)	(12)
Retirement benefits paid	(104)	(193)	(162)	(120)	(56)	(69)
Income tax paid	(166)	(179)	(263)	(456)	62	(270)
Net cash flow from operating activities	1,850	3,101	(1,194)	1,140	2,808	831
Purchase of operating assets and intangibles	(1,093)	(645)	(661)	(1,052)	(640)	(364)
Proceeds from disposal of operating assets	9	7	11	12	8	18
Purchase of short term investments	-	-	-	-	(924)	(750)
Proceeds from the sale of short term investments	-	-	-	-	928	754
Income on investments and bank deposits	44	0.92	34	47	26	8
Net cash flow from investing activities	(1,039)	(637)	(616)	(993)	(602)	(334)
Proceeds from long term borrowings	3,000	6,600	2,150	1,700	1,956	700
Proceeds from short term borrowings	-	15.91	819	300	620	1,250
Repayment of borrowings	(3,802)	(6,845.70)	(2,998)	(2,554)	(2,873)	(2,945)
Issue of share capital	-	-	-	-	-	-
Dividend (Paid)/Received	(261)	-	-	100	200	-
Net cash flow from financing activities	(1,063)	(230)	(29)	(454)	(97)	(995)
Net cash flows	(252)	2,234	(1,839)	(307)	2,109	(498)

Six Years Summary Profit and Loss Account and Balance Sheet

Rs. in Million	2017	2016	2015	2014	2013	2012
PROFIT AND LOSS						
Net Sales	27,731	22,854	22,264	23,819	24,592	20,466
Gross Profit	6,065	3,935	2,773	1,821	4,911	3,452
Operating Profit / (loss)	3,930	2,107	778	(370)	2,718	1,813
Profit / (Loss) before tax	3,109	1,180	(366)	(1,435)	1,344	166
Profit / (Loss) after tax	2,049	655	(649)	(1,016)	717	50
BALANCE SHEET						
Property, Plant and Equipment	16,011	16,008	16,249	16,923	17,133	17,715
Intangibles, Investments, Deferred Taxation and Long term Loans & Advances	242	761	1,115	1,134	608	1,015
Current Assets	8,062	7,692	6,878	8,244	7,500	6,227
Current Liabilities	7,845	9,742	13,659	14,219	10,731	11,030
Non Current liabilities	8,750	8,750	5,280	6,143	7,575	7,728
Share Capital	6,635	6,635	6,635	6,635	6,635	6,635
Shareholders Equity	7,720	5,968	5,303	5,939	6,934	6,199

Financial Statements Analysis

Shareholder's equity

The movement of shareholders' equity remained contingent on its cyclical nature of business which is primarily driven by the movement of international PVC and ethylene prices, local economic environment and downstream business demand of finished products. The Company recorded a PAT of Rs. 2,053 Mn as against PAT of Rs. 660 Mn.

The Company remained firm on its efforts to maximize shareholders' return by diversifying supplier base for key raw material, increasing focus on efficiency of plant operations and distributing interim dividend at Rs. 0.45 per share.

Non-Current Assets

For the year 2017, the Company booked 1,112 Mn in capital expenditure activities. The decline in the operating assets can be attributed to depreciation booked during the year.

Additionally, deferred tax asset declined during the year to further impact the noncurrent assets to the tune of ~ Rs. 538 Mn. An adjustment of current period taxable income with carried forward taxable losses led to the mark down of deferred tax asset.

Current Liabilities

Overall current liabilities have recorded a 19% decrease as compared to year ago. This decrease is mainly attributable to decrease in current portion of long term liabilities, short term borrowings and supplier's credit.

Non-Current Liabilities

Non-current liabilities only comprise of long term loans. During the year, the company repaid its outstanding balance owed to IFC and ECL (the Holding Company). Further new financing arrangements were entered into as well.

Current Assets

During the year, increase has been mainly driven by balances in stock in trade and savings account. Due to efforts on cash flow management, the current ratio has improved by 0.24 times where as quick ratio has also improved by 0.03 times.

Revenue

In terms of revenue, the year 2017 proved to be prosperous with the Company setting higher benchmarks for the future. International PVC dynamics remained healthier on account of supply rationalization throughout the year. This supported international prices and also had a favorable impact on the Company's topline. During 2017, the Company recorded a revenue of Rs.27,731 million which is 21% higher as against last year.

The topline of the Company will depend on the global economic dynamics and also domestic demand. Pakistan has one of the lowest per Capita consumption of PVC, the Company hopes that advent of economic activity through multiple fronts, such as CPEC, results in an increase of PVC consumption.

Gross profit

The year 2017 was a period of economic consolidation for the Company. The Company further strengthened its core operations and streamlined plant activities. Further complemented by favorable international and domestic dynamics, the gross profit margins of the Company witnessed a surge of 54%.

The gross profit margin relies on many factors such as international PVC and ethylene prices, gas prices and currency fluctuations.

Finance and Other Costs

Finance Cost has declined due to decline in short term borrowings and benefit of debt re-profiling performed in the previous year. Further, other operating expense has witnessed increase due to WPPF charge and higher foreign exchange loss due to rising exchange rates.

Ratio Analysis

Profitability Ratio

Strong domestic demand and relatively favorable conditions in petrochemical industry during 2017, have significantly impacted Company's profitability which depicts a healthier economic picture as compared to last year. Improvement can be witnessed in EBIDTA, which has increased by ~ Rs. 1,889 million. Additionally, profit margin ratio has also shown improvement by rising from 2.86% in the previous year to 7.4% in the current year, which measures effectiveness of convertibility of the Company's sales into net income.

The increase in gross profit margin translated into ensuring high profitability for the Company.

Liquidity Ratio

As a result of positive cash flows from operating activities the current ratio has improved significantly i.e. from 0.79 times in 2016 to 1.03 times as at the end of 2017. This improvement also translated into improvement in quick ratio by 0.03.

Capital Structure Ratios

The financial gearing of the Company has shown significant improvement as debt to equity ratio has improved from 1.47 in 2016 to 1.13 in 2017 due to increased equity balance as a result of improved profitability. Further, the weighted average cost of debt has reduced by 0.81% due to the replacement of expensive borrowings with low cost borrowings completed in 2016. To ensure further improvements, during the year, the Company has replaced another loan from associated undertaking with low cost loan from financial institution.

Investment/Market Ratios

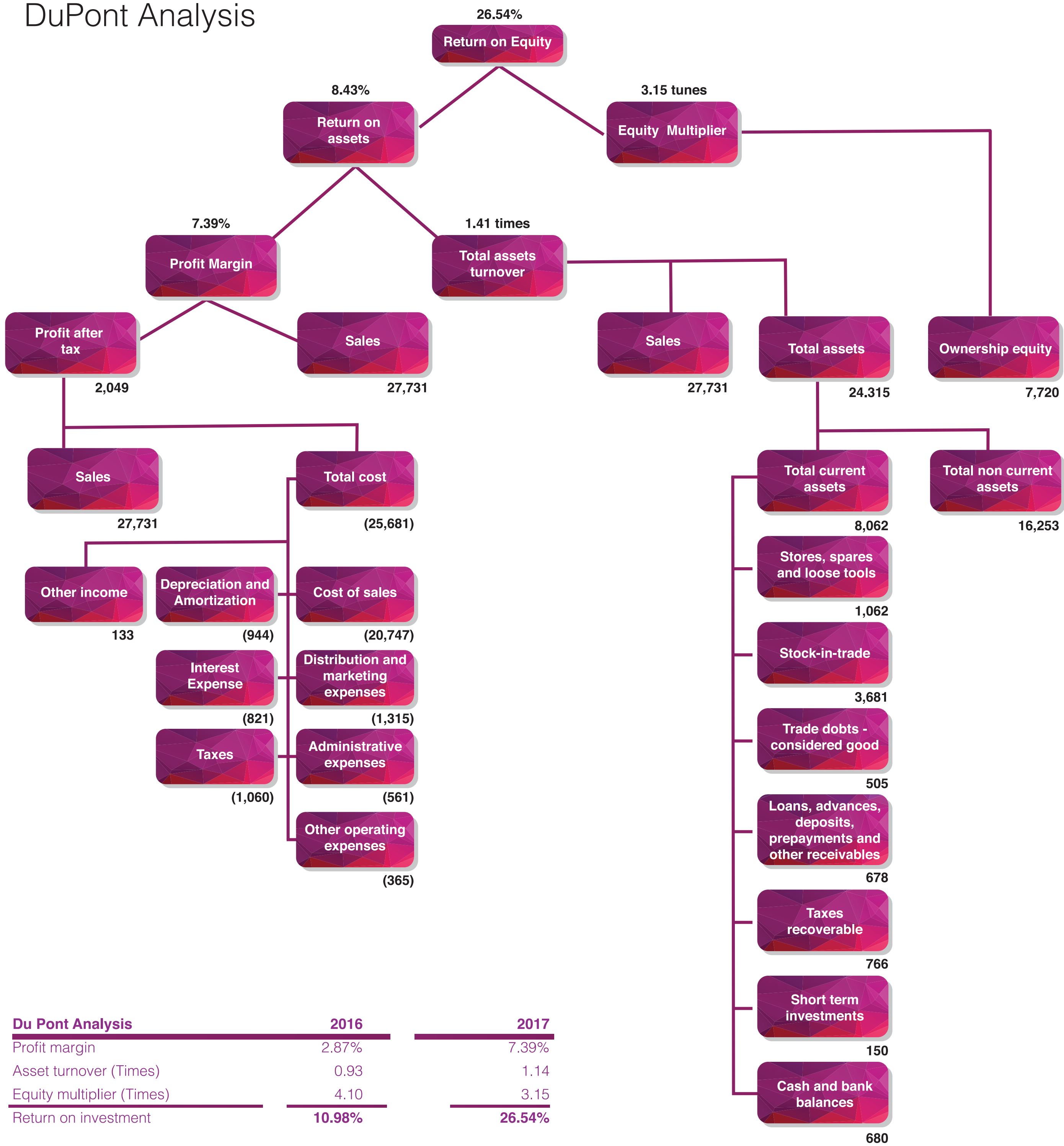
EPS for the current year is Rs. 3.09 / share as compared to Rs. 0.99 / share in the previous year. Average market value per shares has also improved from Rs. 10.23 / share to Rs. 30.18 and the closing price was Rs. 28.56 / share. The Company also paid an interim dividend of Rs. 0.45 / share and declared final dividend of Rs. 0.80 / share (i.e. a cumulative dividend of Rs. 1.25 / share), leading to a dividend payout ratio of 40%.

Activity/Turnover Ratios

Cash operating cycle of the Company has increased by 61 days as compared to last year due to reduction in supplier's credit.

engro polymer & chemicals

DuPont Analysis



Du Pont Analysis	2016	2017
Profit margin	2.87%	7.39%
Asset turnover (Times)	0.93	1.14
Equity multiplier (Times)	4.10	3.15
Return on investment	**10.98%**	**26.54%**

BALANCE SHEET
VERTICAL AND HORIZONTAL ANALYSIS

	2017	2016	2015	2014	2013	2012
ASSETS						
Non-Current Assets	16,253	16,769	17,364	18,058	17,740	18,730
Current Assets	8,062	7,692	6,878	8,244	7,500	6,227
Total Assets	24,315	24,461	24,242	26,301	25,240	24,957
EQUITY AND LIABILITIES						
Equity	7,720	5,968	5,303	5,939	6,934	6,199
Non-Current Liabilities	8,750	8,750	5,280	6,143	7,575	7,728
Current Liabilities	7,845	9,742	13,659	14,219	10,731	11,030
Total Equity & Liabilities	24,315	24,461	24,242	26,301	25,240	24,957
Non-Current Assets	67%	69%	72%	69%	70%	75%
Current Assets	33%	31%	28%	31%	30%	25%
Total Assets	100%	100%	100%	100%	100%	100%
EQUITY AND LIABILITIES						
Equity	32%	24%	22%	23%	27%	25%
Non-Current Liabilities	36%	36%	22%	23%	30%	31%
Current Liabilities	32%	40%	56%	54%	43%	44%
Total Equity & Liabilities	100%	100%	100%	100%	100%	100%

	17 over '16	16 over '15	15 over '14	14 over '13	13 over '12	12 over '11
Non-Current Assets	-3%	-3%	-4%	2%	-5%	-4%
Current Assets	5%	12%	-17%	10%	20%	25%
Total Assets	-1%	1%	-8%	4%	1%	2%
EQUITY AND LIABILITIES						
Equity	29%	13%	-11%	-14%	12%	1%
Non-Current Liabilities	0%	66%	-14%	-19%	-2%	-13%
Current Liabilities	-19%	-29%	-4%	33%	-3%	15%
Total Equity & Liabilities	-1%	1%	-8%	4%	1%	2%

PROFIT AND LOSS ACCOUNT
VERTICAL AND HORIZONTAL ANALYSIS
Rs. in million

	2017	2016	2015	2014	2013	2012
Net sales	27,731	22,854	22,264	23,819	24,592	20,466
Cost of sales	(21,665)	(18,919)	(19,490)	(22,151)	(19,681)	(17,014)
Gross profit	**6,066**	**3,935**	**2,773**	**1,668**	**4,911**	**3,452**
Distribution and marketing expenses	(1,318)	(1,180)	(1,211)	(1,409)	(1,344)	(1,134)
Administrative expenses	(584)	(519)	(515)	(494)	(606)	(478)
Other operating expenses	(365)	(149)	(325)	(309)	(521)	(528)
Other income	132	20	57	174	278	501
Operating profit / (loss)	**3,930**	**2,107**	**778**	**(370)**	**2,718**	**1,813**
Finance costs	(821)	(927)	(1,144)	(1,065)	(1,374)	(1,647)
Profit / (Loss) before taxation	**3,109**	**1,180**	**(366)**	**(1,435)**	**1,344**	**166**
Taxation	(1,060)	(525)	(283)	419	(627)	(116)
Profit / (Loss) for the year	2,049	655	(649)	(1,016)	717	50

Vertical Analysis % of Sales	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Net sales	100%	100%	100%	100%	100%	100%
Cost of sales	-78%	-83%	-88%	-93%	-80%	-83%
Gross profit	22%	17%	12%	7%	20%	17%
Distribution and marketing expenses	-5%	-5%	-5%	-6%	-6%	-6%
Administrative expenses	-2%	-2%	-2%	-2%	-2%	-2%
Other operating expenses	-1%	-1%	-1%	-1%	-2%	-3%
Other income	0%	0%	0%	1%	1%	2%
Operating profit / (loss)	14%	9%	3%	-2%	11%	9%
Finance costs	-3%	-2%	-5%	-4%	-6%	-8%
Profit / (Loss) before taxation	11%	5%	-2%	-6%	5%	1%
Taxation	-4%	-2%	-1%	2%	-3%	-1%
Profit / (Loss) for the year	7%	3%	-3%	-4%	3%	0%

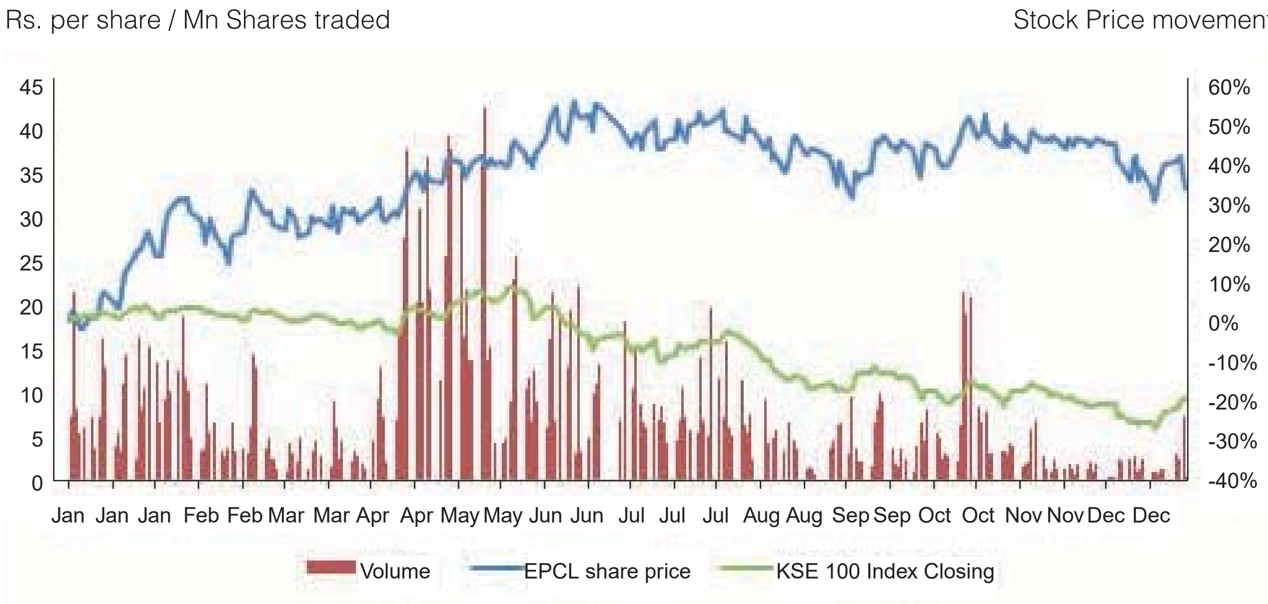
Horizontal Analysis - Year on Year	**2017 over 2016**	**2016 over 2015**	**2015 over 2014**	**2014 over 2013**	**2013 over 2012**	**2012 over 2011**
Net sale	21%	3%	-7%	-3%	20%	21%
Cost of sales	15%	-3%	-12%	13%	16%	15%
Gross profit	54%	42%	66%	-66%	42%	66%
Distribution and marketing expenses	12%	-3%	-14%	5%	19%	33%
Administrative expenses	13%	1%	4%	-18%	27%	24%
Other operating expenses	144%	-54%	5%	-41%	-1%	134%
Other income	550%	-64%	-67%	-37%	-45%	2286%
Operating profit / (loss)	86%	171%	-310%	-114%	50%	188%
Finance costs	-11%	-19%	7%	-22%	-17%	-6%
Profit / (Loss) before taxation	163%	-423%	-74%	-207%	710%	115%
Taxation	102%	86%	-168%	-167%	441%	-130%
Profit / (Loss) for the year	213%	-201%	-36%	-242%	1334%	107%

Key Financial Information

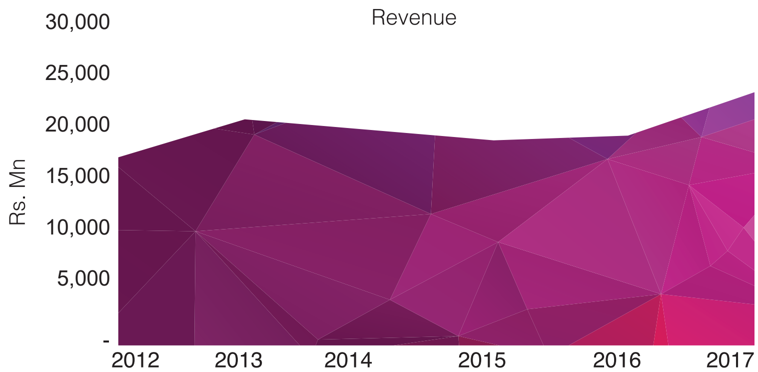
INVESTOR INFORMATION	Unit	2017	2016	2015	2014	2013	2012
Profitability Ratios							
Gross Profit Ratio	%	21.9	17.22	12.46	7.65	19.97	16.87
Net Profit /(Loss) to Sales	%	7.4	2.86	(2.92)	(4.27)	2.92	0.24
EBITDA	Rs. in M	4,874	2,985	2,062	867	3,897	2,992
EBITDA to Sales	%	17.6	13.06	9.26	3.64	14.60	14.62
Operating leverage ratio	No. of Times	4.1	64.46	(47.53)	12.05	3.58	11.23
Return on Equity	%	26.5	10.98	(12.24)	(17.11)	10.34	0.81
Return on Capital Employed	%	12.4	4.44	(6.14)	(8.44)	4.97	0.36
Liquidity Ratios							
Cash flow from operations to sales	No. of Times	0.10	0.19	0.01	0.12	0.17	0.14
Cash to current liabilities	No. of Times	0.11	0.11	(0.08)	0.05	0.09	(0.10)
Current Ratio	No. of Times	1.03	0.79	0.50	0.58	0.71	0.57
Quick Ratio	No. of Times	0.35	0.32	0.18	0.20	0.27	0.17
Capital Structure							
Interest Cover Ratio	No. of Times	4.79	2.27	0.68	-0.35	1.98	1.10
Long term Debt to Equity Ratio	No. of Times	1.13	1.47	0.99	1.03	1.08	1.22
Weighted average cost of debt	%	8.35	9.16	9.09	10.25	11.21	11.21
Financial leverage	%	113	161	214	163	151	186
Price to book ratio	Rs.	0.78	0.50	0.29	0.30	0.35	0.27
Earning assets to total assets	%	76%	76%	76%	76%	76%	77%
Activity/Turnover Ratios							
Fixed Assets Turnover	No. of Times	1.73	1.43	1.37	1.41	1.44	1.16
Total Assets Turnover	No. of Times	1.14	0.93	0.92	0.91	0.97	0.82
Inventory Turnover Days	No. of Days	56.48	57.54	64.04	58.90	58.45	59.23
Inventory Turnover	No. of Times	0.15	0.16	0.18	0.16	0.16	0.16
Debtor Turnover	No. of Days	5.41	6.14	7.54	8.18	5.44	3.77
Debtor Turnover Days	No. of Times	0.01	0.02	0.02	0.02	0.01	0.01
Creditor turnover	No. of Days	95.49	158.4	192.91	165.00	151.35	164.88
No. of days in Payables	No. of Days	0.26	0.43	0.53	0.45	0.41	0.45
Operating cycle	No. of Days	(33.59)	(94.72)	(128.62)	(97.92)	(87.47)	(101.88)
Investment/Market Ratios							
Number of outstanding shares at year end	No. in M	663	663	663	663	663	663
Earnings Per Share - Basic and Diluted	Rs.	3.09	0.99	(0.98)	(1.53)	1.08	0.07
Price Earning Ratio	No. of Times	9.24	18.65	(9.37)	(12.76)	8.05	0.69
Market value per share (at the end of the year)	Rs.	28.56	18.46	10.44	12.00	13.41	10.12
Market value per share (highest during the year)	Rs.	39.71	19.00	14.14	17.25	14.55	13.82
Market value per share (lowest during the year)	Rs.	18.11	8.20	7.91	10.65	8.50	8.20
Break up value per share	Rs.	11.64	9	8.00	8.96	10.46	9.35
Dividend Per Share	Rs.	1.25	-	-	-	-	-
Dividend payout ratio	%	40%	-	-	-	-	-
Dividend cover ratio	No. of Times	2.5	-	-	-	-	-
Dividend yield ratio	%	4%	-	-	-	-	-

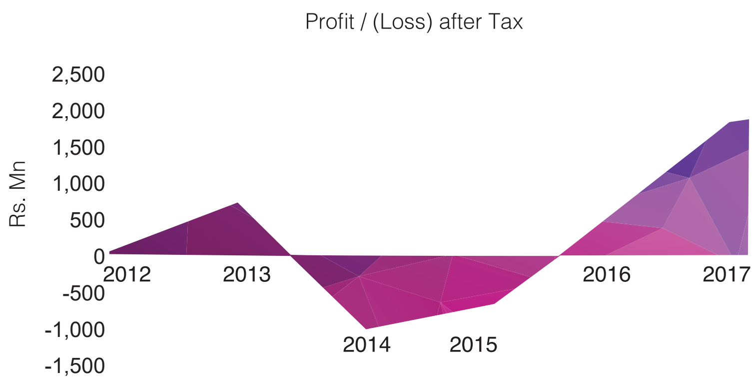
Share Price Sensitivity Analysis

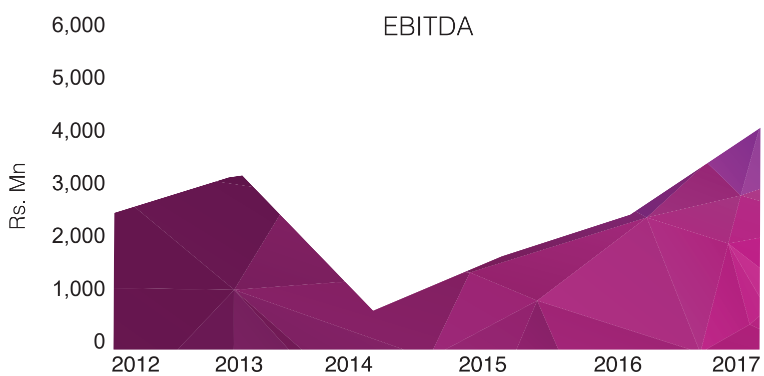
During the year, 1,989 Mn shares were traded at Pakistan Stock Exchange. The share attracted investor attention in 2017 on account of improving profitability attributable to better vinyl chain core margins, operational efficiencies and better profitability prospects. However, with the bearish spell at the local exchange, the Company share price also declined and remained in tandem with the broad market trend. The average price of the Company's share based on daily closing rates was Rs. 30.18 per share while 52 week low / high was Rs. 18.11 – Rs. 39.71 per share, respectively.

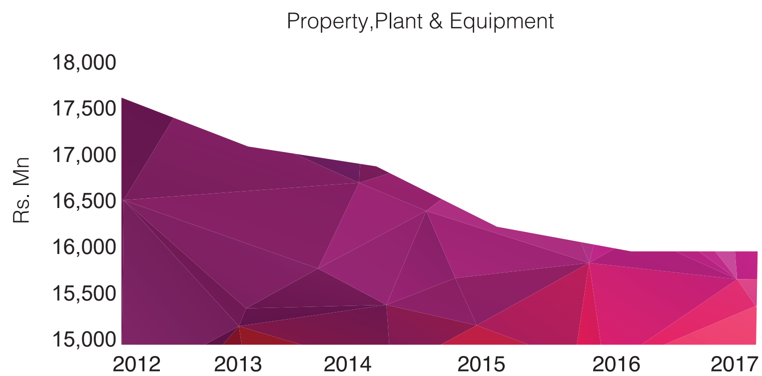


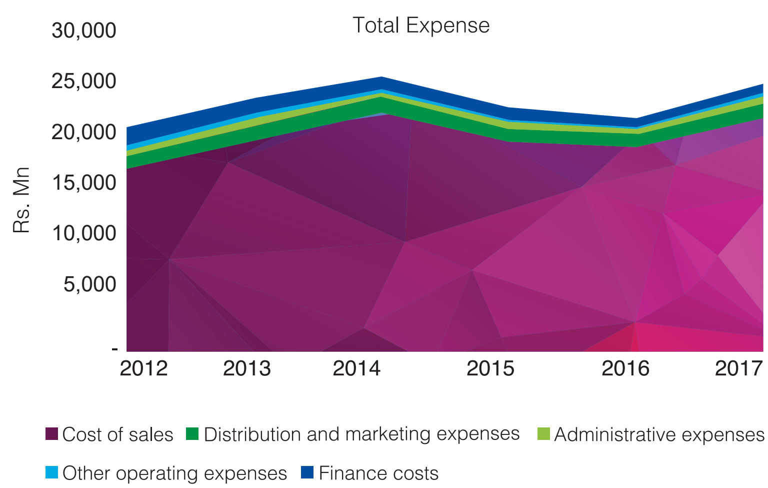
Graphical Presentation

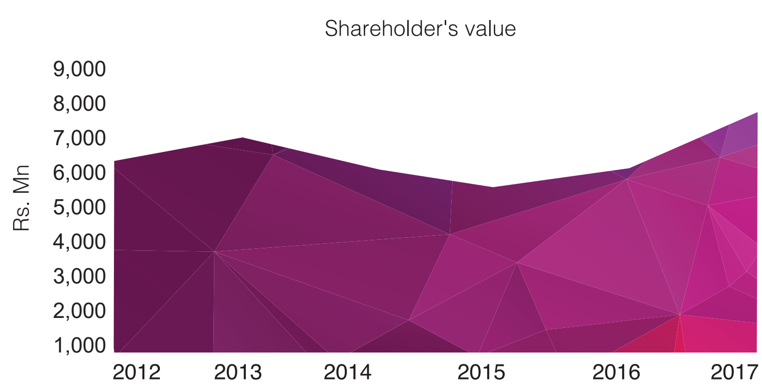




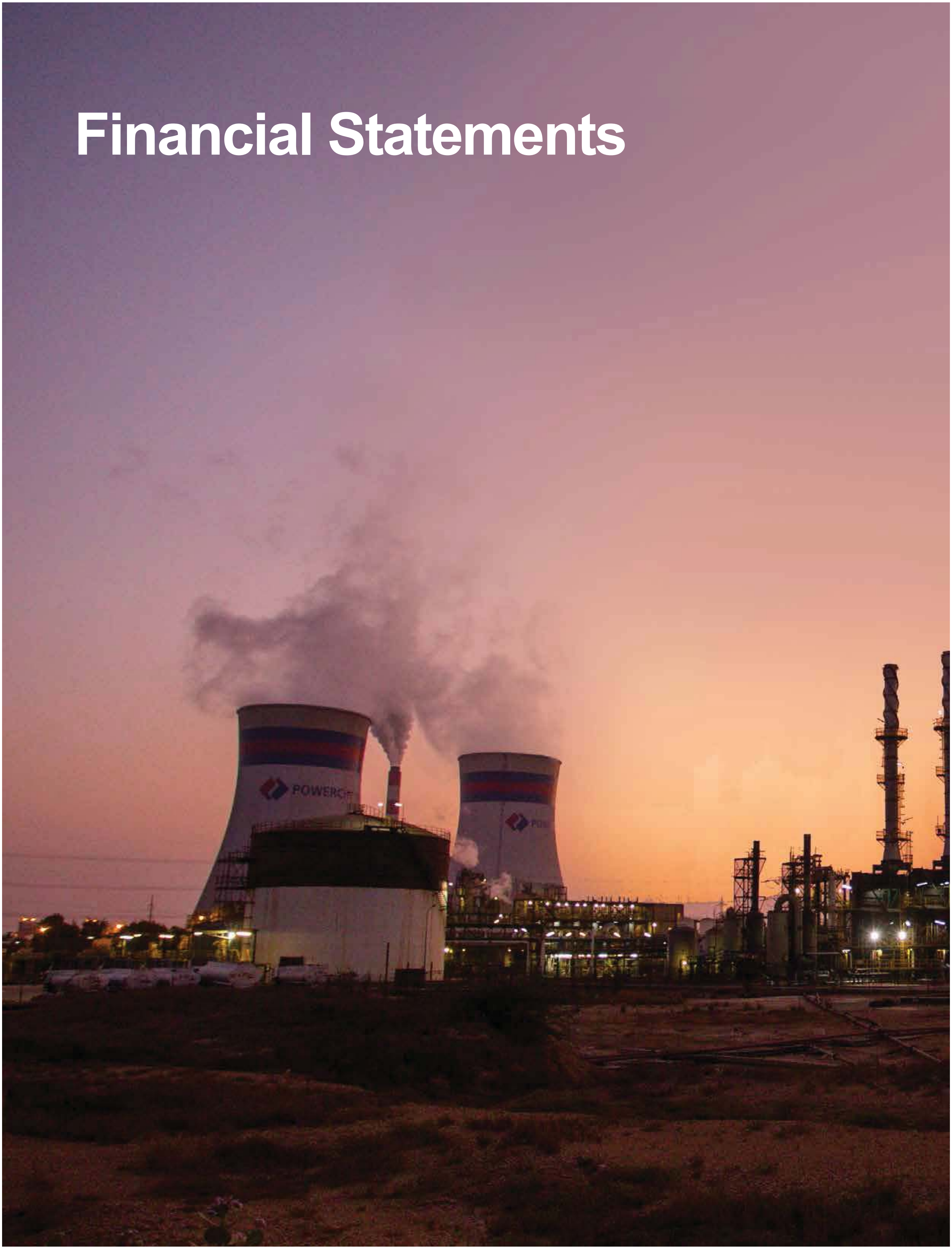



Property,Plant & Equipment
Rs. Mn
18,000
17,500
17,000
16,500
16,000
15,500
15,000
2012
2013
2014
2015
2016
2017


Total Expense
Rs. Mn
30,000
25,000
20,000
15,000
10,000
5,000
-
2012
2013
2014
2015
2016
2017
Cost of sales
Distribution and marketing expenses
Administrative expenses
Other operating expenses
Finance costs


Shareholder's value
Rs. Mn
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
2012
2013
2014
2015
2016
2017

Financial Statements



statement of compliance

with the code of corporate governance
For the year ended December 31, 2017

This Statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulations of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Name
Independent Director	Mr. Feroz Rizvi
Executive Director	Mr. Imran Anwer
Non-Executive Directors	Mr. Ghias Khan Mr. Hasnain Moochhala Mr. Nadir Salar Qureshi Mr. Muhammad Asif Sultan Tajik Mr. Noriyuki Koga

   The independent director meets the criteria of independence under Clause 5.19.1.(b) of the CCG. Of the non-executive directors, Mr. Ghias Khan, Mr. Hasnain Moochhala, Mr. Nadir Salar Qureshi and Mr. Muhammad Asif Sultan Tajik are executives in other Engro Group Companies.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurred on the Board on March 31, 2017 and July 10, 2017. The casual vacancy occurring on March 31, 2017 was filled by the Directors within 2 days and the casual vacancy occurring on July 10, 2017 was filled by the Directors within 1 day.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Three of the Directors have already completed the directors' training program conducted by the Pakistan Institute of Corporate Governance (PICG). One of the Directors will be completing the course in the ensuing year.

10. The Board has approved the appointment of the CFO effective February 1, 2018. The Board has approved the appointment of the Head of Internal Audit and the Company Secretary. The remuneration of the CFO, Company Secretary and Head of Internal Audit has been approved by the Board.

11. The Director's Report for this year has been prepared in compliance with the requirements of the CCG and fully describe the salient matters required to be disclosed.

12. The Financial Statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee comprising of three members of whom two are non-executive directors and one is independent director and the Chairman of the Committee is an independent director.

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee, i.e. the Board Compensation Committee. It comprises of four members, of whom three are non-executive directors and one is an independent director and the Chairman of the Committee is a non-executive director.

18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel that are involved in the internal audit function on a full time basis and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

Ghias Khan
Chairman

Imran Anwer
President & Chief Executive

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review report to the members on statement of compliance

with code of corporate governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Engro Polymer and Chemicals Limited (the Company) for the year ended December 31, 2017 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange, in which the Lahore and Islamabad stock exchanges have merged), where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors, for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2017.

Chartered Accountants
Karachi
Dated: February 20, 2018
Engagement Partner: Farrukh Rehman

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

■ KARACHI ■ LAHORE ■ ISLAMABAD

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auditors' report to the members

We have audited the annexed balance sheet of Engro Polymer and Chemicals Limited (the Company) as at December 31, 2017 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explantions given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Usher Ordinance, 1980, (XVIII) of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants
Karachi
Dated: February 16, 2018
Engagement Partner: Farrukh Rehman

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the the PwC network
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■ KARACHI ■ LAHORE ■ ISLAMABAD

balance sheet

as at december 31, 2017

(Amounts in thousand)	Note	2017	2016
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	16,011,070	16,008,366
Intangibles	5	104,663	90,855
Long term investment - at cost	6	50,000	50,000
Long term loans and advances	7	75,756	69,971
Deferred taxation	8	11,255	549,328
		16,252,744	16,768,520
Current Assets			
Stores, spares and loose tools	9	1,602,387	1,545,381
Stock-in-trade	10	3,681,162	3,024,268
Trade debts - considered good	11	505,123	456,396
Loans, advances, deposits, prepayments and other receivables	12	677,918	431,435
Taxes recoverable	13	765,948	1,122,953
Short term investments	14	150,000	740,000
Cash and bank balances	15	679,881	371,616
		8,062,419	7,692,049
TOTAL ASSETS		24,315,163	24,460,569
EQUITY AND LIABILITIES			
Equity			
Share capital	16	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		-	(1,475)
Unappropriated profit / accumulated (losses)		121,668	(1,628,905
		7,720,385	5,968,337
Non-Current Liabilities			
Long term borrowings	17	8,750,000	8,750,000
Current Liabilities			
Current portion of long term borrowings	17	-	416,903
Derivative financial instruments	18	-	2,107
Service benefit obligations	19	45,953	45,622
Short term borrowings	20	-	414,638
Trade and other payables	21	4,513,369	6,722,102
Unclaimed dividend		37,750	-
Accrued interest / mark-up	22	135,087	11,096
Provisions	23	3,112,619	2,129,764
		7,844,778	9,742,232
TOTAL EQUITY AND LIABILITIES		24,315,163	24,460,569
Contingencies and Commitments	24		

The annexed notes 1 to 46 form an integral part of these financial statements.

Imran Anwer	**Muhammad Imran Khalil**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

profit and loss account

for the year ended december 31, 2017

(Amounts in thousand except for earnings per share)	Note	2017	2016
		Rupees	
Net revenue	25	27,730,736	22,854,024
Cost of sales	26	(21,665,326)	(18,919,015)
Gross profit		6,065,410	3,935,009
Distribution and marketing expenses	27	(1,318,396)	(1,179,769)
Administrative expenses	28	(584,163)	(518,896)
Other operating expenses	29	(365,241)	(149,457)
Other income	30	132,651	20,358
Operating profit		3,930,261	2,107,245
Finance costs	31	(821,006)	(927,181)
Profit before taxation		3,109,255	1,180,064
Taxation	32	(1,060,121)	(525,276)
Profit for the year		2,049,134	654,788
Earnings per share - basic and diluted	33	3.09	0.99

The annexed notes 1 to 46 form an integral part of these financial statements.

Imran Anwer	**Muhammad Imran Khalil**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

statement of comprehensive income

for the year ended december 31, 2017

(Amounts in thousand)	Note	2017	2016
		Rupees	
Profit for the year		2,049,134	654,788
Other comprehensive income :			
Items that may be reclassified subsequently to profit or loss			
Hedging reserve			
Loss arising during the year, net		(21)	(698)
Reclassification adjustments for losses included in profit or loss		2,128	15,973
Income tax relating to hedging reserve		(632)	(4,757)
Other comprehensive income for the year - net of tax		1,475	10,518
Total comprehensive income for the year		2,050,609	665,306

The annexed notes 1 to 46 form an integral part of these financial statements.

Imran Anwer	**Muhammad Imran Khalil**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

statement of changes in equity

for the year ended december 31, 2017

(Amounts in thousand)

	Share Capital	RESERVES CAPITAL Share premium	RESERVES REVENUE Hedging reserve	RESERVES REVENUE Unappropriated profit / accumulated (loss)	Total
	Rupees				
Balance as at January 1, 2016	6,634,688	964,029	(11,993)	(2,283,693)	5,303,031
Total comprehensive income for the year ended December 31, 2016	-	-	10,518	654,788	665,306
Balance as at December 31, 2016	6,634,688	964,029	(1,475)	(1,628,905)	5,968,337
Dividends					
- First Interim - Rs. 0.45 per share	-	-	-	(298,561)	(298,561)
Total comprehensive income for the year ended December 31, 2017	-	-	1,475	2,049,134	2,050,609
Balance as at December 31, 2017	6,634,688	964,029	-	121,668	7,720,385

The annexed notes 1 to 46 form an integral part of these financial statements.

Imran Anwer
President & Chief Executive

Muhammad Imran Khalil
Chief Financial Officer

Feroz Rizvi
Director

statement of cash flows

for the year ended december 31, 2017

(Amounts in thousand)	Note	2017	2016
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	2,732,022	4,362,092
Finance cost paid		(606,772)	(885,669)
Long term loans and advances		(5,785)	(3,599)
Retirement benefits paid		(104,226)	(193,007)
Income tax paid		(165,675)	(178,615)
Net cash generated from operating activities		1,849,564	3,101,202
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(1,066,480)	(629,683)
- intangible assets		(26,378)	(14,974)
Proceeds from disposal of property, plant and equipment		9,412	6,655
Income on short term investment and bank deposits		44,499	915
Net cash utilized in investing activities		(1,038,947)	(637,087)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		3,000,000	6,600,000
Repayments of long term borrowings		(3,416,903)	(5,795,736)
Proceeds from short term borrowings		-	15,906
Repayments of short term borrowings		(385,000)	(1,050,000)
Dividend payment		(260,811)	-
Net cash utilized in financing activities		(1,062,714)	(229,830)
Net (decrease) / increase in cash and cash equivalents		(252,097)	2,234,285
Cash and cash equivalents at beginning of the year		1,081,978	(1,152,307)
Cash and cash equivalents at end of the year	37	829,881	1,081,978

The annexed notes 1 to 46 form an integral part of these financial statements.

Imran Anwer	Muhammad Imran Khalil	Feroz Rizvi
President & Chief Executive	Chief Financial Officer	Director

notes to the financial statements

for the year ended december 31, 2017

(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. The Company is listed on 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 (the Ultimate Parent Company). The address of its registered office is 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. 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 (Related Party).

1.3 On December 28, 2017, the Company has announced expansion of PVC plant, increasing the production capacity by 100,000 MT and various other projects carrying capital expenditure of Rs. 10.3 billion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These financial statements have been prepared under the historical cost convention as modified by remeasurement of certain financial assets and financial liabilities (including derivative financial instruments) at fair value.

Statement of compliance

2.1.2 These financial statements have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984 (the Ordinance), directives issued under the repealed Companies Ordinance, 1984 (the Ordinance), as required by circular CLD/CCD/PR(11)/2017 dated October 4, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) that the companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017 shall prepare their financial statements in accordance with provisions of repealed Companies Ordinance, 1984 and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the repealed Ordinance. Wherever, the requirements of the repealed Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the repealed Ordinance or the requirements of the said directives take precedence.

2.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.1.4 Initial application of a Standard, Amendment or an Interpretation to an existing Standard

a) Standards, amendments to published standards and interpretations effective in 2017

The following amendments to published standards are mandatory for the financial year beginning January 1, 2017 and are relevant to the Company:

- IAS 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided.

(Amounts in thousand)

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses (effective for periods beginning on or after January 1, 2017). These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IFRS 12', 'Disclosure of interest in other entities' (effective 2017 retrospectively'. These amendments clarify the scope of IFRS 12 by specifying that the disclosure requirements, except for those summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests which are classified as held for sale, as held for distribution to owners in their capacity as owners or as a discontinued operations in accordance with IFRS 5. The amendment is not expected to have a significant impact on the Company's financial reporting.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2017 and have not been early adopted by the Company:

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

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contract's and related interpretations. The Company is in process to assess the impact of the standard.

(Amounts in thousand)

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

- IFRIC 22,' Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). These amendments clarify the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The amendment is not expected to have a significant impact on the Company's financial reporting.

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 here.

2.2 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except capital work-in-progress. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Capital work-in-progress is stated at historical cost less impairment, if any.

Depreciation on assets is charged to income using the straight line method to allocate their cost less the residual values over their estimated useful lives at rates given in note 4.1. Depreciation on additions is charged from the month in which the asset is put to use and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the year in which these are incurred.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognized in income. The recoverable amount is the higher of fair value less expected selling expenses and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in income, however, is restricted to the original cost of the asset.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period of disposal or retirement.

(Amounts in thousand)

2.3 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.4 Intangible assets - Computer software

Costs associated with developing and maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly attributable to identifiable software and have probable economic benefits exceeding one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Expenditure, which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortized from the date the software is put to use on straight-line basis over a period of 5 to 10 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount and is recognized in income. Reversal of impairment losses are also recognized in income, however, is restricted to the original cost of the asset.

2.5 Investments in subsidiaries

Investments in subsidiaries are stated at cost net of provision for impairment, if any. This investment is classified as long term investment.

2.6 Financial instruments

2.6.1 Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise of 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention to hold to maturity.

(Amounts in thousand)

d) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or management intends to dispose off the financial assets within 12 months of the balance sheet date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profsit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other income / operating expenses' in the period in which they arise. Dividend income from financial assets at 'fair value through profit or loss' is recognized in the profsit and loss account as part of 'other income' when the Company's right to receive payments is established. Gains or losses on sale of investments at 'fair value through profit or loss' are recognized in the profit and loss account as 'gains and losses from investment securities'.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as 'gains and losses from investment securities'. Interest on available for sale securities calculated using the effective interest method is recognized in the profit and loss account as part of 'other income'. Dividends on available for sale equity instruments are recognized in the profit and loss account as part of 'other income' when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the profit and loss account. Impairment losses recognized in profit and loss on equity instruments are not reversed through profit and loss.

2.6.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

(Amounts in thousand)

2.6.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.7 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. Provision is made for slow moving items older than ten years, and is recognized in the profit and loss account.

2.8 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost in relation to raw materials represent the weighted average cost and in relation to finished goods and work-in-process represents weighted average cost comprising direct materials, labour and related manufacturing overheads.

Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make the sales. Provision is made for slow moving stocks, where considered necessary.

2.9 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is charged to income. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balance with banks, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and short term finances. Short term finances on the balance sheet are shown as part of current liabilities.

2.11 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs, if any, directly attributable to the issue of new shares or options are recognized in equity as a deduction, net of tax, from the proceeds.

2.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the balance sheet date.

(Amounts in thousand)

2.13 Retirement and other service benefits

2.13.1 Gratuity fund

The employees of the Company participate in a defined contributory gratuity fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. As per the terms of the defined contribution plan, the Company contributes to the Fund at the rate of 8.33% of basic salary. Annual contribution by the Company is charged to profit and loss account.

2.13.2 Provident fund

The employees of the Company participate in defined contributory provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Equal monthly contributions at the rate of 10% of the basic salary are made both by the Company and the employees to the Fund. Annual contribution by the Company is charged to profit and loss account.

2.13.3 Other benefits - Service Incentive Plan

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Company's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfillment of criteria given in the incentive plan.

2.14 Trade and other payables

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.16 Taxation

2.16.1 Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

2.16.2 Deferred

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax is charged or credited in the profit and loss account except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

(Amounts in thousand)

2.17 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupee, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

2.18 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or

b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in other comprehensive income are reclassified to the profit and loss account in the periods when the hedged item affects profit or loss account i.e. when the transaction occurs. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the profit and loss account or the cost of the related asset for which the borrowing is being utilized. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. stock-in-trade or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of sales in case of stock-in-trade or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss account or the cost of the related non-financial asset (e.g. stock-in-trade or property, plant and equipment) as applicable. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

(Amounts in thousand)

The fair values of various derivative instruments used for hedging purposes are disclosed in note 18. Movements on the hedging reserve are shown in statement of comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.19 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:

- sales are recognized when the product is dispatched to customers;
- revenue from the supply of electricity is recognized based upon the output delivered;
- dividend income is recognized when the Company's right to receive the payment is established; and
- return on deposits is recognized on accrual basis using the effective interest method.

2.20 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such costs are capitalized as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(Amounts in thousand)

3.1 Property, plant and equipment and intangible assets

The Company reviews appropriateness of the useful life and residual value, where applicable, used in the calculation of depreciation / amortization on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Stores and spares

The Company regularly reviews the provision for slow moving stores and spares older than 10 years to assess the consumption of stores and spares, thereby ensuring that items meeting the criteria of 10 years are provided for.

3.3 Stock-in-trade

The Company regularly reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

3.4 Trade debts

An estimate of the collectible amount of trade debts is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in the statement of comprehensive income.

3.5 Income taxes

In making the estimates for current income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

3.6 Deferred tax asset

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences, become deductible. Management considers the scheduled reversal of deferred tax liabilities, projects future taxable income and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carry forward period are revised.

4. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	Rupees	
Operating assets, at net book value - note 4.1	15,023,936	15,245,662
Capital work-in-progress - note 4.4	923,342	679,306
Capital spares	63,792	83,398
	16,011,070	16,008,366

(Amounts in thousand)

4.1 Operating assets

	Leasehold land	Building on leasehold land	Plant and machinery	Pipelines				Furniture, fixtures and equipment	Vehicles	Total
				Water	VCM	Ethylene	Gas			
	Rupees									
As at January 1, 2016										
Cost	194,127	504,781	22,826,589	398,968	26,122	50,315	33,849	196,926	68,187	24,299,864
Accumulated depreciation	(40,888)	(141,037)	(8,173,207)	(185,635)	(21,070)	(15,306)	(12,505)	(144,528)	(45,108)	(8,779,284)
Net book value	153,239	363,744	14,653,382	213,333	5,052	35,009	21,344	52,398	23,079	15,520,580
Year ended December 31, 2016										
Opening net book value	153,239	363,744	14,653,382	213,333	5,052	35,009	21,344	52,398	23,079	15,520,580
Additions - note 4.4	-	-	558,399	-	-	-	-	37,050	-	595,449
Disposals - note 4.3										
Cost	-	-	-	-	-	-	-	(146)	(21,838)	(21,984)
Accumulated depreciation	-	-	-	-	-	-	-	138	15,592	15,730
	-	-	-	-	-	-	-	(8)	(6,246)	(6,254)
Write offs - note 4.3										
Cost	-	-	-	-	-	-	-	(1,194)	-	(1,194)
Accumulated depreciation	-	-	-	-	-	-	-	813	-	813
	-	-	-	-	-	-	-	(381)	-	(381)
Depreciation charge - note 4.2	(3,933)	(20,851)	(791,136)	(19,999)	(1,317)	(2,516)	(1,693)	(18,919)	(3,368)	(863,732)
Net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
As at January 1, 2017										
Cost	194,127	504,781	23,384,988	398,968	26,122	50,315	33,849	232,636	46,349	24,872,135
Accumulated depreciation	(44,821)	(161,888)	(8,964,343)	(205,634)	(22,387)	(17,822)	(14,198)	(162,496)	(32,884)	(9,626,473)
Net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
Year ended December 31, 2017										
Opening net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
Additions - note 4.4	-	91,707	674,554	-	-	-	-	30,283	45,507	842,051
Disposals - note 4.3										
Cost	-	(48,455)	-	-	-	-	-	(103)	(15,273)	(63,831)
Accumulated depreciation	-	27,675	-	-	-	-	-	98	11,776	39,549
	-	(20,780)	-	-	-	-	-	(5)	(3,497)	(24,282)
Impairment / write offs - note 4.3										
Cost	-	(164,788)	-	-	-	-	-	(582)	-	(165,370)
Accumulated depreciation	-	56,934	-	-	-	-	-	506	-	57,440
	-	(107,854)	-	-	-	-	-	(76)	-	(107,930)
Depreciation charge - note 4.2	(3,934)	(18,960)	(857,239)	(19,970)	(1,317)	(1,630)	(2,414)	(21,391)	(4,710)	(931,565)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
As at December 31, 2017										
Cost	194,127	383,245	24,059,542	398,968	26,122	50,315	33,849	262,234	76,583	25,484,985
Accumulated depreciation	(48,755)	(96,239)	(9,821,582)	(225,604)	(23,704)	(19,452)	(16,612)	(183,283)	(25,818)	(10,461,049)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
Annual Rate of Depreciation (%)	2 to 2.14	2.5 to 10	2.5 to 25	5	5	5	5	5 to 33	5 to 25	

(Amounts in thousand)

		2017	2016
		Rupees	
4.2	Depreciation charge has been allocated as follows:		
	Cost of sales - note 26	918,304	849,672
	Distribution and marketing expenses - note 27	3,224	3,348
	Administrative expenses - note 28	10,037	10,712
		931,565	863,732

4.3 The details of operating assets disposed / written-off during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Proceeds	Mode of disposal	Particulars of purchaser
	Rupees					
Vehicle	651	520	131	548	By auction	Mohammed Arif
"	1,477	1,182	295	1,105		Khalid Anwar
"	7,500	5,625	1,875	3,249		Syed Mohammed Ali
"	855	684	171	665		Safia Begum
"	930	744	186	690		Mohammed Sabeehuddin
"	950	760	190	721		Waseem Mirza
"	950	760	190	727		Mazahir Akhtar
"	950	760	190	740		Khaliq Raza
"	1,010	741	269	780		Khaliq Raza
Office Building	48,455	27,676	20,779	83,470	Sale to Engro Energy Ltd.	
Plant Building	164,788	56,934	107,854	-	Impaired	
Laptop	103	98	5	7	under specific approval to separating employees	Syed Zeeshan Ali
Laptop	173	146	27	90	Written-off	EFU Insuarance Claim
Laptop	174	147	27	90		
Fax Machine	24	23	1	-	Aggregate amount of assets having net book value less than Rs. 50 each	
Refrigerator	33	31	2	-		
Refrigerator	74	71	3	-		
Air Conditioner	66	52	14	-		
Paper Shredder	38	36	2	-		
2017	229,201	96,990	132,211	92,882		
2016	23,178	16,543	6,635	6,655		

(Amounts in thousand)

4.4 Capital work-in-progress

	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipments	Advances for vehicles & software	Total
			Rupees		
Year ended December 31, 2016					
Balance as at January 1, 2016	7,480	600,582	18,601	15,857	642,520
Additions during the year	2,175	612,464	23,045	9,525	647,209
Transferred to:					
- Operating assets - note 4.1	-	(558,399)	(37,050)	-	(595,449)
- Intangible assets - note 5	-	-	-	(14,974)	(14,974)
Balance as at December 31, 2016	9,655	654,647	4,596	10,408	679,306
Year ended December 31, 2017					
Balance as at January 1, 2017	9,655	654,647	4,596	10,408	679,306
Additions during the year	82,052	917,193	38,956	74,264	1,112,465
Transferred to:					
- Operating assets - note 4.1	(91,707)	(674,554)	(30,283)	(45,507)	(842,051)
- Intangible assets note - 5	-	-	-	(26,378)	(26,378)
Balance as at December 31, 2017	-	897,286	13,269	12,787	923,342

5. INTANGIBLE ASSETS - Computer software

	Rupees
As at January 1, 2016	
Cost	161,055
Accumulated amortization	(70,710)
Net book value	90,345
Year ended December 31, 2016	
Opening net book value	90,345
Additions at cost - note 4.4	14,974
Amortization charge - note 28	(14,464)
Closing net book value	90,855
As at December 31, 2016	
Cost	176,029
Accumulated amortization	(85,174)
Net book value	90,855
Year ended December 31, 2017	
Opening net book value	90,855
Additions at cost - note 4.4	26,378
Amortization charge - note 28	(12,570)
Closing net book value	104,663
As at December 31, 2017	
Cost	202,407
Accumulated amortization	(97,744)
Net book value	104,663

5.1 The cost is being amortized over a period of 5 to 10 years.

(Amounts in thousand)

	2017	2016
	Rupees	
6. LONG TERM INVESTMENT		
Subsidiary - at cost		
Engro Polymer Trading (Private) Limited		
5,000,000 (2016: 5,000,000) ordinary shares of Rs. 10 each	50,000	50,000

	2017	2016
	Rupees	
7. LONG TERM LOANS AND ADVANCES - Considered good		
Executives - notes 7.1, 7.2, 7.4 and 7.5	110,839	101,029
Less: Current portion shown under current assets - note 12	(35,083)	(31,058)
	75,756	69,971
Employees - notes 7.3 and 7.5	1,520	806
Less: Current portion shown under current assets - note 12	(1,520)	(806)
	-	-
	75,756	69,971

7.1 Reconciliation of the carrying amount of loans and advances to executives is as follows:

	2017	2016
Balance at beginning of the year	101,029	101,023
Add: Disbursements	69,249	57,079
Less: Repayments / Amortizations	(59,439)	(57,073)
Balance at end of the year	110,839	101,029

7.2 These include interest free loans and advances to executives for house rent, vehicles, home appliances and investments given in accordance with the terms of employment. Loans for house rent are repayable in 12 to 18 equal monthly installments and investment are repayable in lump sum amount after 36 months. Loans for home appliances are repayable in 5 equal annual installments. Advances for vehicles are charged to profit and loss account over a period of 4 years.

7.3 These include interest free loans to employees for home appliances and investments, given in accordance with the terms of employment. Loans are repayable in accordance with the terms stated in note 7.2.

7.4 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 120,429 (2016: Rs. 121,646). These are secured by way of promissory notes.

7.5 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no material defaults in recent history.

(Amounts in thousand)

8. DEFERRED TAXATION

	2017	2016
	Rupees	
Credit balances arising due to:		
- accelerated tax depreciation	(3,224,307)	(3,178,960)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 8.1	1,443,219	2,778,309
- recoupable minimum turnover tax - note 8.2	510,131	168,659
- recoupable alternative corporate tax	111,655	-
- unpaid liabilities	104,263	87,783
- provision for Gas Infrastructure Development Cess and Special Excise Duty	924,358	618,568
- provision for net realizable value of stock-in-trade	7,515	7,208
- provision for slow moving stores and spares	82,066	17,662
- provision bad debts	2,888	-
- fair value of hedging instrument	-	632
- share issuance cost, net to equity	49,467	49,467
	3,235,562	3,728,288
	11,255	549,328

8.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at December 31, 2017 amount to Rs. 4,810,730 (2016: Rs. 9,261,030).

8.2 During the year, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current year amounting to Rs. 341,472 (2016: 168,659) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

9. STORES, SPARES AND LOOSE TOOLS

	2017	2016
	Rupees	
Consumable stores and spares - note 9.1	1,880,330	1,606,707
Less: Provision for slow moving stores and spares - note 9.2	277,943	61,326
	1,602,387	1,545,381

9.1 This includes goods in transit amounting to Rs. 248,659 (2016: Rs. NIL).

9.2 The movement in the provision for slow moving stores and spares is as follows:

	2017	2016
Balance at beginning of the year	61,326	52,525
Add: Recognized during the year - notes 9.3 and 26	241,117	8,801
Less: Reversal during the year - note 26	(24,500)	-
Balance at end of the year	277,943	61,326

9.3 This pertains to a specific provision relating to slow moving stores and spares of the Company.

(Amounts in thousand)

		2017	2016
		Rupees	
10.	**STOCK-IN-TRADE**		
	Raw and packing materials - notes 10.1 and 10.2	2,440,340	1,876,110
	Work-in-process	28,846	2,635
	Finished goods - own manufactured product - notes 10.1 and 10.3	1,211,976	1,145,523
		3,681,162	3,024,268

10.1 This includes stocks held at the storage facilities of the following parties:

	2017	2016
- Engro Vopak Terminal Limited, a related party	1,251,591	345,812
- Fatimafert Limited	647	4,286
- Al-Rahim Trading Company (Private) Limited	21,700	14,083
- Al-Hamd Traders	2,742	1,581
	1,276,680	365,762

10.2 This includes goods in transit amounting to Rs. 242,516 (2016: Rs. 548,142).

10.3 This includes carrying value of Poly Vinyl Chloride resin, net of realizable value reduction of Rs.25,453 (2016: Rs. 25,028).

		2017	2016
		Rupees	
11.	**TRADE DEBTS - considered good**		
	Secured - note 11.1	287,211	291,581
	Related Parties - notes 11.2 and 11.3	119,069	24,146
	Unsecured	98,843	140,669
		505,123	456,396
	Considered doubtful	9,628	-
		514,751	456,396
	Less: Provision for doubtful debts - note 11.4	9,628	-
		505,123	456,396

11.1 These debts are secured by way of bank guarantees and letters of credit from customers.

11.2 Due from related parties comprise of:

	Upto 1 month		2 to 6 months		More than 6 months		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees							
Engro Fertilizers Limited	18,978	8,614	38,372	15,107	61,719	-	119,069	23,721
Engro Foods Limited	-	397	-	28	-	-	-	425
	18,978	9,011	38,372	15,135	61,719	-	119,069	24,146

(Amounts in thousand)

11.3 As at December 31, 2017, trade debts due from related parties amounting to Rs. 100,091 were past due but not impaired.These relate to parties with whom there is no history of default.

	2017	2016
	Rupees	
11.4 The movement in provision during the year is as follows:		
Balance at beginning of the year	-	-
Add: Provisions made during the year - note 29	9,628	-
Balance at end of the year	9,628	-

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

	2017	2016
Considered good		
Current portion of long term loans and advances - note 7		
- executives	35,083	31,058
- employees	1,520	806
	36,603	31,864
Advances to employees	756	2,184
Advances to suppliers and others	27,884	54,735
Deposits	24,897	20,883
Prepayments	82,981	88,529
Receivable from Government of Pakistan		
- Sales tax and Federal excise duty refundable	412,186	224,969
- Octroi / duty claims	152	152
	412,338	225,121
Due from related parties:		
Engro Vopak Terminal Limited	215	8
Engro Foods Limited	5	39
Engro Energy Limited	86,724	4,124
Sindh Engro Coal Mining Company Limited	126	220
Engro Corporation Limited	4,684	290
Engro Foundation	-	7
Engro Powergen Qadirpur Limited	9	9
	91,763	4,697
Other receivables	696	3,422
	677,918	431,435
Considered doubtful		
Custom duty claims refundable - note 12.1	18,043	18,043
Less: Provision for impairment - note 12.3	(18,043)	(18,043)
	-	-
Special Excise Duty (SED) refundable - note 12.2	36,687	36,687
Less: Provision for impairment - note 12.3	(36,687)	(36,687)
	-	-
	677,918	431,435

(Amounts in thousand)

12.1 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed of the Company's appeal filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all the aforementioned VCM consignments were released after the issuance of SRO 565(1) / 2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed on to the customers. However, as the price of the Company's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against the Company.

The Company has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, based on prudence, the Company is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal forums are exhausted.

12.2 During the year 2007, Special Excise Duty (SED) amounting to Rs. 91,616 was paid on import of certain fixed assets. Out of the total SED paid, an amount of Rs. 54,299 was adjusted through input claim in sales tax returns. Subsequently, the remaining amount of Rs. 36,687 could not be adjusted as the said duty was disallowed as adjustment from output tax under section 7 of Sales Tax Act, 1990. Therefore, the Company has fully provided the said amount on the basis of prudence. However, the Company is pursuing recovery of the remaining amount from the tax authorities based on the view that the SED can be recovered as it was paid prior to the change in the Sales Tax Act.

12.3 As at December 31, 2017, receivables aggregating to Rs. 54,730 (2016: Rs. 54,730) were deemed to be impaired and have been provided for in full, based on prudence. The remaining balances of loans, deposits, due from related parties and other receivables are neither past due nor impaired.

13. TAXES RECOVERABLE

13.1 Tax year 2008

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

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

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

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

(Amounts in thousand)

13.2 Tax year 2009

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

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

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

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

	2017	2016
	Rupees	
14. SHORT TERM INVESTMENTS		
Held to maturity		
Term Deposits Receipts - note 14.1	150,000	740,000

14.1 Represents Term Deposits Receipts maturing on January 27, 2018 and carrying mark-up of 6.55% (2016: 6.15% to 7%) per annum.

	2017	2016
	Rupees	
15. CASH AND BANK BALANCES		
Cash in hand	1,140	919
Cash at bank:		
- current accounts - note 15.1	7,688	36,284
- saving accounts	671,053	334,413
	678,741	370,697
	679,881	371,616

15.1 Include Rs. 31,783 (2016: Rs. 32,943) held in foreign currency bank account.

(Amounts in thousand)

	2017	2016
	Rupees	
16. SHARE CAPITAL		
Authorized capital		
800,000,000 (2016: 800,000,000) ordinary shares of Rs. 10 each	8,000,000	8,000,000
400,000,000 (2016: 400,000,000) preference shares of Rs. 10 each	4,000,000	4,000,000
Issued, subscribed and paid-up capital		
663,468,788 (2016: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash - note 16.1	6,634,688	6,634,688

16.1 As at December 31, 2017, Engro Corporation Limited (the Holding Company) held 372,809,989 (2016: 372,809,989) ordinary shares of Rs.10 each.

17. LONG TERM BORROWINGS, secured

Title	Mark-up rate per annum	Installments		2017	2016
		Number	Commencing from	Rupees	
International Finance Corporation (IFC)	6 months LIBOR + 2.6% to 3%	15 half yearly	June 2010	-	416,903
Bilateral - IV - note 17.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V - note 17.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI - note 17.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII - note 17.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	1,250,000	1,250,000
Bilateral - VIII - notes 17.1 and 17.2	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	750,000
Bilateral - IX - note 17.2	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	-
Bilateral - X - note 17.2	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	-
Subordinated loan from Engro Corporation Limited (ECL) - note 17.3	3 months KIBOR + 3.5%	-		-	3,000,000
				8,750,000	9,166,903
Less: Current portion shown under current liabilities				-	(416,903)
				8,750,000	8,750,000

(Amounts in thousand)

17.1 During the previous year, the Company obtained new finances from financial institutions at renegotiated terms at lower interest rates / mark-up rates to re-profile its balance sheet.

17.2 During the year. the Company has obtained borrowings of Rs. 2,750,000 under the new financing arrangements and utilized the existing facility from Rs. 750,000 to Rs. 1,000,000 through first supplemental finance agreement. Further, the Company repaid its outstanding balance owed to IFC amounting to Rs. 416,903.

17.3 During the year, the Company has prepaid its subordinated loan to ECL (the Holding Company) amounting to Rs. 3,000,000.

17.4 These finances are secured by way of hypothecation charge over all the present and future moveable assets of the Company.

17.5 Following are the changes in the long term borrowings (i.e. for which cash flows have been classified as financing activities in the statement of cashflows:

	2017	2016
	Rupees	
Balance as at January 1	9,166,903	8,326,676
Disbursements during the year	3,000,000	6,600,000
Amortization of transaction cost	-	35,963
Repayment	(3,416,903)	(5,795,736)
Balance as at December 31	8,750,000	9,166,903

18. DERIVATIVE FINANCIAL INSTRUMENTS

18.1 Last year, the Company had outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 2,666 to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company received six month USD-LIBOR on respective notional amounts and paid fix rates, which were settled semi-annually. During the current year, the Company paid off all its foreign currency borrowings and did not renew the outstanding interest rate swap agreements. Details of these swap agreements are as follows:

Notional Amounts		Effective Date	Termination Date	Fixed Rate %	Fair Values as at	
2017	2016				2017	2016
US $					Rupees	
-	1,000	December 15, 2008	June 15, 2017	3.385	-	790
-	333	June 15, 2009	June 15, 2017	3.005	-	264
-	1,000	June 15, 2009	June 15, 2017	2.795	-	790
-	333	June 15, 2009	June 15, 2017	2.800	-	263
-	2,666				-	2,107

(Amounts in thousand)

		2017	2016
		Rupees	
19.	SERVICE BENEFIT OBLIGATIONS		
	Service incentive plan - note 19.1	45,953	45,622

19.1 This represents provision for annual employment benefit payable to eligible employees who have successfully completed 3 years vesting period with the Company.

		2017	2016
		Rupees	
20.	SHORT TERM BORROWINGS		
	Running finance utilized under mark-up arrangements - note 20.1	-	29,638
	Export refinance facility - note 20.2	-	300,000
	Loan from Subsidiary - note 20.3	-	85,000
		-	414,638

20.1 The aggregate facilities for running finance available from various banks as at December 31, 2017, representing the sales price of all mark-up arrangements, amounted to Rs. 3,425,000 (2016: Rs. 3,300,000) out of which 400,000 is under renewal. The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.1% to 1% (2016: relevant period KIBOR plus 0.9% to 1.25%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

20.2 This represents export refinancing facility carrying mark-up at the rate of 3% (2016: 3%) on rollover basis for six months. This facility is secured by a floating charge over stocks and book debts of the Company.

20.3 This represents loan from Engro Polymer Trading (Private) Limited, the wholly owned subsidiary. The loan was subordinated to other financial arrangements (other than trade creditors) and carries markup at the rate of 3 months KIBOR plus 3.5% per annum, payable quarterly.

20.4 The facility for opening letters of credit as at December 31, 2017 aggregates to Rs. 13,550,000 (2016: Rs. 11,800,000) out of which 2,000,000 is under renewal. The amount utilized thereagainst as at December 31, 2017 was Rs. 1,010,000 (2016: Rs. 5,503,000). The facilities carry commission at the rate of 0.05% to 0.1% flat (2016: 0.05% to 0.1% flat).

(Amounts in thousand)

21. TRADE AND OTHER PAYABLES

	2017	2016
	Rupees	
Trade and other creditors - note 21.1	1,714,553	4,964,249
Accrued liabilities - notes 21.1 and 21.2	1,622,695	1,282,790
Advances from customers	883,418	291,490
Retention money	13,249	10,895
Security deposits	28,959	28,955
Payable to provident fund	15,874	14,284
Workers' welfare fund	44,472	49,764
Withholding tax payable	6,742	-
Workers' profits participation fund - note 29	163,661	62,424
Others	19,746	17,251
	4,513,369	6,722,102

21.1 Includes due to following related parties:

- Engro Corporation Limited	18,459	-
- Mitsubishi Corporation	1,461	2,682,171
- Engro Fertilizers Limited	6,622	108
- Engro Vopak Terminal Limited	87,390	-
	113,932	2,682,279

21.2 This includes Sindh Infrastructure Development Cess amounting to Rs. 496,988 (2016: 423,103).

22. ACCRUED INTEREST / MARK-UP

	2017	2016
	Rupees	
Finance cost accrued on:		
- long term borrowings	131,475	859
- short term borrowings	3,612	10,237
	135,087	11,096

23. PROVISIONS

	2017	2016
	Rupees	
Provision for Gas Infrastructure Development Cess	3,112,619	2,129,764

23.1 Provision for Gas Infrastructure Development Cess (GIDC)

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

(Amounts in thousand)

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

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

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs. 2,520,494 pertaining to the period subsequent to promulgation of GIDC Act, 2015.

24. CONTINGENCIES AND COMMITMENTS

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

24.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at December 31, 2017 amounts to Rs. 1,297,000 (2016: Rs. 1,156,750). The amount utilized there against as at December 31, 2017 is Rs. 1,238,450 (2016: Rs. 1,140,950).

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

	2017	2016
	Rupees	
Not later than 1 year	16,875	14,400
Later than 1 year and no later than 5 years	8,400	22,800
	25,275	37,200

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

24.5 Through Finance Act, 2017 an amendment has been made in section 5A of Income Tax Ordinance, 2001 by virtue of which a tax at the rate of 7.5% of accounting profit before tax shall be imposed if the Company does not distribute at least 40% of its profits after tax. This amendment is also applicable for tax year 2017. During the year, the Company has filed a petition against the application of section 5A on several grounds including its retrospective application and an interim relief has been granted in the favor of the Company. No provision in this respect has been recognized in these financial statement.

(Amounts in thousand)

	2017	2016
	Rupees	
25. NET REVENUE		
Gross local sales	32,396,032	26,542,263
Less:		
- Sales tax	4,688,089	3,839,807
- Discounts	455,744	317,322
	5,143,833	4,157,129
	27,252,199	22,385,134
Export sales	419,338	415,759
Supply of electricity - note 25.1	59,199	53,131
	27,730,736	22,854,024

25.1 Represents supply of surplus power to Engro Fertilizers Limited - a related party.

	2017	2016
	Rupees	
26. COST OF SALES		
Opening stock of work-in-process	2,635	23,533
Raw and packing materials consumed	12,764,487	10,874,303
Salaries, wages and staff welfare - note 26.1	957,767	878,117
Fuel, power and gas	4,433,764	4,386,364
Repairs and maintenance	400,729	331,951
Depreciation - note 4.2	918,304	849,672
Consumable stores	346,018	312,977
Purchased services	240,751	187,020
Storage and handling	1,067,613	1,024,998
Training, conveyance and travelling	139,792	96,490
Communication, stationery and other office expenses	7,158	9,921
Insurance	97,194	110,825
Impairment of property, plant and equipment - note 4.1	107,854	-
Provision for slow moving stores and spares - note 9.2	241,117	8,801
Reversal of provision for slow moving stores and spares - note 9.2	(24,500)	-
Other expenses	59,942	30,190
	21,757,990	19,101,629
Closing stock of work-in-process	(28,846)	(2,635)
Cost of goods manufactured	21,731,779	19,122,527
Opening stock of finished goods	1,145,523	942,011
Closing stock of finished goods	(1,211,976)	(1,145,523)
	(66,453)	(203,512)
	21,665,326	18,919,015

26.1 These includes Rs. 76,653 (2016: Rs. 71,814) in respect of staff retirement and other service benefits, referred to in note 34.

(Amounts in thousand)

27. DISTRIBUTION AND MARKETING EXPENSES

	2017	2016
	Rupees	
Salaries, wages and staff welfare - note 27.1	160,825	123,923
Sales promotion	162,389	124,043
Product transportation and handling	917,046	860,571
Rent, rates and taxes	41,339	29,100
Purchased services	8,080	13,237
Depreciation - note 4.2	3,224	3,348
Training, conveyance and travelling	12,991	12,032
Communication, stationery and other office expenses	3,648	4,139
Others	8,854	9,376
	1,318,396	1,179,769

27.1 These includes Rs. 12,330 (2016: Rs. 10,213) in respect of staff retirement and other service benefits, referred to in note 34.

28. ADMINISTRATIVE EXPENSES

	2017	2016
	Rupees	
Salaries, wages and staff welfare - note 28.1	274,015	265,958
Rent, rates and taxes	81,031	57,945
Purchased services	110,720	101,959
Insurance	2,941	2,751
Depreciation - note 4.2	10,037	10,712
Amortization - note 5	12,570	14,464
Training, conveyance and travelling	40,631	27,612
Communication, stationery and other office expenses	23,104	18,690
Others	29,114	18,805
	584,163	518,896

28.1 These includes Rs. 19,284 (2016: Rs. 19,110) in respect of staff retirement and other service benefits, referred to in note 34.

(Amounts in thousand)

29. OTHER OPERATING EXPENSES

	2017	2016
	Rupees	
Legal and professional charges	72,123	23,354
Auditors' remuneration - note 29.1	3,613	4,153
Donations - note 29.2	3,397	4,575
Workers' welfare fund	300	6,000
Workers' profits participation fund	163,661	62,424
Foreign exchange loss - net	112,519	38,181
Provision for doubtful debt - note 11.4	9,628	-
Others	-	10,770
	365,241	149,457

29.1 Auditors' remuneration

	2017	2016
Fee for:		
- Annual statutory audit	825	825
- Half yearly review	216	185
- Review of compliance with Code of Corporate Governance	40	40
Taxation and other advisory services	2,295	2,823
Reimbursement of expenses	237	280
	3,613	4,153

29.2 The Directors and their spouses do not have any interest in any donees except for Mr. Imran Anwar, Chief Executive who is a trustee of Engro Foundation.

30. OTHER INCOME

	2017	2016
	Rupees	
On financial assets		
Income on bank deposits	33,793	915
Income from short term investments	10,706	-
On non-financial assets		
Profit on disposal of operating assets - note 30.1	68,525	20
Scrap sales	6,361	11,582
Others	13,266	7,841
	132,651	20,358

30.1 Includes profit on disposal of assets to Engro Energy Limited, a related party amounting to Rs. 62,690 (2016: Nil).

(Amounts in thousand)

31. FINANCE COSTS

	2017	2016
	Rupees	
Interest / mark-up on:		
- long term borrowings	706,919	642,454
- short term borrowings	10,026	139,948
- running finances	13,818	58,247
	730,763	840,649
Foreign exchange gain on borrowings	-	(2,400)
Guarantee commission	2,604	1,255
Bank charges and others	87,639	87,677
	821,006	927,181

32. TAXATION

	2017	2016
	Rupees	
Current		
- for the year - note 32.1	457,320	172,816
- for prior years - note 32.2	65,362	(1,558)
	522,682	171,258
Deferred		
- for the year	537,439	354,018
	1,060,121	525,276

32.1 This Represents Alternate Corporate Tax (ACT) of 17% (2016: Minimum turnover tax of 1% on turnover) on the accounting income, in accordance with section 113C of the Income Tax Ordinance, 2001.

32.2 Includes ‘Super tax for rehabilitation for temporarily displaced persons’ at the rate of 3% on specificed income for the tax year 2017 (i.e. for the year ended December 31, 2016) levied through Finance Act 2017.

32.3 Relationship between tax expense and accounting loss

	2017	2016
Profit before taxation	3,109,255	1,180,064
Tax calculated at applicable rate of 30% (2016: 31%)	932,777	365,820
Tax effect of presumptive tax regime and income subject to lower tax rates	(16,985)	(9,160)
Prior year tax charge / (reversal), net	65,362	(1,558)
Effect of inadmissible expenses / permanent differences	17,947	1,795
Impact of change in tax rates	61,703	170,794
Others	(683)	(2,415)
	1,060,121	525,276

(Amounts in thousand)

33. EARNINGS PER SHARE - Basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2017	2016
	Rupees	
Profit for the year	2,049,134	654,788
	Number in thousands	
Weighted average number of ordinary shares	663,469	663,469

34. RETIREMENT AND OTHER SERVICE BENEFITS

34.1 Provident fund

In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Accordingly, the following information is based on the latest audited financial statements of the Fund maintained by the Holding Company as at June 30, 2016 and unaudited financial statements as at June 30, 2017.

34.1.1 Details of the Fund

	June 30, 2017	June 30, 2016
	Rupees	
Size of Fund	3,941,927	3,386,894
Cost of the investment made	2,493,496	2,920,257
Percentage of investments made	92%	92%
Fair value of investments	3,643,638	3,108,948

34.1.2 Break-up of investments in terms of amount and percentage of size of the Fund is as follows:

	June 30, 2017		June 30, 2016	
Description	Investments (in Rupees)	Percentage of investment made	Investments (in Rupees)	Percentage of investment made
National savings scheme	824,473	23%	808,579	26%
Government securities	1,152,661	32%	727,842	23%
Listed securities	817,729	22%	974,172	31%
Balances within savings account	848,775	23%	598,355	20%
	3,643,638	100%	3,108,948	100%

(Amounts in thousand)

34.1.3 The investments out of the provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

34.1.4 During the year expense of Rs. 60,194 (2016: Rs. 55,632) has been recognized in the profit and loss account in respect of the defined contribution provident fund, maintained by Engro Corporation Limited, the Holding Company.

34.2 During the year expense of Rs. 44,958 (2016: Rs. 42,625) has been recognized in the profit and loss account in respect of the defined contribution gratuity fund, maintained by Engro Corporation Limited, the Holding Company.

34.3 During the year expense of Rs. 3,115 (2016: Rs. 2,880) has been recognized in the profit and loss account in respect of the defined contribution pension fund, maintained by Engro Corporation Limited, the Holding Company.

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	2017			2016		
	Director			Director		
	Chief Executive	Others	Executives	Chief Executive	Others	Executives
	Rupees					
Managerial remuneration	23,080	-	631,492	24,066	-	564,380
Retirement benefit funds	2,972	-	97,111	2,713	-	88,571
Bonus	16,571	-	91,586	39,309	-	80,321
Other benefits	3,385	-	128,591	2,788	-	121,224
Directors fee	-	1,350	-	-	2,250	-
Total	46,008	1,350	948,780	68,876	2,250	854,496
Number of persons including those who worked part of the year	1	2	250	2	6	241

35.1 The Company also provides certain household items and vehicles for the use of Chief Executive and certain executives.

35.2 Expense charged in respect of Directors' indemnity insurance policy, purchased by the Company, amounts to Rs. 509 (2016: Rs. 752).

(Amounts in thousand)

36. CASH GENERATED FROM OPERATIONS

	2017	2016
	Rupees	
Profit before taxation	3,109,255	1,180,064
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	106,147	200,030
Depreciation - note 4.2	931,565	863,732
Amortization - note 5	12,570	14,464
Provision for doubtful debts - note 11.4	9,628	-
Impairment of property, plant and equipment - note 4.1	107,854	-
Provision for slow moving stores and spares - note 9.2	241,117	8,801
Reversal for Provision for slow moving stores and spares - note 9.2	(24,500)	-
Provision / (reversal) of provision for net realizable value of stock-in-trade, net - note 10.3	425	(26,271)
Income on bank deposits and short term investments - note 30	(44,499)	(915)
Unrealized foreign exchange (gain) / loss on borrowings	-	(9,544)
Amortization of prepaid financial charges	-	45,507
Unrealized foreign exchange (gain) on imports and derivatives	-	(23,982)
Finance costs - note 31	730,763	840,649
Profit on disposal of operating assets - note 30	(68,525)	(20)
Provision against GIDC	982,855	980,891
Working capital changes - note 36.1	(3,362,633)	288,686
	2,732,022	4,362,092

36.1 WORKING CAPITAL CHANGES

	2017	2016
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(273,623)	(14,838)
Stock-in-trade	(657,319)	(56,791)
Trade debts	(58,355)	(19,544)
Loans, advances, deposits, prepayments and other receivables - net	(163,013)	(40,924)
	(1,152,310)	(132,097)
(Decrease) / Increase in current liabilities		
Trade and other payables	(2,210,323)	420,783
	(3,362,633)	288,686

(Amounts in thousand)

37. CASH AND CASH EQUIVALENTS

	2017	2016
	Rupees	
Cash and bank balances - note 15	679,881	371,616
Short term investments - note 14	150,000	740,000
Running finance utilized under mark-up arrangements - note 20	-	(29,638)
	829,881	1,081,978

38. FINANCIAL INSTRUMENTS BY CATEGORY

38.1 Financial assets as per balance sheet

	2017	2016
	Rupees	
Held to maturity at amortized cost		
Short term investments - Term Deposits Receipts	150,000	740,000
Loans and receivables as amortized cost		
Long term loans	75,756	69,971
Trade debts - considered good	505,123	456,396
Loans, deposits and other receivables	153,959	60,866
Cash and bank balances	679,881	371,616
	1,414,719	958,849

38.2 Financial liabilities as per balance sheet

	2017	2016
Financial liabilities measured at amortized cost		
Long term borrowings	8,750,000	9,166,903
Short term borrowings	-	414,638
Trade and other payables	3,399,202	6,301,140
Accrued interest / mark-up	135,087	11,096
	12,284,289	15,893,777
Derivatives at fair value		
Used for hedging purposes	-	2,107
	-	2,107

(Amounts in thousand)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk factors, where it deems appropriate. Risk management is carried out by the Company's finance division under guidance of the Company's Board of Directors.

a) Market risk

i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar. The risk arises from outstanding payments for imports, recognized assets and liabilities in foreign currency and future commercial transactions. In the current economic environment, the Company is significantly exposed to currency risk because of the expected volatility in exchange rates. The Company, at its discretion, manages the currency risk through forward exchange contracts.

At December 31, 2017, the financial assets and liabilities exposed to foreign exchange risk amount to Rs. 147,514 (2016: Rs. 165,556) and Rs. 1,024,857 (2016: Rs. 5,169,209) respectively.

At December 31, 2017, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit / loss for the year would have been lower / higher by Rs. 30,707 (2016: Rs. 250,183), mainly as a result of foreign exchange losses / gains on translation of uncovered US Dollar-denominated liabilities. However, this change in profits or losses would be partially offset by a corresponding change in margins as bulk of revenues is linke/d with movements in exchange rates.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from long and short term running finances utilized under mark-up arrangements. Borrowing at variable rates exposes the Company to cash flow interest rate risk, whereas, borrowing at fixed rate expose the Company to fair value interest rate risk.

(Amounts in thousand)

To manage its cash flow interest rate risk, the Company has the ability to enter into floating to fixed rate interest swaps on its floating rate borrowings. Under the interest rate swap agreements, the Company can agree with the banks to exchange, at half yearly intervals, the difference between contracted rates and the floating rate interest amounts calculated by reference to the agreed notional amounts.

As at December 31, 2017, if interest rate on Company's unhedged borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by approximately Rs. 61,250 (2016: Rs. 91,519) mainly as a result of higher / lower interest exposure on variable rate borrowings.

iii) Other price risk

Price risk represents the risk that the fair vale of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financials instruments or its issuers or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as at December 31, 2017 as the Company has no investments in listed securities as at year end.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations. Credit risk arises from deposits with banks and financial institutions, trade debts, loans, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The Company is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts are secured by bank guarantees and letters of credit from customers. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as follows:

	2017	2016
	Rupees	
Long term loans	75,756	51,268
Trade debts	505,123	456,396
Loans, deposits and other receivables	153,959	49,797
Short term investments	150,000	740,000
Bank balances	678,741	370,697
	1,563,579	1,668,158

(Amounts in thousand)

The credit quality of receivables can be assessed with reference to their historical performance with no defaults in recent history. As at December 31, 2017 the credit quality of the Company's liquid funds can be assessed with reference to external credit ratings of banks as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Alhabib Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
Citibank N.A.	Moody	P-1	A1
Deutsche Bank A.G	Moody	P2	Baa2
Faysal Bank Limited	PACRA	A1+	AA
Industrial and Commercial Bank of China	Moody	P-1	A1
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A-
United Bank Limited	JCR-VIS	A-1+	AAA
The Bank of Punjab	PACRA	A1+	AA
JS Bank Limited	PACRA	A1+	AA-
Bank Islami Pakistan	PACRA	A1	A+
Soneri Bank Limited	PACRA	A1+	AA-

(Amounts in thousand)

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's liquidity management involves maintaining sufficient cash and marketable securities, the availability of funds through an adequate amount of credit facilities and through its ability to close out market positions. Due to the dynamic nature of the business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2017			2016		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Long term borrowings	-	8,750,000	8,750,000	416,903	8,750,000	9,166,903
Derivative financial instruments	-	-	-	2,107	-	2,107
Trade and other payables	3,399,202	-	3,399,202	6,318,424	-	6,318,424
Accrued interest / mark-up	135,087	-	135,087	11,096	-	11,096
Short term borrowings	-	-	-	414,638	-	414,638
	3,534,289	8,750,000	12,284,289	7,163,168	8,750,000	15,913,168

40. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long term borrowings, as disclosed in note 17, divided by total capital. Total capital is calculated as 'equity' as shown in the balance sheet plus long term borrowings.

(Amounts in thousand)

The gearing ratio of the Company is as follows:

	2017	2016
	Rupees	
Long term borrowings - note 17	8,750,000	8,750,000
Total equity	7,720,385	5,968,337
Total capital	16,470,385	14,718,337
Gearing ratio	0.531	0.594

41. SEGMENT INFORMATION

41.1 Based on the internal management reporting structure, the Company is organized into three business segments based on the products produced and sold as follows:

- Poly Vinyl Chloride (PVC) and allied chemicals: The segment is formed to manufacture and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies the products throughout Pakistan mainly through dealers. Moreover, PVC is also exported to various countries mainly in Asia Region.

- Caustic soda and allied chemicals: The segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry.

- Power supplies: The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit / (loss) after tax for that segement, which in certain respects, as explained in table below, is measured differently from profit or loss in the financial statements. Items which are directly attributable to a particular segment have been allocated to the respective segment, while those which are not directly attributable have been allocated on the basis of revenue.

(Amounts in thousand)

41.2 The following table presents the profit or loss and total assets for the operating segments of the Company:

	Poly Vinyl Chloride (PVC) and allied chemicals		Caustic soda and allied chemicals		Power Supply		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees							
Segment profit and loss								
Revenue	22,793,920	18,378,843	4,877,617	4,422,049	59,199	53,132	27,730,736	22,854,024
Less:								
Cost of sales (excluding depreciation)	(17,872,921)	(15,022,716)	(2,828,377)	(2,999,993)	(33,999)	(46,634)	(20,735,297)	(18,069,343)
Distribution and marketing expenses (excluding depreciation)	(977,397)	(892,313)	(337,775)	(284,108)	-	-	(1,315,172)	(1,176,421)
Allocated depreciation	(796,581)	(703,977)	(132,314)	(146,728)	(4,358)	(2,314)	(933,253)	(853,019)
Administrative expenses	(549,113)	(487,762)	(35,050)	(31,134)	-	-	(584,163)	(518,896)
Other operating expenses	(281,403)	(101,619)	(82,691)	(47,719)	(1,147)	(120)	(365,241)	(149,458)
Other income	71,585	16,286	61,066	4,072	-	-	132,651	20,358
Finance costs	(809,067)	(912,634)	(10,430)	(10,658)	(1,509)	(3,889)	(821,006)	(927,181)
Profit before tax	1,579,023	274,108	1,512,046	905,781	18,186	175	3,109,255	1,180,064
Taxation	(600,324)	(280,663)	(453,614)	(244,561)	(6,183)	(52)	(1,060,121)	(525,276)
Profit for the year	978,699	(6,555)	1,058,432	661,220	12,003	123	2,049,134	654,788
Segment assets								
Total segment assets (note 41.3)	15,100,195	14,428,598	5,459,465	5,497,833	129,865	32,572	20,689,525	19,959,003
Unallocated assets (note 41.3)							3,625,638	4,501,566
Total assets							24,315,163	24,460,569

41.3 Segment assets consist primarily of property, plant and equipment, stores and spares, stock in trade and trade debts. Unallocated assets include long term investment, long term loans and advances, loans, advances, prepayments and other receivables, taxes recoverable, and cash and bank balances.

(Amounts in thousand)

42. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	2017	2016
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on subordinated loan	284,937	301,483
	Reimbursement made	16,171	108,068
	Reimbursement received	4,059	1,945
	Purchase of services	87,259	2,450
	Life insurance contribution	553	619
	Medical insurance contribution	174	181
	Sub-ordinated long term loan received	-	850,000
	Sub-ordinated short term loan received	-	1,000,000
	Sub-ordinated short term loan repaid	-	1,600,000
	Sub-ordinated Long term loan repaid	3,000,000	-
Subsidiary Company			
- Engro Polymer Trading (Private) Limited	Short-term loan received	-	15,906
	Short-term loan repaid	85,000	-
	Mark-up on short-term loan	1,232	7,594
Associated Company			
- Mitsubishi Corporation	Purchase of goods	2,009,095	4,316,101
	Sale of goods	251,955	91,262
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	18,850	13,569
	Sale of utilities	99,033	65,282
	Purchase of services	1,158	-
	Use of operating assets	8,000	9
	Reimbursement made	12,820	18,694
	Reimbursement received	-	8,825
- Engro Vopak Terminal Limited	Purchase of services	1,139,282	1,027,914
	Reimbursement made	2,408	-
	Reimbursement received	1,911	355
- Engro Elengy Terminal Limited	Reimbursement received	-	126
- Engro Foundation	Reimbursement made	-	12
- Engro PowerGen Qadirpur Limited	Reimbursement received	3,428	4,338
	Reimbursement made	6,006	8,306
- Engro Digital Limited	Reimbursement received	88	-
- Engro Energy Limited	Reimbursement received	-	15,045
	Sale of office	83,469	-
- Engro Thar Power Limited	Reimbursement received	-	94

(Amounts in thousand)

Nature of relationship	Nature of transactions	2017	2016
		Rupees	
- The Hub Power Company Limited	Sales of goods	2,757	2,782
- Engro Foods Limited	Sale of goods	6,300	26,536
	Reimbursement received	-	3,397
	Reimbursement made	1,549	6,859
	Use of operating assets	-	165
- Sindh Engro Coal Mining Company Limited	Reimbursement received	-	705
	Reimbursement made	2	-
- Shell Pakistan Limited	Purchase of goods	-	5,875
- Lahore University of Management Sciences	Purchase of services	-	328
- Pakistan Institute of Corporate Governance	Purchase of services	490	463
	Annual subscription	200	-
- Pakistan Japan Business Forum	Annual subscription	-	100
- Overseas Investors Chamber of Commerce & Industries	Annual subscription	763	-
Other related party			
- Arabian Sea Country Club	Purchase of services	134	191
Directors	Fee	1,350	2,250
	Repayment of advance	-	4,125
Contribution to staff retirement benefits	Managed and operated by the Holding Company		
	- Provident fund	60,194	45,304
	- Gratuity fund	44,956	37,791
	- Pension fund	3,115	2,880
Key management personnel	Managerial remuneration	86,491	73,480
	Retirement benefit funds	13,468	12,055
	Bonus	66,517	21,557
	Other benefits	18,720	17,167

42.2 The related party status of outstanding balances as at December 31, 2017 are disclosed in the respective notes.

(Amounts in thousand)

43. GENERAL

43.1 Number of employees

Number of permanent employees as at December 31, 2017 was 439 (2016: 421) and average number of employees during the year was 429 (2016: 418).

43.2 Production capacity

	Designed Annual Capacity		Actual Production		Remarks
	2017	2016	2017	2016	
	Kilo tons				
PVC	178	178	187	172	Production planned as per market demand and in house consumption needs
EDC	127	127	107	106	
Caustic soda	106	106	105	103	
VCM	204	204	180	174	
	Mega Watts				
Power	66	66	48	48	

44. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on January 31, 2018 has proposed a final cash dividend of Rs. 0.80 (2016: Rs. Nil) per share in addition to interim cash dividend already paid at Rs. 0.45 (2016: Rs. Nil) per share for the year ended December 31, 2017, for approval of the members at the Annual General Meeting to be held on March 29, 2018.

45. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effects of which are not material.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on January 31, 2018 by the Board of Directors of the Company.

Imran Anwer	**Muhammad Imran Khalil**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

consolidated financial statements

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auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Engro Polymer and Chemicals Limited (the Holding Company) and its subsidiary company, Engro Polymer Trading (Private) Limited as at December 31, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Engro Polymer and Chemicals Limited and Engro Polymer Trading (Private) Limited.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of Engro Polymer and Chemicals Limited (the Holding Company) and its subsidiary company as at December 31, 2017 and the results of their operations, changes in equity and cash flows for the year then ended.

Chartered Accountants
Karachi
Dated: February 16, 2018
Engagement Partner: Farrukh Rehman

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the the PwC network
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■ KARACHI ■ LAHORE ■ ISLAMABAD

consolidated balance sheet

as at december 31, 2017

(Amounts in thousand)	Note	2017 Rupees	2016 Rupees
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	16,011,070	16,008,366
Intangibles	5	104,663	90,855
Long term loans and advances	6	75,756	69,971
Deferred taxation	7	11,255	549,328
		16,202,744	16,718,520
Current Assets			
Stores, spares and loose tools	8	1,602,387	1,545,381
Stock-in-trade	9	3,681,162	3,024,268
Trade debts - considered good	10	505,123	456,396
Loans, advances, deposits, prepayments and other receivables	11	683,231	436,471
Taxes recoverable	12	766,519	1,123,578
Short term investments	13	240,410	740,000
Cash and bank balances	14	682,750	376,147
		8,161,582	7,702,241
TOTAL ASSETS		24,364,326	24,420,761
EQUITY AND LIABILITIES			
Equity			
Share capital	15	6,634,688	6,634,688
Share premium		964,029	964,029
Hedging reserve		-	(1,475)
Unappropriated profit / accumulated (losses)		161,392	(1,593,063)
		7,760,109	6,004,179
Non-Current Liabilities			
Long term borrowings	16	8,750,000	8,750,000
Current Liabilities			
Current portion of long term borrowings	16	-	416,903
Derivative financial instruments	17	-	2,107
Service benefit obligations	18	45,953	45,622
Short term borrowings	19	-	329,638
Trade and other payables	20	4,522,808	6,731,452
Unclaimed dividend		37,750	-
Accrued interest / mark-up	21	135,087	11,096
Provisions	22	3,112,619	2,129,764
		7,854,217	9,666,582
TOTAL EQUITY AND LIABILITIES		24,364,326	24,420,761
Contingencies and Commitments	23		

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer	**Muhammad Imran Khalil**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

consolidated profit and loss account

for the year ended december 31, 2017

(Amounts in thousand except for earnings per share)	Note	2017	2016
		Rupees	
Net revenue	24	27,730,736	22,854,024
Cost of sales	25	(21,665,326)	(18,919,015)
Gross profit		6,065,410	3,935,009
Distribution and marketing expenses	26	(1,318,396)	(1,179,769)
Administrative expenses	27	(584,163)	(518,896)
Other operating expenses	28	(365,613)	(150,137)
Other income	29	137,338	20,677
Operating profit		3,934,576	2,106,884
Finance costs	30	(819,775)	(919,587)
Profit before taxation		3,114,801	1,187,297
Taxation	31	(1,061,785)	(527,364)
Profit for the year		2,053,016	659,933
Earnings per share - basic and diluted	32	3.09	0.99

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer	**Muhammad Imran Khalil**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

consolidated statement of comprehensive income

for the year ended december 31, 2017

(Amounts in thousand)	Note	2017	2016
		Rupees	
Profit for the year		2,053,016	659,933
Other comprehensive income :			
Items that may be reclassified subsequently to profit or loss			
Hedging reserve			
Loss arising during the year, net		(21)	(698)
Reclassification adjustments for losses included in profit or loss		2,128	15,973
Income tax relating to hedging reserve		(632)	(4,757)
Other comprehensive income for the year - net of tax		1,475	10,518
Total comprehensive income for the year		2,054,491	670,451

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer	**Muhammad Imran Khalil**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

consolidated statement of changes in equity

for the year ended december 31, 2017

(Amounts in thousand)

	Share Capital	RESERVES CAPITAL Share premium	RESERVES REVENUE Hedging reserve	RESERVES REVENUE Unappropriated profit / accumulated (loss)	Total
	Rupees				
Balance as at January 1, 2016	6,634,688	964,029	(11,993)	(2,252,996)	5,333,728
Total comprehensive income for the year ended December 31, 2016	-	-	10,518	659,933	670,451
Balance as at December 31, 2016	6,634,688	964,029	(1,475)	(1,593,063)	6,004,179
Dividends					
- First Interim - Rs. 0.45 per share	-	-	-	(298,561)	(298,561)
Total comprehensive income for the year ended December 31, 2017	-	-	1,475	2,053,016	2,054,491
Balance as at December 31, 2017	6,634,688	964,029	-	161,392	7,760,109

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer
President & Chief Executive

Muhammad Imran Khalil
Chief Financial Officer

Feroz Rizvi
Director

consolidated statement of cash flows

for the year ended december 31, 2017

(Amounts in thousand)	Note	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	2,732,693	4,362,061
Finance cost paid		(606,772)	(877,001)
Long term loans and advances		(5,785)	(3,599)
Retirement benefits paid		(104,226)	(193,384)
Income tax paid		(167,285)	(181,200)
Net cash generated from operating activities		1,848,625	3,106,877
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
- property, plant and equipment		(1,066,480)	(629,683)
- intangible assets		(26,378)	(14,974)
Proceeds from disposal of property, plant and equipment		9,412	6,655
Income on short term investment and bank deposits		49,186	1,234
Net cash utilized in investing activities		(1,034,260)	(636,768)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		3,000,000	6,600,000
Repayments of long term borrowings		(3,416,903)	(5,795,736)
Repayments of short term borrowings		(300,000)	(1,050,000)
Dividend payment		(260,811)	-
Net cash utilized in financing activities		(977,714)	(245,736)
Net (decrease) / increase in cash and cash equivalents		(163,349)	2,224,373
Cash and cash equivalents at beginning of the year		1,086,509	(1,137,864)
Cash and cash equivalents at end of the year	36	923,160	1,086,509

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Imran Anwer	**Muhammad Imran Khalil**	**Feroz Rizvi**
President & Chief Executive	Chief Financial Officer	Director

consolidated notes to the financial statements

for the year ended december 31, 2017

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

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

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

1.3 EPCL is a subsidiary of Engro Corporation Limited (the Holding Company) which is a subsidiary of Dawood Hercules Corporation (the Ultimate Parent Company). The address of its registered office is 12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi. 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 (Related Party).

1.4 On December 28, 2017, the Company has announced expansion of PVC plant, increasing the production capacity by 100,000 MT and various other projects carrying capital expenditure of Rs. 10.3 billion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 These consolidated financial statements have been prepared under the historical cost convention as modified by remeasurement of certain financial assets and financial liabilities (including derivative financial instruments) at fair value.

Statement of compliance

2.1.2 These consolidated financial statements have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984 (the Ordinance), directives issued under the repealed Companies Ordinance, 1984 (the Ordinance), as required by circular CLD/CCD/PR(11)/2017 dated October 4, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) that the companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017 shall prepare their consolidated financial statements in accordance with provisions of repealed Companies Ordinance, 1984 and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the repealed Ordinance. Wherever, the requirements of the repealed Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the repealed Ordinance or the requirements of the said directives take precedence.

2.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.4 Initial application of a Standard, Amendment or an Interpretation to an existing Standard

a) Standards, amendments to published standards and interpretations effective in 2017

The following amendments to published standards are mandatory for the financial year beginning January 1, 2017 and are relevant to the Company:

- IAS 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided.

(Amounts in thousand)

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses (effective for periods beginning on or after January 1, 2017). These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is unlikely that the amendment will have any significant impact on the Company's consolidated financial statements.

- IFRS 12', 'Disclosure of interest in other entities' (effective 2017 retrospectively'. These amendments clarify the scope of IFRS 12 by specifying that the disclosure requirements, except for those summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests which are classified as held for sale, as held for distribution to owners in their capacity as owners or as a discontinued operations in accordance with IFRS 5. The amendment is not expected to have a significant impact on the Company's financial reporting.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards and amendments to published standards are not effective for the financial year beginning on January 1, 2017 and have not been early adopted by the Company:

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

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contract's and related interpretations. The Company is in process to assess the impact of the standard.

(Amounts in thousand)

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

- IFRIC 22,' Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). These amendments clarify the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The amendment is not expected to have a significant impact on the Company's financial reporting.

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 here.

2.2 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any, except capital work-in-progress. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Capital work-in-progress is stated at historical cost less impairment, if any.

Depreciation on assets is charged to income using the straight line method to allocate their cost less the residual values over their estimated useful lives at rates given in note 4.1. Depreciation on additions is charged from the month in which the asset is put to use and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the year in which these are incurred.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the resulting impairment loss is recognized in income. The recoverable amount is the higher of fair value less expected selling expenses and value in use. Reversal of impairment is effected in the case of indications of a change in recoverable amount and is recognized in income, however, is restricted to the original cost of the asset.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period of disposal or retirement.

(Amounts in thousand)

2.3 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

2.4 Intangible assets - Computer software

Costs associated with developing and maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly attributable to identifiable software and have probable economic benefits exceeding one year, are recognized as an intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Expenditure, which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortized from the date the software is put to use on straight-line basis over a period of 5 to 10 years. The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount and is recognized in income. Reversal of impairment losses are also recognized in income, however, is restricted to the original cost of the asset.

2.5 Investments in subsidiaries

Investments in subsidiaries are stated at cost net of provision for impairment, if any. This investment is classified as long term investment.

2.6 Financial instruments

2.6.1 Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise of 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

c) Held to maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention to hold to maturity.

(Amounts in thousand)

d) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or management intends to dispose off the financial assets within 12 months of the balance sheet date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'other income / operating expenses' in the period in which they arise. Dividend income from financial assets at 'fair value through profit or loss' is recognized in the profit and loss account as part of 'other income' when the Company's right to receive payments is established. Gains or losses on sale of investments at 'fair value through profit or loss' are recognized in the profit and loss account as 'gains and losses from investment securities'.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account as 'gains and losses from investment securities'. Interest on available for sale securities calculated using the effective interest method is recognized in the profit and loss account as part of 'other income'. Dividends on available for sale equity instruments are recognized in the profit and loss account as part of 'other income' when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the profit and loss account. Impairment losses recognized in profit and loss on equity instruments are not reversed through profit and loss.

2.6.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

(Amounts in thousand)

2.6.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.7 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date. Provision is made for slow moving items older than ten years, and is recognized in the profit and loss account.

2.8 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost in relation to raw materials represent the weighted average cost and in relation to finished goods and work-in-process represents weighted average cost comprising direct materials, labour and related manufacturing overheads.

Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make the sales. Provision is made for slow moving stocks, where considered necessary.

2.9 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is charged to income. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand and in transit, balance with banks, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and short term finances. Short term finances on the balance sheet are shown as part of current liabilities.

2.11 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs, if any, directly attributable to the issue of new shares or options are recognized in equity as a deduction, net of tax, from the proceeds.

2.12 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the balance sheet date.

(Amounts in thousand)

2.13 Retirement and other service benefits

2.13.1 Gratuity fund

The employees of the Company participate in a defined contributory gratuity fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. As per the terms of the defined contribution plan, the Company contributes to the Fund at the rate of 8.33% of basic salary. Annual contribution by the Company is charged to profit and loss account.

2.13.2 Provident fund

The employees of the Company participate in defined contributory provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Equal monthly contributions at the rate of 10% of the basic salary are made both by the Company and the employees to the Fund. Annual contribution by the Company is charged to profit and loss account.

2.13.3 Other benefits - Service Incentive Plan

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Company's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfillment of criteria given in the incentive plan.

2.14 Trade and other payables

These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.16 Taxation

2.16.1 Current

Provision for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates. The charge for current tax also includes tax credits and adjustments, where considered necessary, for prior years determined during the year or otherwise considered necessary for such years.

2.16.2 Deferred

Deferred income tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax is charged or credited in the profit and loss account except to the extent that it relates to the items recognized directly in equity, in which case it is recognized in equity.

(Amounts in thousand)

2.17 Foreign currency transactions and translation

These consolidated financial statements are presented in Pakistan Rupee, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

2.18 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or

b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in other comprehensive income are reclassified to the profit and loss account in the periods when the hedged item affects profit or loss account i.e. when the transaction occurs. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the profit and loss account or the cost of the related asset for which the borrowing is being utilized. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. stock-in-trade or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of sales in case of stock-in-trade or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit and loss account or the cost of the related non-financial asset (e.g. stock-in-trade or property, plant and equipment) as applicable. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

(Amounts in thousand)

The fair values of various derivative instruments used for hedging purposes are disclosed in note 18. Movements on the hedging reserve are shown in statement of comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.19 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:

- sales are recognized when the product is dispatched to customers;
- revenue from the supply of electricity is recognized based upon the output delivered;
- dividend income is recognized when the Company's right to receive the payment is established; and
- return on deposits is recognized on accrual basis using the effective interest method.

2.20 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such costs are capitalized as part of the cost of that asset. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the consolidated financial statements in the period in which these are approved.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(Amounts in thousand)

3.1 Property, plant and equipment and intangible assets

The Company reviews appropriateness of the useful life and residual value, where applicable, used in the calculation of depreciation / amortization on an annual basis. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

3.2 Stores and spares

The Company regularly reviews the provision for slow moving stores and spares older than 10 years to assess the consumption of stores and spares, thereby ensuring that items meeting the criteria of 10 years are provided for.

3.3 Stock-in-trade

The Company regularly reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditure to make the sales.

3.4 Trade debts

An estimate of the collectible amount of trade debts is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in the statement of comprehensive income.

3.5 Income taxes

In making the estimates for current income taxes payable by the Company, the management looks at the applicable law and the decisions of appellate authorities on certain issues in the past.

3.6 Deferred tax asset

In assessing the recognition of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences, become deductible. Management considers the scheduled reversal of deferred tax liabilities, projects future taxable income and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carry forward period are revised.

4. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	Rupees	
Operating assets, at net book value - note 4.1	15,023,936	15,245,662
Capital work-in-progress - note 4.4	923,342	679,306
Capital spares	63,792	83,398
	16,011,070	16,008,366

(Amounts in thousand)

4.1 Operating assets

	Leasehold land	Building on leasehold land	Plant and machinery	Pipelines - Water	Pipelines - VCM	Pipelines - Ethylene	Pipelines - Gas	Furniture, fixtures and equipment	Vehicles	Total
	Rupees									
As at January 1, 2016										
Cost	194,127	504,781	22,826,589	398,968	26,122	50,315	33,849	196,926	68,187	24,299,864
Accumulated depreciation	(40,888)	(141,037)	(8,173,207)	(185,635)	(21,070)	(15,306)	(12,505)	(144,528)	(45,108)	(8,779,284)
Net book value	153,239	363,744	14,653,382	213,333	5,052	35,009	21,344	52,398	23,079	15,520,580
Year ended December 31, 2016										
Opening net book value	153,239	363,744	14,653,382	213,333	5,052	35,009	21,344	52,398	23,079	15,520,580
Additions - note 4.4	-	-	558,399	-	-	-	-	37,050	-	595,449
Disposals - note 4.3										
Cost	-	-	-	-	-	-	-	(146)	(21,838)	(21,984)
Accumulated depreciation	-	-	-	-	-	-	-	138	15,592	15,730
	-	-	-	-	-	-	-	(8)	(6,246)	(6,254)
Write offs - note 4.3										
Cost	-	-	-	-	-	-	-	(1,194)	-	(1,194)
Accumulated depreciation	-	-	-	-	-	-	-	813	-	813
	-	-	-	-	-	-	-	(381)	-	(381)
Depreciation charge - note 4.2	(3,933)	(20,851)	(791,136)	(19,999)	(1,317)	(2,516)	(1,693)	(18,919)	(3,368)	(863,732)
Net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
As at January 1, 2017										
Cost	194,127	504,781	23,384,988	398,968	26,122	50,315	33,849	232,636	46,349	24,872,135
Accumulated depreciation	(44,821)	(161,888)	(8,964,343)	(205,634)	(22,387)	(17,822)	(14,198)	(162,496)	(32,884)	(9,626,473)
Net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
Year ended December 31, 2017										
Opening net book value	149,306	342,893	14,420,645	193,334	3,735	32,493	19,651	70,140	13,465	15,245,662
Additions - note 4.4	-	91,707	674,554	-	-	-	-	30,283	45,507	842,051
Disposals - note 4.3										
Cost	-	(48,455)	-	-	-	-	-	(103)	(15,273)	(63,831)
Accumulated depreciation	-	27,675	-	-	-	-	-	98	11,776	39,549
	-	(20,780)	-	-	-	-	-	(5)	(3,497)	(24,282)
Impairment / write offs - note 4.3										
Cost	-	(164,788)	-	-	-	-	-	(582)	-	(165,370)
Accumulated depreciation	-	56,934	-	-	-	-	-	506	-	57,440
	-	(107,854)	-	-	-	-	-	(76)	-	(107,930)
Depreciation charge - note 4.2	(3,934)	(18,960)	(857,239)	(19,970)	(1,317)	(1,630)	(2,414)	(21,391)	(4,710)	(931,565)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
As at December 31, 2017										
Cost	194,127	383,245	24,059,542	398,968	26,122	50,315	33,849	262,234	76,583	25,484,985
Accumulated depreciation	(48,755)	(96,239)	(9,821,582)	(225,604)	(23,704)	(19,452)	(16,612)	(183,283)	(25,818)	(10,461,049)
Net book value	145,372	287,006	14,237,960	173,364	2,418	30,863	17,237	78,951	50,765	15,023,936
Annual Rate of Depreciation (%)	2 to 2.14	2.5 to 10	2.5 to 25	5	5	5	5	5 to 33	5 to 25	

(Amounts in thousand)

		2017	2016
		Rupees	
4.2	Depreciation charge has been allocated as follows:		
	Cost of sales - note 25	918,304	849,672
	Distribution and marketing expenses - note 26	3,224	3,348
	Administrative expenses - note 27	10,037	10,712
		931,565	863,732

4.3 The details of operating assets disposed / written-off during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Proceeds	Mode of disposal	Particulars of purchaser
	Rupees					
Vehicle	651	520	131	548	By auction	Mohammed Arif
"	1,477	1,182	295	1,105		Khalid Anwar
"	7,500	5,625	1,875	3,249		Syed Mohammed Ali
"	855	684	171	665		Safia Begum
"	930	744	186	690		Mohammed Sabeehuddin
"	950	760	190	721		Waseem Mirza
"	950	760	190	727		Mazahir Akhtar
"	950	760	190	740		Khaliq Raza
"	1,010	741	269	780		Khaliq Raza
Office Building	48,455	27,676	20,779	83,470	Sale to Engro Energy Ltd.	
Plant Building	164,788	56,934	107,854	-	Impaired	
Laptop	103	98	5	7	under specific approval to separating employees	Syed Zeeshan Ali
Laptop	173	146	27	90	Written-off	EFU Insuarance Claim
Laptop	174	147	27	90		
Fax Machine	24	23	1	-	Aggregate amount of assets having net book value less than Rs. 50 each	
Refrigerator	33	31	2	-		
Refrigerator	74	71	3	-		
Air Conditioner	66	52	14	-		
Paper Shredder	38	36	2	-		
2017	229,201	96,990	132,211	92,882		
2016	23,178	16,543	6,635	6,655		

(Amounts in thousand)

4.4 Capital work-in-progress

	Building on leasehold land	Plant and machinery	Furniture, fixtures and equipments	Advances for vehicles & software	Total
			Rupees		
Year ended December 31, 2016					
Balance as at January 1, 2016	7,480	600,582	18,601	15,857	642,520
Additions during the year	2,175	612,464	23,045	9,525	647,209
Transferred to:					
- Operating assets - note 4.1	-	(558,399)	(37,050)	-	(595,449)
- Intangible assets - note 5	-	-	-	(14,974)	(14,974)
Balance as at December 31, 2016	9,655	654,647	4,596	10,408	679,306
Year ended December 31, 2017					
Balance as at January 1, 2017	9,655	654,647	4,596	10,408	679,306
Additions during the year	82,052	917,193	38,956	74,264	1,112,465
Transferred to:					
- Operating assets - note 4.1	(91,707)	(674,554)	(30,283)	(45,507)	(842,051)
- Intangible assets note - 5	-	-	-	(26,378)	(26,378)
Balance as at December 31, 2017	-	897,286	13,269	12,787	923,342

5. INTANGIBLE ASSETS - Computer software

	Rupees
As at January 1, 2016	
Cost	161,055
Accumulated amortization	(70,710)
Net book value	90,345
Year ended December 31, 2016	
Opening net book value	90,345
Additions at cost - note 4.4	14,974
Amortization charge - note 27	(14,464)
Closing net book value	90,855
As at December 31, 2016	
Cost	176,029
Accumulated amortization	(85,174)
Net book value	90,855
Year ended December 31, 2017	
Opening net book value	90,855
Additions at cost - note 4.4	26,378
Amortization charge - note 27	(12,570)
Closing net book value	104,663
As at December 31, 2017	
Cost	202,407
Accumulated amortization	(97,744)
Net book value	104,663

5.1 The cost is being amortized over a period of 5 to 10 years.

(Amounts in thousand)

		2017	2016
		Rupees	
6.	LONG TERM LOANS AND ADVANCES - Considered good		
	Executives - notes 6.1, 6.2, 6.4 and 6.5	110,839	101,029
	Less: Current portion shown under current assets - note 11	(35,083)	(31,058)
		75,756	69,971
	Employees - notes 6.3 and 6.5	1,520	806
	Less: Current portion shown under current assets - note 11	(1,520)	(806)
		-	-
		75,756	69,971

6.1 Reconciliation of the carrying amount of loans and advances to executives is as follows:

	2017	2016
Balance at beginning of the year	101,029	101,023
Add: Disbursements	69,249	57,079
Less: Repayments / Amortizations	(59,439)	(57,073)
Balance at end of the year	110,839	101,029

6.2 These include interest free loans and advances to executives for house rent, vehicles, home appliances and investments given in accordance with the terms of employment. Loans for house rent are repayable in 12 to 18 equal monthly installments and investment are repayable in lump sum amount after 36 months. Loans for home appliances are repayable in 5 equal annual installments. Advances for vehicles are charged to profit and loss account over a period of 4 years.

6.3 These include interest free loans to employees for home appliances and investments, given in accordance with the terms of employment. Loans are repayable in accordance with the terms stated in note 6.2.

6.4 The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 120,429 (2016: Rs. 121,646). These are secured by way of promissory notes.

6.5 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no material defaults in recent history.

(Amounts in thousand)

	2017	2016
	Rupees	
7. DEFERRED TAXATION		
Credit balances arising due to:		
- accelerated tax depreciation	(3,224,307)	(3,178,960)
Debit balances arising due to:		
- recoupable carried forward tax losses - note 7.1	1,443,219	2,778,309
- recoupable minimum turnover tax - note 7.2	510,131	168,659
- recoupable alternative corporate tax	111,655	-
- unpaid liabilities	104,263	87,783
- provision for Gas Infrastructure Development Cess and Special Excise Duty	924,358	618,568
- provision for net realizable value of stock-in-trade	7,515	7,208
- provision for slow moving stores and spares	82,066	17,662
- provision bad debts	2,888	-
- fair value of hedging instrument	-	632
- share issuance cost, net to equity	49,467	49,467
	3,235,562	3,728,288
	11,255	549,328

7.1 Deferred income tax asset is recognized for tax losses available for carry-forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The aggregate tax losses available for carry-forward as at December 31, 2017 amount to Rs. 4,816,123 (2016: Rs. 9,261,030).

7.2 During the year, the Company has recognized deferred tax asset on recoupable minimum turnover tax in respect of current year amounting to Rs. 341,472 (2016: 168,659) as the Company, based on its financial projections, expects to recoup it in the ensuing years. In 2013, the High Court of Sindh, in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Company's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Company intends to approach if required. Accordingly, the Company has recognized deferred tax asset on recoupable minimum turnover tax.

	2017	2016
	Rupees	
8. STORES, SPARES AND LOOSE TOOLS		
Consumable stores and spares - note 8.1	1,880,330	1,606,707
Less: Provision for slow moving stores and spares - note 8.2	277,943	61,326
	1,602,387	1,545,381

8.1 This includes goods in transit amounting to Rs. 248,659 (2016: Rs. NIL).

8.2 The movement in the provision for slow moving stores and spares is as follows:

	2017	2016
Balance at beginning of the year	61,326	52,525
Add: Recognized during the year - notes 8.3 and 25	241,117	8,801
Less: Reversal during the year - note 25	(24,500)	-
Balance at end of the year	277,943	61,326

8.3 This pertains to a specific provision relating to slow moving stores and spares of the Company.

(Amounts in thousand)

		2017	2016
		Rupees	
9.	STOCK-IN-TRADE		
	Raw and packing materials - notes 9.1 and 9.2	2,440,340	1,876,110
	Work-in-process	28,846	2,635
	Finished goods - own manufactured product - notes 9.1 and 9.3	1,211,976	1,145,523
		3,681,162	3,024,268

9.1 This includes stocks held at the storage facilities of the following parties:

	2017	2016
- Engro Vopak Terminal Limited, a related party	1,251,591	345,812
- Fatimafert Limited	647	4,286
- Al-Rahim Trading Company (Private) Limited	21,700	14,083
- Al-Hamd Traders	2,742	1,581
	1,276,680	365,762

9.2 This includes goods in transit amounting to Rs. 242,516 (2016: Rs. 548,142).

9.3 This includes carrying value of Poly Vinyl Chloride resin, net of realizable value reduction of Rs.25,453 (2016: Rs. 25,028).

		2017	2016
		Rupees	
10.	TRADE DEBTS - considered good		
	Secured - note 10.1	287,211	291,581
	Related Parties - notes 10.2 and 10.3	119,069	24,146
	Unsecured	98,843	140,669
		505,123	456,396
	Considered doubtful	9,628	-
		514,751	456,396
	Less: Provision for doubtful debts - note 10.4	9,628	-
		505,123	456,396

10.1 These debts are secured by way of bank guarantees and letters of credit from customers.

10.2 Due from related parties comprise of:

	Upto 1 month		2 to 6 months		More than 6 months		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees							
Engro Fertilizers Limited	18,978	8,614	38,372	15,107	61,719	-	119,069	23,721
Engro Foods Limited	-	397	-	28	-	-	-	425
	18,978	9,011	38,372	15,135	61,719	-	119,069	24,146

(Amounts in thousand)

10.3 As at December 31, 2017, trade debts due from related parties amounting to Rs. 100,091 were past due but not impaired.These relate to parties with whom there is no history of default.

	2017	2016
	Rupees	
10.4 The movement in provision during the year is as follows:		
Balance at beginning of the year	-	-
Add: Provisions made during the year - note 28	9,628	-
Balance at end of the year	9,628	-

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

	2017	2016
	Rupees	
Considered good		
Current portion of long term loans and advances - note 6		
- executives	35,083	31,058
- employees	1,520	806
	36,603	31,864
Advances to employees	756	2,184
Advances to suppliers and others	27,884	54,735
Deposits	24,897	20,883
Prepayments	82,981	88,529
Receivable from Government of Pakistan		
- Sales tax and Federal excise duty refundable	417,439	230,005
- Octroi / duty claims	152	152
	417,591	230,157
Due from related parties:		
Engro Vopak Terminal Limited	215	8
Engro Foods Limited	5	39
Engro Energy Limited	86,724	4,124
Sindh Engro Coal Mining Company Limited	126	220
Engro Corporation Limited	4,684	290
Engro Foundation	-	7
Engro Powergen Qadirpur Limited	9	9
	91,763	4,697
Other receivables	756	3,422
	683,231	436,471
Considered doubtful		
Custom duty claims refundable - note 11.1	18,043	18,043
Less: Provision for impairment - note 11.3	(18,043)	(18,043)
	-	-
Special Excise Duty (SED) refundable - note 11.2	36,687	36,687
Less: Provision for impairment - note 11.3	(36,687)	(36,687)
	-	-
	683,231	436,471

(Amounts in thousand)

11.1 The Customs Appellate Tribunal, Karachi Bench, through its order dated October 31, 2011, disposed of the Company's appeal filed on April 11, 2008 against the order of Collector of Customs, Port Muhammad Bin Qasim, Karachi, for the refund of custom duty paid during the period June 16, 2006 to July 24, 2006 on imports of Vinyl Chloride Monomer (VCM). The Tribunal was informed that all the aforementioned VCM consignments were released after the issuance of SRO 565(1) / 2006 dated June 6, 2006 and the benefit of five percent duty reduction was also passed on to the customers. However, as the price of the Company's product was increased which is linked with international market, the Tribunal inadvertently presumed that the said benefit had not been transferred to the customers and passed an order against the Company.

The Company has filed an appeal with the High Court of Sindh against the aforesaid order of the Tribunal. However, based on prudence, the Company is maintaining full provision against the aforementioned custom duty refundable till such time that all available legal forums are exhausted.

11.2 During the year 2007, Special Excise Duty (SED) amounting to Rs. 91,616 was paid on import of certain fixed assets. Out of the total SED paid, an amount of Rs. 54,299 was adjusted through input claim in sales tax returns. Subsequently, the remaining amount of Rs. 36,687 could not be adjusted as the said duty was disallowed as adjustment from output tax under section 7 of Sales Tax Act, 1990. Therefore, the Company has fully provided the said amount on the basis of prudence. However, the Company is pursuing recovery of the remaining amount from the tax authorities based on the view that the SED can be recovered as it was paid prior to the change in the Sales Tax Act.

11.3 As at December 31, 2017, receivables aggregating to Rs. 54,730 (2016: Rs. 54,730) were deemed to be impaired and have been provided for in full, based on prudence. The remaining balances of loans, deposits, due from related parties and other receivables are neither past due nor impaired.

12. TAXES RECOVERABLE

12.1 Tax year 2008

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

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

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

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

(Amounts in thousand)

12.2 Tax year 2009

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

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

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

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

	2017	2016
	Rupees	
13. SHORT TERM INVESTMENTS		
Held to maturity		
Term Deposits Receipts - note 13.1	240,410	740,000

13.1 Represents Term Deposits Receipts maturing on January 27, 2018 and carrying mark-up of 6.55% (2016: 6.15% to 7%) per annum.

	2017	2016
	Rupees	
14. CASH AND BANK BALANCES		
Cash in hand	1,140	919
Cash at bank:		
- current accounts - note 14.1	7,688	37,242
- saving accounts	673,922	337,986
	681,610	375,228
	682,750	376,147

14.1 Include Rs. 31,783 (2016: Rs. 32,943) held in foreign currency bank account.

(Amounts in thousand)

15. SHARE CAPITAL

	2017	2016
	Rupees	
Authorized capital		
800,000,000 (2016: 800,000,000) ordinary shares of Rs. 10 each	8,000,000	8,000,000
400,000,000 (2016: 400,000,000) preference shares of Rs. 10 each	4,000,000	4,000,000
Issued, subscribed and paid-up capital		
663,468,788 (2016: 663,468,788) ordinary shares of Rs. 10 each, fully paid in cash - note 15.1	6,634,688	6,634,688

15.1 As at December 31, 2017, Engro Corporation Limited (the Holding Company) held 372,809,989 (2016: 372,809,989) ordinary shares of Rs.10 each.

16. LONG TERM BORROWINGS, secured

Title	Mark-up rate per annum	Installments - Number	Installments - Commencing from	2017	2016
				Rupees	
International Finance Corporation (IFC)	6 months LIBOR + 2.6% to 3%	15 half yearly	June 2010	-	416,903
Bilateral - IV - note 16.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V - note 16.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI - note 16.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII - note 16.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	1,250,000	1,250,000
Bilateral - VIII - notes 16.1 and 16.2	6 months KIBOR + 0.8%	6 half yearly	June 28, 2019	1,000,000	750,000
Bilateral - IX - note 16.2	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	-
Bilateral - X - note 16.2	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	-
Subordinated loan from Engro Corporation Limited (ECL) - note 16.3	3 months KIBOR + 3.5%	-		-	3,000,000
				8,750,000	9,166,903
Less: Current portion shown under current liabilities				-	(416,903)
				8,750,000	8,750,000

(Amounts in thousand)

16.1 During the previous year, the Company obtained new finances from financial institutions at renegotiated terms at lower interest rates / mark-up rates to re-profile its balance sheet.

16.2 During the year. the Company has obtained borrowings of Rs. 2,750,000 under the new financing arrangements and utilized the existing facility from Rs. 750,000 to Rs. 1,000,000 through first supplemental finance agreement. Further, the Company repaid its outstanding balance owed to IFC amounting to Rs. 416,903.

16.3 During the year, the Company has prepaid its subordinated loan to ECL (the Holding Company) amounting to Rs. 3,000,000.

16.4 These finances are secured by way of hypothecation charge over all the present and future moveable assets of the Company.

16.5 Following are the changes in the long term borrowings (i.e. for which cash flows have been classified as financing activities in the statement of cashflows:

	2017	2016
	Rupees	
Balance as at January 1	9,166,903	8,326,676
Disbursements during the year	3,000,000	6,600,000
Amortization of transaction cost	-	35,963
Repayment	(3,416,903)	(5,795,736)
Balance as at December 31	8,750,000	9,166,903

17. DERIVATIVE FINANCIAL INSTRUMENTS

17.1 Last year, the Company had outstanding interest rate swap agreements with banks for notional amounts aggregating US$ 2,666 to hedge its interest rate exposure on floating rate foreign currency borrowings from International Finance Corporation (IFC). Under the swap agreements, the Company received six month USD-LIBOR on respective notional amounts and paid fix rates, which were settled semi-annually. During the current year, the Company paid off all its foreign currency borrowings and did not renew the outstanding interest rate swap agreements. Details of these swap agreements are as follows:

Notional Amounts		Effective Date	Termination Date	Fixed Rate %	Fair Values as at	
2017	2016				2017	2016
US $					Rupees	
-	1,000	December 15, 2008	June 15, 2017	3.385	-	790
-	333	June 15, 2009	June 15, 2017	3.005	-	264
-	1,000	June 15, 2009	June 15, 2017	2.795	-	790
-	333	June 15, 2009	June 15, 2017	2.800	-	263
-	2,666				-	2,107

(Amounts in thousand)

	2017	2016
	Rupees	
18. SERVICE BENEFIT OBLIGATIONS		
Service incentive plan - note 18.1	45,953	45,622

18.1 This represents provision for annual employment benefit payable to eligible employees who have successfully completed 3 years vesting period with the Company.

	2017	2016
	Rupees	
19. SHORT TERM BORROWINGS		
Running finance utilized under mark-up arrangements - note 19.1	-	29,638
Export refinance facility - note 19.2	-	300,000
	-	329,638

19.1 The aggregate facilities for running finance available from various banks as at December 31, 2017, representing the sales price of all mark-up arrangements, amounted to Rs. 3,425,000 (2016: Rs. 3,300,000) out of which 400,000 is under renewal. The corresponding purchase price is payable on various dates during the ensuing year. Mark-up is chargeable at rates net of prompt payment rebate, ranging from relevant period KIBOR plus 0.1% to 1% (2016: relevant period KIBOR plus 0.9% to 1.25%) per annum. These facilities are secured by a floating charge over stocks and book debts of the Company.

19.2 This represents export refinancing facility carrying mark-up at the rate of 3% (2016: 3%) on rollover basis for six months. This facility is secured by a floating charge over stocks and book debts of the Company.

19.3 The facility for opening letters of credit as at December 31, 2017 aggregates to Rs. 13,550,000 (2016: Rs. 11,800,000) out of which 2,000,000 is under renewal. The amount utilized thereagainst as at December 31, 2017 was Rs. 1,010,000 (2016: Rs. 5,503,000). The facilities carry commission at the rate of 0.05% to 0.1% flat (2016: 0.05% to 0.1% flat).

(Amounts in thousand)

20. TRADE AND OTHER PAYABLES

	2017	2016
	Rupees	
Trade and other creditors - note 20.1	1,714,553	4,964,249
Accrued liabilities - notes 20.1 and 20.2	1,623,408	1,283,414
Advances from customers	883,418	291,490
Retention money	13,249	10,895
Security deposits	28,959	28,955
Payable to provident fund	15,874	14,284
Workers' welfare fund	53,198	58,490
Withholding tax payable	6,742	-
Workers' profits participation fund - note 28	163,661	62,424
Others	19,746	17,251
	4,522,808	6,731,452

20.1 Includes due to following related parties:

	2017	2016
- Engro Corporation Limited	18,459	-
- Mitsubishi Corporation	1,461	2,682,171
- Engro Fertilizers Limited	6,622	108
- Engro Vopak Terminal Limited	87,390	-
	113,932	2,682,279

20.2 This includes Sindh Infrastructure Development Cess amounting to Rs. 496,988 (2016: 423,103).

21. ACCRUED INTEREST / MARK-UP

	2017	2016
	Rupees	
Finance cost accrued on:		
- long term borrowings	131,475	859
- short term borrowings	3,612	10,237
	135,087	11,096

22. PROVISIONS

	2017	2016
	Rupees	
Provision for Gas Infrastructure Development Cess	3,112,619	2,129,764

22.1 Provision for Gas Infrastructure Development Cess (GIDC)

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

(Amounts in thousand)

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

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

Further, the Company has also obtained ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh. This stay order has restrained Sui Southern Gas Company Limited (SSGCL) from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. However, based on prudence, the Company has recognized a further provision of Rs. 2,520,494 pertaining to the period subsequent to promulgation of GIDC Act, 2015.

23. CONTINGENCIES AND COMMITMENTS

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

23.2 The aggregate facilities for issuance of performance guarantees by the banks on behalf of the Company as at December 31, 2017 amounts to Rs. 1,297,000 (2016: Rs. 1,156,750). The amount utilized there against as at December 31, 2017 is Rs. 1,238,450 (2016: Rs. 1,140,950).

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

	2017	2016
	Rupees	
Not later than 1 year	16,875	14,400
Later than 1 year and no later than 5 years	8,400	22,800
	25,275	37,200

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

23.5 Through Finance Act, 2017 an amendment has been made in section 5A of Income Tax Ordinance, 2001 by virtue of which a tax at the rate of 7.5% of accounting profit before tax shall be imposed if the Company does not distribute at least 40% of its profits after tax. This amendment is also applicable for tax year 2017. During the year, the Company has filed a petition against the application of section 5A on several grounds including its retrospective application and an interim relief has been granted in the favor of the Company. No provision in this respect has been recognized in these consolidated financial statement.

(Amounts in thousand)

	2017	2016
	Rupees	
24. NET REVENUE		
Gross local sales	32,396,032	26,542,263
Less:		
- Sales tax	4,688,089	3,839,807
- Discounts	455,744	317,322
	5,143,833	4,157,129
	27,252,199	22,385,134
Export sales	419,338	415,759
Supply of electricity - note 24.1	59,199	53,131
	27,730,736	22,854,024

24.1 Represents supply of surplus power to Engro Fertilizers Limited - a related party.

	2017	2016
	Rupees	
25. COST OF SALES		
Opening stock of work-in-process	2,635	23,533
Raw and packing materials consumed	12,764,487	10,874,303
Salaries, wages and staff welfare - note 25.1	957,767	878,117
Fuel, power and gas	4,433,764	4,386,364
Repairs and maintenance	400,729	331,951
Depreciation - note 4.2	918,304	849,672
Consumable stores	346,018	312,977
Purchased services	240,751	187,020
Storage and handling	1,067,613	1,024,998
Training, conveyance and travelling	139,792	96,490
Communication, stationery and other office expenses	7,158	9,921
Insurance	97,194	110,825
Impairment of property, plant and equipment - note 4.1	107,854	-
Provision for slow moving stores and spares - note 8.2	241,117	8,801
Reversal of provision for slow moving stores and spares- note 8.2	(24,500)	-
Other expenses	59,942	30,190
	21,757,990	19,101,629
Closing stock of work-in-process	(28,846)	(2,635)
Cost of goods manufactured	21,731,779	19,122,527
Opening stock of finished goods	1,145,523	942,011
Closing stock of finished goods	(1,211,976)	(1,145,523)
	(66,453)	(203,512)
	21,665,326	18,919,015

25.1 These includes Rs. 76,653 (2016: Rs. 71,814) in respect of staff retirement and other service benefits, referred to in note 33.

(Amounts in thousand)

		2017	2016
		Rupees	
26.	DISTRIBUTION AND MARKETING EXPENSES		
	Salaries, wages and staff welfare - note 26.1	160,825	123,923
	Sales promotion	162,389	124,043
	Product transportation and handling	917,046	860,571
	Rent, rates and taxes	41,339	29,100
	Purchased services	8,080	13,237
	Depreciation - note 4.2	3,224	3,348
	Training, conveyance and travelling	12,991	12,032
	Communication, stationery and other office expenses	3,648	4,139
	Others	8,854	9,376
		1,318,396	1,179,769

26.1 These includes Rs. 12,330 (2016: Rs.10,213) in respect of staff retirement and other service benefits, referred to in note 33.

		2017	2016
		Rupees	
27.	ADMINISTRATIVE EXPENSES		
	Salaries, wages and staff welfare - note 27.1	274,015	265,958
	Rent, rates and taxes	81,031	57,945
	Purchased services	110,720	101,959
	Insurance	2,941	2,751
	Depreciation - note 4.2	10,037	10,712
	Amortization - note 5	12,570	14,464
	Training, conveyance and travelling	40,631	27,612
	Communication, stationery and other office expenses	23,104	18,690
	Others	29,114	18,805
		584,163	518,896

27.1 These includes Rs. 19,284 (2016: Rs. 19,110) in respect of staff retirement and other service benefits, referred to in note 33.

(Amounts in thousand)

	2017	2016
	Rupees	
28. OTHER OPERATING EXPENSES		
Legal and professional charges	72,198	23,665
Auditors' remuneration - note 28.1	3,910	4,485
Donations - note 28.2	3,397	4,575
Workers' welfare fund	300	6,000
Workers' profits participation fund	163,661	62,424
Foreign exchange loss - net	112,519	38,218
Provision for doubtful debt - note 10.4	9,628	-
Others	-	10,770
	365,613	150,137

28.1 Auditors' remuneration

Fee for:		
- Annual statutory audit	950	875
- Half yearly review	241	210
- Review of compliance with Code of Corporate Governance	40	40
Taxation and other advisory services	2,434	3,078
Reimbursement of expenses	245	282
	3,910	4,485

28.2 The Directors and their spouses do not have any interest in any donees except for Mr. Imran Anwar, Chief Executive who is a trustee of Engro Foundation.

	2017	2016
	Rupees	
29. OTHER INCOME		
On financial assets		
Income on bank deposits	34,511	1,234
Income from short term investments	14,675	-
On non-financial assets		
Profit on disposal of operating assets - note 29.1	68,525	20
Scrap sales	6,361	11,582
Others	13,266	7,841
	137,338	20,677

29.1 Includes profit on disposal of assets to Engro Energy Limited, a related party amounting to Rs. 62,690 (2016: Nil).

(Amounts in thousand)

30. FINANCE COSTS

	2017	2016
	Rupees	
Interest / mark-up on:		
- long term borrowings	706,919	642,454
- short term borrowings	10,026	132,354
- running finances	13,818	58,247
	730,763	833,055
Foreign exchange gain on borrowings	-	(2,400)
Guarantee commission	2,604	1,255
Bank charges and others	86,408	87,677
	819,775	919,587

31. TAXATION

	2017	2016
	Rupees	
Current		
- for the year - note 31.1	458,984	175,058
- for prior years - note 31.2	65,362	(1,712)
	524,346	173,346
Deferred		
- for the year	537,439	354,018
	1,061,785	527,364

31.1 This Represents Alternate Corporate Tax (ACT) of 17% (2016: Minimum turnover tax of 1% on turnover) on the accounting income, in accordance with section 113C of the Income Tax Ordinance, 2001.

31.2 Includes 'Super tax for rehabilitation for temporarily displaced persons' at the rate of 3% on specified income for the tax year 2017 (i.e. for the year ended December 31, 2016) levied through Finance Act 2017.

31.3 Relationship between tax expense and accounting loss

	2017	2016
	Rupees	
Profit before taxation	3,114,801	1,187,297
Tax calculated at applicable rate of 30% (2016: 31%)	934,440	368,062
Tax effect of presumptive tax regime and income subject to lower tax rates	(16,985)	(9,160)
Prior year tax charge / (reversal), net	65,362	(1,712)
Effect of inadmissible expenses / permanent differences	17,947	1,795
Impact of change in tax rates	61,703	170,794
Others	(683)	(2,415)
	1,061,785	527,364

(Amounts in thousand)

32. EARNINGS PER SHARE - Basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2017	2016
	Rupees	
Profit for the year	2,053,016	659,933
	Number in thousands	
Weighted average number of ordinary shares	663,469	663,469

33. RETIREMENT AND OTHER SERVICE BENEFITS

33.1 Provident fund

In 2013, the Company replaced its provident fund with the provident fund (the Fund) operated and managed by Engro Corporation Limited - the Holding Company. Accordingly, the following information is based on the latest audited financial statements of the Fund maintained by the Holding Company as at June 30, 2016 and unaudited financial statements as at June 30, 2017.

33.1.1 Details of the Fund

	June 30, 2017	June 30, 2016
	Rupees	
Size of Fund	3,941,927	3,386,894
Cost of the investment made	2,493,496	2,920,257
Percentage of investments made	92%	92%
Fair value of investments	3,643,638	3,108,948

33.1.2 Break-up of investments in terms of amount and percentage of size of the Fund is as follows:

	June 30, 2017		June 30, 2016	
Description	Investments (in Rupees)	Percentage of investment made	Investments (in Rupees)	Percentage of investment made
National savings scheme	824,473	23%	808,579	26%
Government securities	1,152,661	32%	727,842	23%
Listed securities	817,729	22%	974,172	31%
Balances within savings account	848,775	23%	598,355	20%
	3,643,638	100%	3,108,948	100%

(Amounts in thousand)

33.1.3 The investments out of the provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33.1.4 During the year expense of Rs. 60,194 (2016: Rs. 55,632) has been recognized in the profit and loss account in respect of the defined contribution provident fund, maintained by Engro Corporation Limited, the Holding Company.

33.2 During the year expense of Rs. 44,958 (2016: Rs. 42,625) has been recognized in the profit and loss account in respect of the defined contribution gratuity fund, maintained by Engro Corporation Limited, the Holding Company.

33.3 During the year expense of Rs. 3,115 (2016: Rs. 2,880) has been recognized in the profit and loss account in respect of the defined contribution pension fund, maintained by Engro Corporation Limited, the Holding Company.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	2017			2016		
	Director			Director		
	Chief Executive	Others	Executives	Chief Executive	Others	Executives
	Rupees					
Managerial remuneration	23,080	-	631,492	24,066	-	564,380
Retirement benefit funds	2,972	-	97,111	2,713	-	88,571
Bonus	16,571	-	91,586	39,309	-	80,321
Other benefits	3,385	-	128,591	2,788	-	121,224
Directors fee	-	1,350	-	-	2,250	-
Total	46,008	1,350	948,780	68,876	2,250	854,496
Number of persons including those who worked part of the year	1	2	250	2	6	241

34.1 The Company also provides certain household items and vehicles for the use of Chief Executive and certain executives.

34.2 Expense charged in respect of Directors' indemnity insurance policy, purchased by the Company, amounts to Rs. 509 (2016: Rs. 752).

(Amounts in thousand)

	2017	2016
	Rupees	
35. CASH GENERATED FROM OPERATIONS		
Profit before taxation	3,114,801	1,187,297
Adjustments for non cash charges and other items:		
Provision for staff retirement and other service benefits	106,147	200,030
Depreciation - note 4.2	931,565	863,732
Amortization - note 5	12,570	14,464
Provision for doubtful debts - note 10.4	9,628	-
Impairment of property, plant and equipment - note 4.1	107,854	-
Provision for slow moving stores and spares - note 8.2	241,117	8,801
Reversal for Provision for slow moving stores and spares - note 8.2	(24,500)	-
Provision / (reversal) of provision for net realizable value of stock-in-trade, net - note 9.3	425	(26,271)
Income on bank deposits and short term investments - note 29	(49,186)	(1,234)
Unrealized foreign exchange (gain) / loss on borrowings	-	(9,544)
Amortization of prepaid financial charges	-	45,507
Unrealized foreign exchange (gain) on imports and derivatives	-	(23,982)
Finance costs - note 30	730,763	833,055
Profit on disposal of operating assets - note 29	(68,525)	(20)
Provision against GIDC	982,855	980,891
Working capital changes - note 35.1	(3,362,821)	289,335
	2,732,693	4,362,061

	2017	2016
35.1 WORKING CAPITAL CHANGES		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(273,623)	(14,838)
Stock-in-trade	(657,319)	(56,791)
Trade debts	(58,355)	(19,544)
Loans, advances, deposits, prepayments and other receivables - net	(163,290)	(40,924)
	(1,152,587)	(132,097)
(Decrease) / Increase in current liabilities		
Trade and other payables	(2,210,234)	421,432
	(3,362,821)	289,335

(Amounts in thousand)

36. CASH AND CASH EQUIVALENTS

	2017	2016
	Rupees	
Cash and bank balances - note 14	682,750	376,147
Short term investments - note 13	240,410	740,000
Running finance utilized under mark-up arrangements - note 19	-	(29,638)
	923,160	1,086,509

37. FINANCIAL INSTRUMENTS BY CATEGORY

37.1 Financial assets as per balance sheet

	2017	2016
	Rupees	
Held to maturity at amortized cost		
Short term investments - Term Deposits Receipts	240,410	740,000
Loans and receivables as amortized cost		
Long term loans	75,756	69,971
Trade debts - considered good	505,123	456,396
Loans, deposits and other receivables	154,019	60,866
Cash and bank balances	682,750	376,147
	1,417,648	963,380

37.2 Financial liabilities as per balance sheet

	2017	2016
Financial liabilities measured at amortized cost		
Long term borrowings	8,750,000	9,166,903
Short term borrowings	-	414,638
Trade and other payables	3,399,915	6,381,472
Accrued interest / mark-up	135,087	11,096
	12,285,002	15,974,109
Derivatives at fair value		
At fair value through profit or loss	-	2,107
	-	2,107

(Amounts in thousand)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk factors, where it deems appropriate. Risk management is carried out by the Company's finance division under guidance of the Company's Board of Directors.

a) Market risk

i) Currency risk

Currency risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollar. The risk arises from outstanding payments for imports, recognized assets and liabilities in foreign currency and future commercial transactions. In the current economic environment, the Company is significantly exposed to currency risk because of the expected volatility in exchange rates. The Company, at its discretion, manages the currency risk through forward exchange contracts.

At December 31, 2017, the financial assets and liabilities exposed to foreign exchange risk amount to Rs. 147,514 (2016: Rs. 165,556) and Rs. 1,024,857 (2016: Rs. 5,169,209) respectively.

At December 31, 2017, if the Pakistan Rupee had weakened / strengthened by 5% against the US Dollar with all other variables held constant, post-tax profit / loss for the year would have been lower / higher by Rs. 30,707 (2016: Rs. 250,183), mainly as a result of foreign exchange losses / gains on translation of uncovered US Dollar-denominated liabilities. However, this change in profits or losses would be partially offset by a corresponding change in margins as bulk of revenues is linked with movements in exchange rates.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from long and short term running finances utilized under mark-up arrangements. Borrowing at variable rates exposes the Company to cash flow interest rate risk, whereas, borrowing at fixed rate expose the Company to fair value interest rate risk.

(Amounts in thousand)

To manage its cash flow interest rate risk, the Company has the ability to enter into floating to fixed rate interest swaps on its floating rate borrowings. Under the interest rate swap agreements, the Company can agree with the banks to exchange, at half yearly intervals, the difference between contracted rates and the floating rate interest amounts calculated by reference to the agreed notional amounts.

As at December 31, 2017, if interest rate on Company's unhedged borrowings had been 1% higher / lower with all other variables held constant, post tax profit for the year would have been lower / higher by approximately Rs. 61,250 (2016: Rs. 91,519) mainly as a result of higher / lower interest exposure on variable rate borrowings.

iii) Other price risk

Price risk represents the risk that the fair vale of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financials instruments or its issuers or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as at December 31, 2017 as the Company has no investments in listed securities as at year end.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge their obligations. Credit risk arises from deposits with banks and financial institutions, trade debts, loans, deposits and other receivables. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The Company is not materially exposed to credit risk as unsecured credit is provided to selected parties with no history of default. Moreover, major part of trade debts are secured by bank guarantees and letters of credit from customers. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as follows:

	2017	2016
	Rupees	
Long term loans	75,756	51,268
Trade debts	505,123	456,396
Loans, deposits and other receivables	154,019	49,797
Short term investments	240,410	740,000
Bank balances	681,610	370,697
	1,656,918	1,668,158

(Amounts in thousand)

The credit quality of receivables can be assessed with reference to their historical performance with no defaults in recent history. As at December 31, 2017 the credit quality of the Company's liquid funds can be assessed with reference to external credit ratings of banks as follows:

Bank	Rating agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA+
Askari Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Alhabib Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
Citibank N.A.	Moody	P-1	A1
Deutsche Bank A.G	Moody	P2	Baa2
Faysal Bank Limited	PACRA	A1+	AA
Industrial and Commercial Bank of China	Moody	P-1	A1
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A-
United Bank Limited	JCR-VIS	A-1+	AAA
The Bank of Punjab	PACRA	A1+	AA
JS Bank Limited	PACRA	A1+	AA-
Bank Islami Pakistan	PACRA	A1	A+
Soneri Bank Limited	PACRA	A1+	AA-

(Amounts in thousand)

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's liquidity management involves maintaining sufficient cash and marketable securities, the availability of funds through an adequate amount of credit facilities and through its ability to close out market positions. Due to the dynamic nature of the business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2017			2016		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Long term borrowings	-	8,750,000	8,750,000	416,903	8,750,000	9,166,903
Derivative financial instruments	-	-	-	2,107	-	2,107
Trade and other payables	3,399,915	-	3,399,915	6,318,424	-	6,318,424
Accrued interest / mark-up	135,087	-	135,087	11,096	-	11,096
Short term borrowings	-	-	-	414,638	-	414,638
	3,535,002	8,750,000	12,285,002	7,163,168	8,750,000	15,913,168

39. CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may issue new equity, manage dividend payouts to its shareholders or sell assets to reduce debt.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as long term borrowings, as disclosed in note 16, divided by total capital. Total capital is calculated as 'equity' as shown in the balance sheet plus long term borrowings.

(Amounts in thousand)

The gearing ratio of the Company is as follows:

	2017	2016
	Rupees	
Long term borrowings - note 16	8,750,000	8,750,000
Total equity	7,760,109	6,004,179
Total capital	16,510,109	14,754,179
Gearing ratio	0.530	0.593

40. SEGMENT INFORMATION

40.1 Based on the internal management reporting structure, the Company is organized into three business segments based on the products produced and sold as follows:

- Poly Vinyl Chloride (PVC) and allied chemicals: The segment is formed to manufacture and sell PVC and allied chemicals to various industrial customers including pipe manufacturers, shoe and packaging industry. The Company supplies the products throughout Pakistan mainly through dealers. Moreover, PVC is also exported to various countries mainly in Asia Region.

- Caustic soda and allied chemicals: The segment is formed to manufacture and sell caustic soda and allied chemicals mostly to textile and soap industry.

- Power supplies: The segment supplies surplus power generated from its power plants to Engro Fertilizers Limited.

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit / (loss) after tax for that segment, which in certain respects, as explained in table below, is measured differently from profit or loss in the consolidated financial statements. Items which are directly attributable to a particular segment have been allocated to the respective segment, while those which are not directly attributable have been allocated on the basis of revenue.

(Amounts in thousand)

40.2 The following table presents the profit or loss and total assets for the operating segments of the Company:

	Poly Vinyl Chloride (PVC) and allied chemicals		Caustic soda and allied chemicals		Power Supply		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees							
Segment profit and loss								
Revenue	22,793,920	18,378,843	4,877,617	4,422,049	59,199	53,132	27,730,736	22,854,024
Less:								
Cost of sales (excluding depreciation)	(17,872,921)	(15,022,716)	(2,828,377)	(2,999,993)	(33,999)	(46,634)	(20,735,297)	(18,069,343)
Distribution and marketing expenses (excluding depreciation)	(977,397)	(892,313)	(337,775)	(284,108)	-	-	(1,315,172)	(1,176,421)
Allocated depreciation	(796,581)	(703,977)	(132,314)	(146,729)	(4,358)	(2,314)	(933,253)	(853,020)
Administrative expenses	(549,113)	(487,762)	(35,050)	(31,134)	-	-	(584,163)	(518,896)
Other operating expenses	(281,775)	(102,298)	(82,691)	(47,719)	(1,147)	(120)	(365,613)	(150,137)
Other income	76,272	16,605	61,066	4,072	-	-	137,338	20,677
Finance costs	(807,836)	(905,040)	(10,430)	(10,658)	(1,509)	(3,889)	(819,775)	(919,587)
Profit before tax	1,584,569	281,342	1,512,046	905,780	18,186	175	3,114,801	1,187,297
Taxation	(601,988)	(282,751)	(453,614)	(244,561)	(6,183)	(52)	(1,061,785)	(527,364)
Profit for the year	982,581	(1,409)	1,058,432	661,219	12,003	123	2,053,016	659,933
Segment assets								
Total segment assets (note 40.3)	15,100,195	14,428,598	5,459,465	5,497,833	129,865	32,572	20,689,525	19,959,003
Unallocated assets (note 40.3)							3,674,801	4,461,758
Total assets							24,364,326	24,420,761

40.3 Segment assets consist primarily of property, plant and equipment, stores and spares, stock in trade and trade debts. Unallocated assets include long term investment, long term loans and advances, loans, advances, prepayments and other receivables, taxes recoverable, and cash and bank balances.

(Amounts in thousand)

41. TRANSACTIONS WITH RELATED PARTIES

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

Nature of relationship	Nature of transactions	2017	2016
		Rupees	
Holding Company			
- Engro Corporation Limited	Mark-up on subordinated loan	284,937	301,483
	Reimbursement made	16,171	108,068
	Reimbursement received	4,059	1,945
	Purchase of services	87,259	2,450
	Life insurance contribution	553	619
	Medical insurance contribution	174	181
	Sub-ordinated long term loan received	-	850,000
	Sub-ordinated short term loan received	-	1,000,000
	Sub-ordinated short term loan repaid	-	1,600,000
	Sub-ordinated Long term loan repaid	3,000,000	-
Associated Company			
- Mitsubishi Corporation	Purchase of goods	2,009,095	4,316,101
	Sale of goods	251,955	91,262
Related parties by virtue of common directorship			
- Engro Fertilizers Limited	Sale of goods	18,850	13,569
	Sale of utilities	99,033	65,282
	Purchase of services	1,158	-
	Use of operating assets	8,000	9
	Reimbursement made	12,820	18,694
	Reimbursement received	-	8,825
- Engro Vopak Terminal Limited	Purchase of services	1,139,282	1,027,914
	Reimbursement made	2,408	-
	Reimbursement received	1,911	355
- Engro Elengy Terminal Limited	Reimbursement received	-	126
- Engro Foundation	Reimbursement made	-	12
- Engro PowerGen Qadirpur Limited	Reimbursement received	3,428	4,338
	Reimbursement made	6,006	8,306
- Engro Digital Limited	Reimbursement received	88	-
- Engro Energy Limited	Reimbursement received	-	15,045
	Sale of office	83,469	-
- Engro Thar Power Limited	Reimbursement received	-	94
- The Hub Power Company Limited	Sales of goods	2,757	2,782

(Amounts in thousand)

Nature of relationship	Nature of transactions	2017	2016
		Rupees	
- Engro Foods Limited	Sale of goods	6,300	26,536
	Reimbursement received	-	3,397
	Reimbursement made	1,549	6,859
	Use of operating assets	-	165
- Sindh Engro Coal Mining Company Limited	Reimbursement received	-	705
	Reimbursement made	2	-
- Shell Pakistan Limited	Purchase of goods	-	5,875
- Lahore University of Management Sciences	Purchase of services	-	328
- Pakistan Institute of Corporate Governance	Purchase of services	490	463
	Annual subscription	200	-
- Pakistan Japan Business Forum	Annual subscription	-	100
- Overseas Investors Chamber of Commerce & Industries	Annual subscription	763	-
Other related party			
- Arabian Sea Country Club	Purchase of services	134	191
Directors	Fee	1,350	2,250
	Repayment of advance	-	4,125
Contribution to staff retirement benefits	Managed and operated by the Holding Company		
	- Provident fund	60,194	45,304
	- Gratuity fund	44,956	37,791
	- Pension fund	3,115	2,880
Key management personnel	Managerial remuneration	86,491	73,480
	Retirement benefit funds	13,468	12,055
	Bonus	66,517	21,557
	Other benefits	18,720	17,167

41.2 The related party status of outstanding balances as at December 31, 2017 are disclosed in the respective notes.

(Amounts in thousand)

42 Number of employees

Number of permanent employees as at December 31, 2017 was 439 (2016: 421) and average number of employees during the year was 429 (2016: 418).

43 Production capacity

	Designed Annual Capacity		Actual Production		Remarks
	2017	2016	2017	2016	
	Kilo tons				
PVC	178	178	187	172	Production planned as per market demand and in house consumption needs
EDC	127	127	107	106	
Caustic soda	106	106	105	103	
VCM	204	204	180	174	
	Mega Watts				
Power	66	66	48	48	

44. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on January 31, 2018 has proposed a final cash dividend of Rs. 0.80 (2016: Rs. Nil) per share in addition to interim cash dividend already paid at Rs. 0.45 (2016: Rs. Nil) per share for the year ended December 31, 2017, for approval of the members at the Annual General Meeting to be held on March 29, 2018.

45. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effects of which are not material.

46. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on January 31, 2018 by the Board of Directors of the Company.

Imran Anwer
President & Chief Executive

Muhammad Imran Khalil
Chief Financial Officer

Feroz Rizvi
Director

Notice of AGM and Annexures

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of Engro Polymer & Chemicals Limited will be held at Karachi Marriot Hotel, Abdullah Haroon Road, Karachi on Thursday, March 29, 2018 at 10:00 a.m. to transact the following business:

A. ORDINARY BUSINESS

(1) To receive and consider the audited accounts for the year ended December 31, 2017 and the Directors' and Auditors' Reports thereon.

(2) To appoint Auditors and fix their remuneration.

(3) To declare a final dividend at the rate of PKR 0.80 per share for the year ended December 31, 2017

By Order of the Board
SHAZEB SIDDIKI
Company Secretary

Karachi,
Dated: January 31, 2018

NOTES:

1. The Share Transfer Books of the Company will remain closed from Thursday, March 22, 2018 to Thursday, March 29, 2018 (both days inclusive). Transfers received in order at the office of our Registrar, Messrs. FAMCO ASSOCIATES (PRIVATE) LIMITED, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahrah-e-Faisal, Karachi PABX Nos (+9221) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m.) on Wednesday, March 21, 2018 will be treated in time for the purposes of payment of final dividend to the transferees and to attend and vote at this Meeting.

2. A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies, in order to be effective must be received by the Company not less than 48 hours before the Meeting. A proxy need not be a member of the Company.

3. Submission of Copy of CNIC/NTN Details (Mandatory) for Shareholders/Joint Holders

Pursuant to the directives of the Securities and Exchange Commission of Pakistan (SECP), CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2017, the rate of deduction of income tax under Section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as: for filers of Income Tax return 15%; and for Non-filer of Income Tax return 20%. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/CDS Account No.	Total Shares	Principal	Shareholder	Joint	Shareholder
-------------	----------------	-----------------	------------- Name & CNIC No.	----------------- Shareholding Proportion No. of shares	---------- Name Name & CNIC No.	---------------- Shareholding proportion No. of shares

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

Individuals, including all joint holders, holding physical share certificates are requested to submit a copy of their valid CNIC to the Company or its Shares Registrar if not already provided. For shareholders other than individuals, the checking will be done by matching the NTN number, therefore the Corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate to check their names in the ATL, before the book closure date to their respective participants/CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Company or its Shares Registrar. The Shareholders while sending CNIC or NTN certificates, as the case may be, must quote their respective folio numbers.

In case of non-receipt of the copy of a valid CNIC, the Company would be constrained under Section 243(3) of the Companies Act 2017 to withhold dividend warrants of such shareholders.

4. Further, all the shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The Company as per the new Law, shall apply 20% rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

5. Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to M/s FAMCO ASSOCIATES (PVT.) LTD, by the first day of book closure.

6. In accordance with the provisions of Section 242 of the Companies Act, 2017 and Circular No. 18/2017, a listed company, is required to pay cash dividend to the shareholders **ONLY** through electronic mode directly into the bank account designated by the entitled shareholders. In compliance with the said law, in order to receive your future dividends directly in your bank account, you are required to provide the information mentioned on the form placed on the Company's website (www.engropolymer.com) and send the same to your brokers/the Central Depository Company Limited, if the shares are held in the electronic form or to the Company's Shares Registrar, if the shares are held in paper certificate form.

7. Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the Company i.e. Messrs. FAMCO ASSOCIATES (PRIVATE) LIMITED, 8-F, near Hotel Faran, Nursery, Block 6, PECHS, Shahrah-e-Faisal, Karachi PABX Nos (+9221) 34380101-5 and email info.shares@famco.com.pk

I/We, of being a member of Engro Polymer and Chemicals Limited holder of Ordinary Share(s) as per Register Folio No. ____________ hereby opt for video conference facility at (Please insert name of the City)

____
Signature of member

Update on Preference Shares Issue:

The Shareholders of Engro Polymer & Chemicals Limited ("EPCL" of the "Company") had in the 10th Extraordinary General Meeting of the Company held on April 14, 2017 passed a resolution approving the issuance of preference share amounting to Rs. 3 Billion by way of rights, subject to regulatory approval. The Preference Shares were estimated to carry an annual dividend of 6 Months KIBOR + 2.5%. The underlying rationale of the proposed issue was to pay off the loan from Engro Corporation at an interest rate of 6 Months KIBOR + 3.5%, thereby providing the Company a net benefit of 1% in interest expenses.

During the year 2017, the Company was able to significantly improve the core performance of its business and at the end of the year managed to post a profit after tax of ~Rs 2 Billion, starting from the first quarter in which the Company posted a profit of ~Rs 0.8 Billion. This gave confidence to the management that the loan could potentially be repaid via a cheaper commercial loan and hence the Company did not initiate the process for obtaining regulatory approvals for the proposed preference share issue. Overall, the improved performance enabled the Company to repay the Rs 3 Billion debt from Engro Corporation via borrowing from commercial banks at a much lower rate of 6 Months KIBOR + 0.4%, thereby creating a significant advantage for the Company.

Shareholders' Information

Annual General Meeting

The Annual General Meeting will be held at 10:00 a.m. on March 29, 2018 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of Thursday, March 22, 2018 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his/her behalf. Proxies should be filed with the company at least 48 hours before the meeting time.

CDC Shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card or Passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

Ownership

On December 31, 2017 there were 29,688 shareholders on record of the Company's ordinary shares.

Circulation of Annual Audited Accounts through CD/DVD/USB

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and in continuation with the SRO.787(1)/2014 dated September 8, 2014, and approved by the Shareholders in the Annual General Meeting of the Company held on April 14, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report, etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hard-copy of the Annual Audited Accounts. The standard request forms for hard-copy of the Annual Audited Accounts is available at the Company's website www.engropolymer.com.

Alternatively, members can fill up the Standard Request Forms respectively in the Annexures section at the end of the report.

E-Dividend Mandate (Mandatory)

In accordance with the provisions of Section 242 of the Companies Act, 2017, and Section 4 of the Companies (Distribution of Dividends) Regulations, 2017 it is mandatory for a listed company, to pay cash dividend to the shareholders **ONLY** through electronic mode directly into the bank account designated by the entitled shareholders.

In order to receive your future dividends directly in your bank account, please provide the information mentioned on the form placed on the Company's website www.engropolymer.com and the same to your brokers or the Central Depository Company Limited (in case the shares are held in the electronic form) and to our Share Registrar (in case the shares are held in paper certificate form).

Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in 2018 are:

- 1st quarter : 18th April, 2018
- 2nd quarter : 2nd August, 2018
- 3rd quarter : 12th October 2018

The Company holds quarterly briefings with Security Analysts to discuss the results and the business environment. These sessions are planned to be held on:

- 1st quarter : 18th April, 2018
- 2nd quarter : 2nd August, 2018
- 3rd quarter : 12th October 2018

All annual/quarterly reports and presentations from quarterly briefings are regularly posted at the Company's website: www.engropolymer.com

The Company reserves the right to change any of the above dates.

Change of Address

All registered shareholders should send information on changes of their address to:

M/s. FAMCO Associates (Private) Limited
8-F, Near Hotel Faran, Nursery,
Block-6, P.E.C.H.S. Shahrah-e-Faisal
Karachi-74000

Calendar of Major Events

2017

7th February, 2017	Approval of Annual Accounts for the year ended December 31, 2016
14th April, 2017	Annual General Meeting (AGM) of the year ended December 31, 2016
18th April, 2017	Approval of Quarterly Accounts
7th August, 2017	Approval of Half Yearly Accounts
25th August, 2017	Award on Annual Report
18th October, 2017	Approval of Third Quarterly Accounts
28th December, 2017	Approval of Expansion Project

Standard Request Form

Circulation of Annual Audited Accounts

Date: ______________

The Share Registrar
Engro Polymer & Chemicals Ltd.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6, P.E.C.H.S.
Shahrah-e-Faisal
Karachi

Subject: Request for Hard Copy of Annual Audited Accounts of Engro Polymer & Chemicals Limited

Dear Sirs,

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on April 14, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report, etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's Share Registrar and Company Secretary.

I/We, ______________________________ S/o, D/o, W/o ______________________ being a registered shareholder of Engro Polymer & Chemicals Limited with the particulars as mentioned below would request that my/our name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me/us the Annual Audited Accounts in hard copy form at my/our registered address as contained in the member register instead of providing the same through CD/DVD/USB.

Particulars
Name of Shareholder
Folio No. / CDC ID No.
CNIC/NICOP/ Passport No.
Land Line Telephone No. (if any)
Cell No. (if any)

Yours truly,

____
Shareholder's Signature

Copy to:
Company Secretary
Engro Polymer & Chemicals Limited
12th Floor, Ocean Tower, G-3
Block-9, Clifton, Khayaban-e-Iqbal
Karachi – 75600

Proxy Form

I/We ____
of ______________________________________ being a member of ENGRO POLYMER AND CHEMICALS and holder of ______________ Ordinary shares as per share(Number of Shares)Register Folio No. ______________________ and/or CDC Participant I.D. No.__________ and Sub Account No.__________, hereby appoint ____________________ of ______________________ or failing him/her ____________________ of ____________________ as my/our proxy to vote for me/us and on my/our behalf at the 20th Annual General Meeting of the Company to be held on the 29th day of March, 2018 and any adjournment thereof.

Signed this ______________ day of ______________ 2018.

Witnesses:

(1) Signature : ____________________
Name : ____________________
Address : ____________________
: ____________________
CNIC or : | | | | | |■| | | | | | |■| |
Passport No. : ____________________

(2) Signature : ____________________
Name : ____________________
Address : ____________________
: ____________________
CNIC or : | | | | | |■| | | | | | |■| |
Passport No. : ____________________

Signature

(Signature should agree with the specimen registered with the Company)

Notes:

Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

AFFIX CORRECT
POSTAGE

The Company Secretary
Engro Polymer & Chemicals Limited
12th Floor, Ocean Tower, G-3,
Block 9, Clifton,
Khayaban-e-Iqbal, Karachi - 75600

Glossary

AGM: Annual General Meeting

ATIR: Appellate Tribunal Inland Revenue

BAC: Board Audit Committee

BCP: Business Continuity Planning

BoD: The Board of Directors

BSC: British Safety Council

CC: Corporate Communications

CEO: Chief Executive Officer

CIR (A): Commissioner of Inland Revenue Appeals

CLSA: Credit Lyonnais Securities Asia

CNIC: Computerised National Identity Card

COED: Committee for Organisation & Employee Development

CRO: Chief Risk Officer

CSR: Corporate Social Responsibility

E Corp: Engro Corporation - the Holding Company

EBITDA: Earnings before Interest, Taxes, Depreciation and Amortisation

EDC: Ethylene Di Chloride

EET: Employee Engagement Index

EPTL: Engro Polymer Trading (Private) Limited

F&A: Finance & Accounting

FDSK: The Foundation for Diffusion of Scientific Knowledge

GIDC: Gas Infrastructure Development Coss

GM: General Manager

GRI: Global Reporting Initiative

HCL: Hydrochloric Acid

HR: Human Resources

HRRC: The HR & Remuneration Committee

HSE: Health, Safety & Environment

Hypo: Sodium Hypochlorite

IFC: International Finance Corporation

MAR: Management Attention Required

MMBTU: Million British Thermal Units

MMSCFD: Million Standard Cubic Feet per Day

LSS: Lean Six Sigma

OHSA: Occupational Health and Safety Administration

OICCI: Overseas Investors Chamber of Commerce and Industry

OSHA: Occupational Safety and Health Administration (OSHA)

PADP: Performance Appraisal Development Plan

PAT: Profit after Tax

PBIT: Profit Before Interest and Tax

PJBF: Pakistan Japan Business Forum

PSM: Personnel Safety Management

PSRM: Process Safety and Risk Management

AFFIX CORRECT POSTAGE

The Company Secretary
Engro Polymer & Chemicals Limited
12th Floor, Ocean Tower, G-3,
Block 9, Clifton,
Khayaban-e-Iqbal, Karachi - 75600

پراکسی فارم

میں/ہم ____

کے ____ بطور اینگرو پولیمر اینڈ کیمیکلز کا رکن اور

حامل ________________ (حصص کی تعداد) عام حصص جیسا کے رجسٹر فولیو نمبر ________ اور/یا سی ڈی سی شراکت دار شناخت

نمبر ________ اور سب اکاؤنٹ نمبر ________ اس طرح مقرر/ منتخب ________________

کیا جاتا ہے یا انکی ناکامی کی صورت میں ________ کے ________________

کو مورخہ 29 مارچ 2018 کو منعقد ہونے والی کمپنی کی بیسویں سالانہ جنرل میٹنگ میں بحیثیت میرے/ہمارے قائم مقام/نمائندہ اور میرے/ہماری جانب سے ووٹ دینا اور اس کے اختتام/التواء تک۔

مورخہ ________________

گواہان

دستخط ________________

نام ________________

پتہ ________________

شناختی کارڈ نمبر | | | | | | ■ | | | | | | | | ■ | |

یا پاسپورٹ نمبر: ________________

دستخط کمپنی کے رجسٹر سے متفق ہونا چاہیے

دستخط ________________

نام ________________

پتہ ________________

____

شناختی کارڈ نمبر | | | | | | ■ | | | | | | | | ■ | |

یا پاسپورٹ نمبر: ________________

نوٹ:

نمائندہ/ قائم مقام کو مؤثر کرنے کے لیے کمپنی کو میٹنگ شروع ہونے سے 48 گھنٹے قبل لازم موصول ہو جانی چاہیے۔ نمائندہ/ قائم مقام کو کمپنی کا رکن ہونا ضروری نہیں ہے۔

اس فارم کو کمپنی میں کرانے سے پہلے حاصل سی ڈی سی حصص اور انکے نمائندہ/ قائم مقام دونوں کے کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل اس فارم کے ساتھ منسلک کرنا ہوگی۔

کاروباری عملداری کی تعمیل

بورڈ آف ڈائریکٹرز کمپنی کے تمام اہم معاملات کا جائزہ لیتا ہے۔ ان میں کمپنی کی حکمتِ عملی پر مبنی سمت، سالانہ کاروباری منصوبے اور اہداف، طویل المیعاد سرمایہ کاری اور قرضوں کے فیصلے شامل ہیں۔ بورڈ آف ڈائریکٹرز کاروباری عملداری کا اعلیٰ معیار برقرار رکھنے کے لیے کوشاں ہے۔

بورڈ آف ڈائریکٹرز یہ اطلاع دیتے ہوئے خوشی محسوس کررہا ہے کہ:

- مینجمنٹ کی جانب سے تیار کیے گئے مالیاتی گوشواروں میں اس کی موجودہ صورتحال، اس کے کاروباری عمل کے نتائج، کیش فلوز اور ایکوئٹی میں تبدیلیوں کا دیانتدارانہ جائزہ پیش کیا گیا ہے۔
- بک آف اکاؤنٹس درست اور موزوں طور پر منظّم رکھی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ کی پالیسیز باقاعدگی سے استعمال کی گئی ہیں اور اکاؤنٹنگ کے تخمینے موزوں اور محتاط فیصلے پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں پاکستان میں قابلِ اطلاق، اکاؤنٹنگ کے بین الاقوامی معیاروں پر عمل کیا گیا ہے اور اس سے کسی بھی روگردانی کو واضح طور پر ظاہر کردیا گیا ہے۔
- داخلی کنٹرول کا نظام مستحکم انداز میں ترتیب دیا گیا ہے اور اس کی مؤثر طور پر نفاذ کے ساتھ نگرانی کی جارہی ہے۔
- کمپنی کی صلاحیتوں پر کوئی شبہ نہیں کہ آئندہ بھی یہ ایک ترقی کرتے کاروبار کی حیثیت سے اپنی سرگرمیاں جاری رکھے گی۔
- فہرست میں مرتب کردہ ضوابط کو مدِّنظر رکھتے ہوئے، کاروباری عملداری کے بہترین طریقۂ کار سے کوئی روگردانی نہیں کی گئی ہے۔

تجارت کردہ حصص اور اوسط نرخ

سال کے دوران، کمپنی کے 1,991 ملین حصص کی پاکستان اسٹاک ایکسچینج میں تجارت کی گئی۔ روزانہ کے اختتامی نرخ کی بنیاد پر کمپنی کے حصص کا اوسط نرخ 30.18 روپے تھا۔ سال 2017 کے دوران 52 ہفتوں پر مبنی بلندی پستی بالترتیب 39.71 - 18.11 روپے فی حصص تھی۔

ڈیویڈنڈز

اس عرصے کے دوران، 4.5 فیصد یعنی 0.45 روپے فی حصص کے ایک عبوری ڈیویڈنڈ کا اعلان کیا گیا۔ اس کے علاوہ بورڈ آف ڈائریکٹرز کی جانب سے 8 فیصد یعنی 0.8 روپے فی حصص کے ایک سالانہ ڈیویڈنڈ کا اعلان کیا گیا اور سالانہ جنرل میٹنگ میں حصص مالکان کی جانب سے اس کی منظوری ہونا باقی ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز اے ایف فرگوسن اینڈ کمپنی کی مدّت ختم ہوچکی ہے اور دوبارہ تقرری کے لیے درخواست دے رہے ہیں۔ بورڈ آڈٹ کمیٹی کی جانب سے دوبارہ تقرری کی تجویز دی گئی ہے اور بورڈ آف ڈائریکٹرز نے اس تجویز کی منظوری دے دی ہے۔

اکاؤنٹنگ کے معیار

کمپنی کی اکاؤنٹنگ پالیسیز منسوخ شدہ کمپنیز آرڈیننس، 1984 (مراسلہ CLD/CCD/PR(11)/2017 مؤرخہ 4 اکتوبر، 2017 جاری کنندہ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے درکار، یہ کہ وہ کمپنیاں جن کا مالی سال، بشمول سہ ماہی اور دیگر عبوری مدّت کے، 31 دسمبر 2017 کو اختتام پذیر ہوتا ہے، منسوخ شدہ کمپنیز آرڈیننس، 1984 کی شرائط کے مطابق اپنے یکجا مالیاتی گوشوارے تیار کریں گے) اور ایسے منظور شدہ اکاؤنٹنگ کے بین الاقوامی معیار اور مالیاتی رپورٹنگ کے بین الاقوامی معیار کے اُن لوازمات پر پورا اترتی ہیں جیسا کہ اس آرڈیننس اور اس کے ساتھ ساتھ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ ہدایات کے تحت مطلع کیا گیا ہے۔

پروویڈنٹ فنڈ

سال 2013 میں، کمپنی نے اپنے پروویڈنٹ فنڈ کو، اینگرو کارپوریشن لمیٹڈ۔ ملکیتی کمپنی کی جانب سے زیرِ عمل اور منظّم رکھے جانے والے پروویڈنٹ فنڈ (فنڈ) سے تبدیل کیا ہے۔ چنانچہ، درجِ ذیل معلومات 30 جون 2016 کو ملکیتی کمپنی کی زیرِ نگرانی موجود فنڈ کے تازہ ترین آڈٹ شدہ مالیاتی گوشواروں اور 30 جون 2017 کو غیر آڈٹ شدہ مالیاتی گوشواروں پر مبنی ہیں۔

فنڈ کی تفصیلات درجِ ذیل ہیں:

روپے 000	30 جون 2017	30 جون 2016
فنڈ کا سائز۔ کُل اثاثہ جات	3,941,927	3,386,894
کی گئی سرمایہ کاری کی لاگت	2,493,496	2,920,257
کی گئی سرمایہ کاری کی شرح	92%	92%
سرمایہ کاریوں کی فیئر ویلیو	3,643,638	3,018,947

بورڈ کی میٹنگز اور حاضری

شیئر ہولڈرز کی کیٹگری	ملکیتی شیئرز
جناب غیاث الدین خان	7/7
جناب کمی ہائیڈ آنڈو (1)	1/7
جناب شہزادہ داؤد (1)	1/7
جناب نوری یوکی کوگا	5/7
جناب فیروز رضوی	7/7
جناب شوئی چی اوگیوارا (3)	2/7
جناب اسد سعید جعفر (1)	1/7
جناب ظفر ہادی (1)	2/7
جناب مظہر حسنینی (2)	3/7
جناب فرمان احمد خان لودھی (1)	2/7
جناب حسنین موچھالا (4)	3/7
جناب عمران انور	4/7
جناب نادر سالار (5)	4/7
جناب آصف سلطان تاجک	5/7

- 14 اپریل 2017 کو دوبارہ تقرری کے بغیر ٹرم ختم ہو گئی۔
- 10 جولائی 2017 کو مستعفی ہوئے۔
- 2 اپریل 2017 کو مستعفی ہوئے۔
- 11 جولائی 2017 کو جناب مظہر حسنینی کی جگہ بورڈ کے ڈائریکٹر بنائے گئے۔
- 14 اپریل 2017 کو بورڈ میں منتخب کیے گئے۔

فیصلہ سازی کے اہم پہلو

انکم ٹیکسز، مختص کردہ رقم، ناگہانی صورتحال/ معاہدے، مؤخر شدہ ٹیکس اثاثے، اور صوابدیدی فیصلوں کے حامل دیگر شعبوں اور مالیاتی گوشواروں پر پڑنے والے اثرات کی تفصیلات اکاؤنٹس کے نوٹس میں دی گئی ہیں۔

شیئرز کی تعداد	ہولڈنگ کا سائز	شیئر ہولڈرز کی تعداد
1,484,563	1,480,001 -1,485,000	1
1,600,000	1,600,000 -1,605,000	1
3,495,000	1,745,000 -1,750,000	2
1,775,000	1,775,000 -1,780,000	1
2,086,500	2,085,001 -2,090,000	1
2,106,500	2,105,001 -2,110,000	1
2,244,500	2,240,001 -2,245,000	1
2,293,677	2,290,001 -2,295,000	1
2,823,000	2,820,001 -2,825,000	1
2,848,000	2,845,001 -2,850,000	1
2,851,500	2,850,001 -2,855,000	1
2,876,500	2,875,001 -2,880,000	1
2,891,500	2,890,001 -2,895,000	1
2,935,500	2,935,001 -2,940,000	1
3,294,000	3,290,001 -3,295,000	1
3,374,000	3,370,001 -3,375,000	1
3,600,000	3,600,000 -3,605,000	1
3,702,000	3,700,001 -3,705,000	1
4,155,500	4,155,001 -4,160,000	1
4,909,500	4,905,001 -4,910,000	1
6,005,000	6,005,000 -6,010,000	1
6,758,500	6,755,001 -6,760,000	1
7,233,500	7,230,001 -7,235,000	1
10,509,500	10,505,001 -10,510,000	1
15,957,500	15,955,001 -15,960,000	1
20,218,000	20,215,001 -20,220,000	1
67,949,998	67,945,001 -67,950,000	1
372,809,989	372,805,001 -372,810,000	1
663,468,788		29,688

شیئرز کی تعداد	ہولڈنگ کا سائز		شیئر ہولڈرز کی تعداد
412,100	410,001	-415,000	1
478,500	475,001	-480,000	1
493,000	490,001	-495,000	1
2,000,500	500,000	-505,000	4
570,000	570,000	-575,000	1
1,162,651	580,001	-585,000	2
600,000	600,000	-605,000	1
1,238,199	615,001	-620,000	2
690 000	690,000	-695,000	1
1,400,000	700,000	-705,000	2
722,000	720,001	-725,000	1
732,500	730,001	-735,000	1
744,000	740,001	-745,000	1
765,000	765,000	-770,000	1
782,000	780,001	-785,000	1
856,000	855,001	-860,000	1
868,000	865,001	-870,000	1
892,500	890,001	-895,000	1
1,800,000	900,000	-905,000	2
950,000	950,000	-955,000	1
975,000	975,000	-980,000	1
3,000,000	1,000,000	-1,005,000	3
1,019,500	1,015,001	-1,020,000	1
1,040,840	1,040,001	-1,045,000	1
1,050,000	1,050,000	-1,055,000	1
1,056,000	1,055,001	-1,060,000	1
1,109,000	1,105,001	-1,110,000	1
1,125,000	1,125,000	-1,130,000	1
1,261,500	1,260,001	-1,265,000	1
1,305,000	1,305,000	-1,310,000	1

شیئرز کی تعداد	ہولڈنگ کا سائز		شیئر ہولڈرز کی تعداد
418,500	135,001	-140,000	3
288,000	140,001	-145,000	2
600,500	150,000	-155,000	4
478,000	155,001	-160,000	3
164,500	160,001	-165,000	1
515,000	170,000	-175,000	3
715,500	175,001	-180,000	4
374,500	185,000	-190,000	2
191,000	190,001	-195,000	1
2,203,000	200,000	-205,000	11
426,000	210,001	-215,000	2
436,500	215,001	-220,000	2
446,500	220,001	-225,000	2
455,500	225,001	-230,000	2
998,500	245,001	-250,000	4
509,000	250,001	-255,000	2
515,500	255,001	-260,000	2
526,000	260,001	-265,000	2
274,500	270,001	-275,000	1
837,500	275,001	-280,000	3
600,000	300,000	-305,000	2
316,869	315,001	-320,000	1
664,425	330,000	-335,000	2
685,000	340,000	-345,000	2
350,000	350,000	-355,000	1
359,000	355,001	-360,000	1
731,500	365,000	-370,000	2
387,000	385,001	-390,000	1
400,000	400,000	-405,000	1
408,000	405,001	-410,000	1

9) شیئر ہولڈنگ کا نمونہ۔ 31 دسمبر 2017 تک

شیئرز کی تعداد	ہولڈنگ کا سائز		شیئر ہولڈرز کی تعداد
12,784	1	-100	499
9,242,993	101	-500	19,378
4,241,590	501	-1,000	5,881
6,277,949	1,001	-5,000	2,471
4,640,714	5,001	-10,000	572
2,771,245	10,001	-15,000	212
2,005,976	15,001	-20,000	108
2,700,316	20,001	-25,000	112
1,512,187	25,001	-30,000	53
988,262	30,001	-35,000	30
887,250	35,001	-40,000	23
439,863	40,001	-45,000	10
2,231,012	45,001	-50,000	45
849,707	50,001	-55,000	16
828,375	55,001	-60,000	14
438,000	60,001	-65,000	7
825,500	65,001	-70,000	12
295,004	70,001	-75,000	4
1,254,500	75,001	-80,000	16
746,400	80,001	-85,000	9
715,000	85,001	-90,000	8
752,850	90,001	-95,000	8
3,198,500	95,001	-100,000	32
941,000	100,001	-105,000	9
539,500	105,001	-110,000	5
225,500	110,001	-115,000	2
474,500	115,001	-120,000	4
747,500	120,001	-125,000	6
388,000	125,001	-130,000	3
133,500	130,001	-135,000	1

7) شیئر ہولڈنگ 5% یا زائد کی ووٹنگ کمپنی کے فائدے کے لیے

شیئر ہولڈرز کا نام	ملکیتی شیئرز کی تعداد	شیئر ہولڈنگ کا تناسب
اینگرو کارپوریشن لمیٹڈ	372,809,989	56.19%
Mitsubishi کارپوریشن	67,949,998	10.24%

8) ڈائیریکٹرز، ایگزیکٹوز اوران کی ازواج/ چھوٹے بچوں کی جانب سے خرید/فروخت کی تفصیلات

شیئر ہولڈرز کی کیٹگری	خرید کردہ شیئرز	فروخت کردہ شیئرز	شرح	تاریخ خریداری/فروخت
محمد آصف نسیم	-	500	18.25	6 جنوری 2017
محمد آصف نسیم	-	500	18.3	6 جنوری 2017
محمد آصف نسیم	-	10,500	18.3	6 جنوری 2017
محمد آصف نسیم	-	5,000	18.35	6 جنوری 2017
محمد آصف نسیم	-	5,000	18.4	6 جنوری 2017
محمد آصف نسیم	-	500	18.35	6 جنوری 2017
محمد آصف نسیم	-	400	18.3	11 جنوری 2017
مظفر اسلام	-	5,000	24.8	6 اپریل 2017
سید محمد فاروق احمد	20,000	-	26.78	21 اپریل 2017
محمد سعداللہ ابوالخیری	500	-	57.57	1 جون 2017
اعجاز کھیڑو	-	171	37.2	13 جون 2017
مظفر اسلام	-	5,000	34.05	12 جولائی 2017
محمد ریحان خان	500	-	33.4	25 ستمبر 2017
اظہار الحق	-	4,000	34.49	19 اکتوبر 2017

3) ڈائریکٹرز، ان کی بیویاں اور نابالغ بچے

شیئر ہولڈرز کی کیٹگری	ملکیتی شیئرز کی تعداد
جناب غیاث الدین خان	1
جناب نوری یوکی کوگا	1
جناب فیروز رضوی	1
جناب نادر سالار قریشی	1
جناب حسنین موچھالا	1
جناب عمران انور	1
جناب محمد آصف سلطان تاجک	1

4) ایگزیکٹیوز

شیئر ہولڈرز کی کیٹگری	ملکیتی شیئرز کی تعداد
ایگزیکٹیوز	-

5) پبلک سیکٹر کمپنیز اور کارپوریشنز

شیئر ہولڈرز کی کیٹگری	ملکیتی شیئرز کی تعداد
پبلک سیکٹر کمپنیز اور کارپوریشنز	250,000

6) بینکس، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، انشورنس، تکافل، مضاربازاور پینشن فنڈز

شیئر ہولڈرز کی کیٹگری	ملکیتی شیئرز کی تعداد
بینکس، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس کمپنیز، انشورنس، تکافل، مضاربازاور پینشن فنڈز	7,066,000

(2 مضاربہ اور میوچل فنڈز

شیئر ہولڈرز کا نام	ملکیتی شیئرز
سی ڈی سی ۔ ٹرسٹی ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ	7,233,500
سی ڈی سی ۔ ٹرسٹی PICIC انویسٹمنٹ فنڈ	1,750,000
سی ڈی سی ۔ ٹرسٹی PICIC گروتھ فنڈ	3,374,000
سی ڈی سی ۔ ٹرسٹی الحمرا اسلامک اسٹاک فنڈ	2,876,500
سی ڈی سی ۔ ٹرسٹی میزان بیلنسڈ فنڈ	1,745,000
سی ڈی سی ۔ ٹرسٹی الحمرا اسلامک ایسٹ ایلوکیشن فنڈ	765,000
سی ڈی سی ۔ ٹرسٹی ال میزان میوچل فنڈ	3,702,000
سی ڈی سی ۔ ٹرسٹی میزان اسلامک فنڈ	15,957,500
سی ڈی سی ۔ ٹرسٹی یو بی ایل اسٹاک ایڈوانٹیج فنڈ	4,909,500
سی ڈی سی ۔ ٹرسٹی اٹلس اسلامک اسٹاک فنڈ	350,000
سی ڈی سی ۔ ٹرسٹی ال ۔ میزان شریعہ اسٹاک فنڈ	6,758,500
سی ڈی سی ۔ ٹرسٹی NAFA اسٹاک فنڈ	2,244,500
سی ڈی سی ۔ ٹرسٹی NAFA ملٹی ایسٹ فنڈ	408,000
سی ڈی سی ۔ ٹرسٹی عسکری ایسٹ ایلوکیشن فنڈ	61,500
سی ڈی سی ۔ ٹرسٹی میزان تحفظ پینشن فنڈ ۔ ایکوئٹی سب فنڈ	2,823,000
سی ڈی سی ۔ ٹرسٹی ایم سی بی پاکستان ایسٹ ایلوکیشن فنڈ	1,000,000
سی ڈی سی ۔ ٹرسٹی فرسٹ حبیب اسٹاک فنڈ	100,000
سی ڈی سی ۔ ٹرسٹی NAFA ایسٹ ایلوکیشن فنڈ	359,000
سی ڈی سی ۔ ٹرسٹی ایچ بی ایل آئی پی ایف ایکوئٹی سب فنڈ	80,800
سی ڈی سی ۔ ٹرسٹی ایچ بی ایل پی ایف ایکوئٹی سب فنڈ	119,500
سی ڈی سی ۔ ٹرسٹی کے ایس ای میزان انڈیکس فنڈ	200,000
سی ڈی سی ۔ ٹرسٹی یو بی ایل ایسٹ ایلوکیشن فنڈ	744,000
سی ڈی سی ۔ ٹرسٹی ال ۔ میزان اسلامک ایسٹ ایلوکیشن فنڈ	3,294,000
سی ڈی سی ۔ ٹرسٹی ال ۔ امین اسلامک .RET. SAV فنڈ ۔ ایکوئٹی سب فنڈ	892,500
سی ڈی سی ۔ ٹرسٹی یو بی ایل ریٹائرمنٹ سیونگز فنڈ ۔ ایکوئٹی سب فنڈ	690,000
سی ڈی سی ۔ ٹرسٹی NAFA اسلامک اسٹاک فنڈ	1,019,500
سی ڈی سی ۔ ٹرسٹی ال امین اسلامک ڈیڈیکیٹڈ ایکوئٹی فنڈ	10,509,500
سی ڈی سی ۔ ٹرسٹی NAFA اسلامک ایکٹیو ایلوکیشن ایکوئٹی فنڈ	261,500
سی ڈی سی ۔ ٹرسٹی میزان ایسٹ ایلوکیشن فنڈ	1,305,000
سی ڈی سی ۔ ٹرسٹی میزان ڈیڈیکیٹڈ ایکوئٹی فنڈ	782,000

کارپوریٹ جائزہ

کمپنی میں شیئر ہولڈنگ

کمپنی 31 دسمبر 2017 تک کمپنی میں شیئر ہولڈنگ کی تفصیلات درجِ ذیل ہیں:

شیئر ہولڈرز کی کیٹگری	شیئر ہولڈرز کی تعداد	ملکیتی شیئرز	شیئر ہولڈنگ کا تناسب
ڈائریکٹرز، چیف ایگزیکٹیو آفیسر، بیوی اور نابالغ بچے	7	7	0.0001%
منسلکہ کمپنیز، انڈرٹیکنگ اور متعلقہ پارٹیز	3	441,800,827	66.59%
بینکس، DFIs، نان بینکنگ فنانشل انسٹی ٹیوشنز	4	7,066,000	1.07%
انشورنس کمپنیز	7	23,864,000	3.60%
مضاربہ اور میوچل فنڈز	30	76,315,800	11.50%
شیئر ہولڈرز کی ہولڈنگ 10%	2	440,759,987	66.43
عوام الناس (انفرادی اشخاص)			
a) مقامی	29,440	82,480,581	12.43%
b) غیر ملکی			
دیگر	**197**	**31,941,573**	**4.81%**

شیئر ہولڈنگ کی کیٹگری

شیئر ہولڈنگ سے متعلقہ معلومات، درجِ ذیل رپورٹنگ فریم ورک کے مطابق درکار رہوں گی:

1) منسلکہ کمپنیز، انڈرٹیکنگ اور متعلقہ پارٹیز

شیئر ہولڈرز کی کیٹگری	ملکیتی شیئرز
اینگرو کارپوریشن لمیٹڈ	372,809,989
مٹسوبشی کارپوریشن	67,949,99
EPCL ایمپلائزٹرسٹ	1,040,840
	441,800,827

مستقبل کا منظر نامہ

سال 2017 میں اپنی پوزیشن کو مستحکم بنانے کے بعد، EPCL سودمند کاروباری فضا کی جانب سے پیش کردہ مواقعوں سے فائدہ اٹھانے کے لیے پوری طرح تیار ہے۔ دسمبر 2017 میں، بورڈ آف ڈائریکٹرز نے 10.3 بلین روپے کا سرمایہ جاتی اخراجات کے منصوبے کا اعلان کیا۔ سرمایہ جاتی اخراجات میں PVC کی پیداواری گنجائش میں توسیع، کاسٹک فلیکر کی شمولیت کی بدولت کاسٹک سوڈا کی مارکیٹ کی پوزیشن بہتر بنانا اور مؤثر کارکردگی کے کئی منصوبے شامل ہیں جن کی تفصیلات درجِ ذیل ہیں:

PVC کی توسیع: اس میگا پروجیکٹ میں MT 100,000 (295,000 کی مجموعی گنجائش) کی گنجائش کے ساتھ نئے PVC پلانٹ کا اضافہ اور VCM پلانٹ کی گنجائش کو آزادانہ پیداواری بنیادوں پر استوار کرنے کے لیے MT 50,000 کی اضافی گنجائش شامل ہے۔ ہدف کے مطابق یہ پروجیکٹ 2020 کی تیسری سہ ماہی میں اندازاً 7.6 بلین روپے کے CAPEX کے ساتھ مکمل ہوگا جیسا کہ 28 دسمبر 2017 کو پاکستان اسٹاک ایکسچینج کو مطلع کیا گیا تھا۔ اس سلسلے میں، بورڈ آف ڈائریکٹرز نے بھی اضافی زمین کے حصول کی منظوری دے دی ہے۔

کاسٹک فلیکرز پلانٹ: فلیکرز، کمپنی کی موجودہ پروڈکٹس میں ایک نیا اضافہ ہے اور اس کے لیے 20,000MT کی گنجائش رکھنے والا پلانٹ لگایا جائے گا۔ یہ پروجیکٹ سال 2018 کی تیسری سہ ماہی تک اندازاً 0.34 بلین روپے کے CAPEX کے ساتھ مکمل ہوگا۔ اس نئی پروڈکٹ کے اضافے سے EPCL کو جنوبی مارکیٹ اور سمندر کے راستے برآمدات جیسے قرب وجوار کے تجارتی فوائد سے استفادے کا موقع ملے گا۔

ممبرین کی تبدیلی: یہ پروجیکٹ، موجودہ کاسٹک پلانٹ کو مزید مستحکم اور قابلِ بھروسہ بنانے کے لیے عمل میں لایا جا رہا ہے جس کی تکمیل 2018 کی تیسری سہ ماہی تک اندازاً 0.6 بلین روپے کے CAPEX کے ساتھ متوقع ہے۔ توقع ہے کہ تبدیل کردہ ممبریز اگلے آٹھ سالوں تک کارآمد رہیں گی اور لاگتی اخراجات کو کم کرنے میں مدد دیں گی۔

گیس ٹربائنز کی تجدیدِ نو: اس پروجیکٹ کا مقصد پاور پلانٹس کی کارکردگی اور پائیداری کو 0.22 بلین روپے کے CAPEX کے ساتھ بہتر بنانا ہے۔

CA کی الائیڈ پراڈکٹس کی آزادانہ پیداواری بنیادوں پر استواریت: طلب میں اضافے سے فائدہ اٹھانے کے لیے، کمپنی نے سوڈیم ہائپوکلورائیٹ اور ہائیڈرو کلورک ایسڈ کی گنجائش میں اضافے کا منصوبہ بنایا ہے۔ اضافہ شدہ گنجائش اندازاً 0.15 بلین روپے کے CAPEX کے ساتھ کلورالکلی کے شعبے کے لیے قدر میں اضافہ کرے گی۔

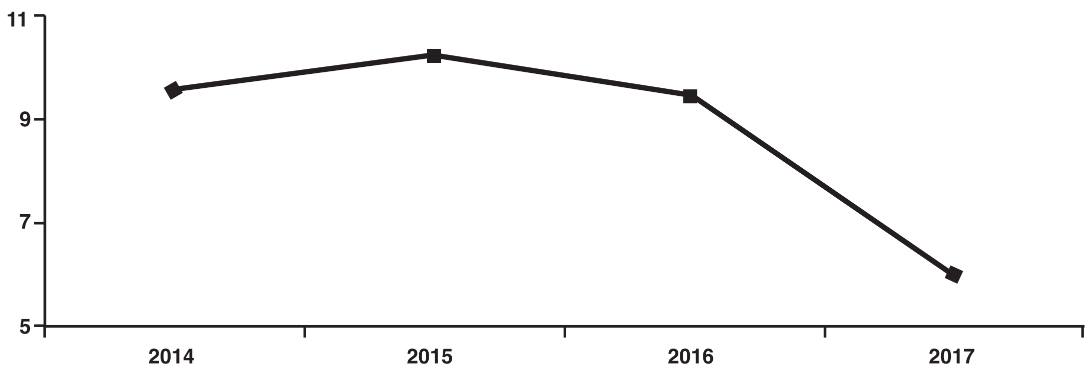
ہیومن ریسورسز

EPCL کی کامیابی کا سہرا معیاری ہیومن ریسورس کی دستیابی اور ادارے کے لیے ان کی پُرخلوص کاوشوں کو جاتا ہے۔ اس کی خاطر، زیادہ سے زیادہ وابستگی اور ترغیبی درجوں کو یقینی بنانے کے لیے مختلف اقدامات عمل میں لائے گئے تھے۔

ادارے کی ہر سطح پر آزادانہ پیغام رسانی کے لیے، CEO کے ساتھ ٹاؤن ہال سیشنز کا اہتمام کیا گیا، جس کے نتیجے میں ملازمین کو مینجمنٹ اور قیادت کی حکمتِ عملی کی معقولیت کو سمجھنے کا موقع ملا۔ روبرو سیشنز ایک علیحدہ فورم تھے جنہیں مسائل پر بات کرنے اور تمام ملازمین کو حکمتِ عملی سے آگاہ رکھنے کے لیے استعمال کیا گیا۔ کام کی جگہ بذریعہ فیس بک کو بھی پیغام رسانی کی کوششوں کو مستحکم اور شفاف رکھنے کے لیے پورے ادارے میں تمام فنکشنز کی جانب سے فعال انداز میں استعمال کیا گیا۔

ان اقدامات کا نتیجہ ہمیں خیرباد کہنے والے ملازمین کی تعداد میں کمی کی صورت میں سامنے آیا جیسا کہ درجِ ذیل گراف سے ظاہر ہے:

ملازمت چھوڑنے والے ملازمین کی شرح



اسٹیک ہولڈر کی شمولیت اور تعلقات

کمپنی، ہر سطح پر اپنے اسٹیک ہولڈرز سے میل جول پر یقین رکھتی ہے، سال کے دوران ہم نے پریس ریلیزز، سہ ماہی اور سالانہ نتائج پر سیکیورٹیز تجزیہ کار کی بریفنگز، حکمتِ عملی پر مبنی ایونٹس پر اسٹاک ایکسچینج کے حوالے سے باخبر رکھنے، پلانٹ وزٹس اور متعلقہ اسٹیک ہولڈرز سے غیر رسمی بات چیت کے طریقے استعمال کیے۔

کمپنی تمام باضابطہ لوازمات پر عمل پیرا ہے اور اس حوالے سے متعلقہ ضابطہ کاروں بشمول اسٹاک ایکسچینجز، ٹیکس اتھارٹیز اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ساتھ قریبی رابطہ رکھتی ہے۔

EPCL کے سیکڑوں وینڈرز اور کسٹمرز ہیں اور ہم وقتاً فوقتاً ان کے ساتھ رسمی و غیر رسمی میٹنگز اور کانفرنسوں کے ذریعے ملاقات کرتے ہیں۔ ہم اپنے کسٹمرز کے ساتھ باقاعدگی سے منسلک رہتے ہیں تاکہ ہم انہیں انڈسٹری کے فائدے کے لیے ان کے کاروبار اور کاروباری سرگرمیوں کے حوالے سے تکنیکی معاونت فراہم کرسکیں۔

کمپنی اپنے ملازمین کو ترقی کی جانب سفر کا لازمی جزو قرار دیتی ہے۔ ہم مختلف معیارات اور پیمانوں کے ذریعے ملازم میں موجود تحریک و ترغیب اور اطمینان کی پیمائش کرتے ہیں اور حاصل شدہ حتمی معلومات اور نتائج پر متعلقہ منیجرز یا HR کی جانب سے حکمتِ عملی بنا کر اہم پہلوؤں پر بات کی جاتی ہے۔

آڈٹس کے لیے لائحۂ عمل مرتب کرنے کے حوالے سے، کمپنی نے سال 2017 میں مختلف فریقِ ثانی نگرانی آڈٹس اور سرویز کا انعقاد کیا۔

- فریقِ ثالث کی جانب سے IMS آڈٹ (جس میں معیار کے ساتھ ساتھ ماحول اور OHIH مینجمنٹ سسٹمز شامل تھے)
- فریقِ ثانی کی طرف سے حفاظتی مینجمنٹ سسٹمز
- مارش اینڈ میکلینن کی جانب سے بیمہ کار کا رسک سروے۔ دیگر بے شمار اہم سرگرمیاں جو پہلے سے موجود مستحکم اور مستند سسٹمز کی مؤثر انتظام کاری میں مددگار ثابت ہوئیں، ان میں شامل ہیں:
- پورے ادارے میں، عالمی طور پر تسلیم شدہ آپریشنل ایکسی لینس اینڈ رسک اسسمنٹ سافٹ ویئر OPERA کو کامیابی سے متعارف کروایا گیا۔
- آتش گیریت کے خطرے کے تحقیقی تجزیے کا لائحۂ عمل تیار کیا گیا اور کسی بھی بڑے ممکنہ خطرے کو کم کرنے کے لیے موزوں احتیاطی تدابیر مرتب کی جا چکی ہیں۔
- EPEX-195 DBN پراجیکٹ کے ساتھ ساتھ پراسیس پلانٹس کے چار مقامات پر عملی خطرے کے تجزیے (PHA) کی مشق کا منصوبے کے مطابق انعقاد کیا گیا۔
- PVC-I پلانٹ اور تمام متعلقہ آلات کے تحفظ کی موزوں سطح کے تعین کے لیے LOPA ورکشاپ کا انعقاد کیا گیا۔ تحقیقی جائزہ مکمل طور پر سیفٹی انسٹرومینٹڈ فنکشن (SIF) IEC-61508/61511 انٹرنیشنل الیکٹروٹیکنیکل کمیشن کے ساتھ ہم آہنگ ہے۔
- مکمل مینوفیکچرنگ سائٹ کے لیے صحت کو لاحق خطرات کا تحقیقی جائزے (HRA) کا انعقاد کیا گیا۔
- نئے دفتر کی عمارت کی تعمیر کا کام بغیر کسی رخنۂ کار چوٹ (Lost Time Injury) کے مکمل ہو چکا ہے۔

مواصلاتی / انفارمیشن سسٹمز

2017 میں عمل میں لائے جانے والے اقدامات کا مطمعِ نظر یہ تھا کہ تمام کاروباری معاملات کو ڈیجیٹل بنیادوں پر استوار کرتے ہوئے انہیں تمام اسٹیک ہولڈرز کے لیے باسہولت بنا دیا جائے۔ صارف کے لیے اٹھائے جانے والے اقدامات میں، EPCL کنیکٹ، جو کہ آن لائن لیجر ملاحظہ کرنے کی سہولت ہے، EPCL ٹیک کنیکٹ، جو کہ ایک ایسی موبائل ایپلی کیشن ہے جس کی تکنیکی معلومات تک رسائی ہے، شامل ہیں۔ ملازمین کے اٹھائے جانے والے اقدامات میں EPCL علمی آئی ٹی، جو کہ ایک اینڈرائیڈ ایپلی کیشن ہے جس پر تربیتی فارمز دیکھے اور ڈاؤن لوڈ کیے جا سکتے ہیں۔

سال 2017 میں، SAP فیز II کا بھی نفاذ عمل میں لایا گیا جس میں پروڈکشن پلاننگ اور پلانٹ مینٹننس (PP / PM) کے موڈیولز کو حالیہ SAP سسٹم کے ساتھ یکجا کیا گیا تھا جس کا نتیجہ Legacy Maximo سسٹم کی جگہ مینوفیکچرنگ اور غیر مینوفیکچرنگ فنکشنز میں پورے ادارے پر محیط SAP کے تقرر کی صورت میں سامنے آیا۔ یہ موڈیول، سسٹم کی کی جامع یکجائی؛ مارکیٹ کے تحریکی عوامل کے احاطے اور اندرونِ خانہ پروڈکشن کے رجحانات، منافع کے حصول اور لاگتی تجزیوں کی اساس ہے۔ اس موڈیول کا اضافۂ قدر، انوینٹری کی نقل و حرکت کا پتہ لگانے کی اپنی صلاحیت کی بدولت سامنے آتا ہے۔ اس میں خام مال کی خریداری کو باقاعدہ بنانا، پروڈکشن کے تناسب کی نگرانی اور حتمی صارف تک پروڈکٹ کی فراہمی ہے۔

تعلیم

سال 2013 میں، EPCL نے TCF کے ساتھ مل کر ایک پرائمری اسکول قائم کیا جہاں آج تقریباً 300 بچے معیاری تعلیم حاصل کر رہے ہیں۔ 2017 میں، مزید 120 بچے اسکول میں داخل کیے گئے۔ اسکول میں شمسی توانائی کا حامل جنریشن سسٹم بھی موجود تھا تا کہ بجلی کے تعطل سے بچتے ہوئے اسکول کے تمام معاملات کو بہ حسن وخوبی انجام دیا جا سکے۔

خون کے عطیے کی ترغیب

EPCL نے انڈس ہسپتال کے تعاون سے پلانٹ اور ہیڈ آفس پر خون کے عطیے کے ترغیبی کیمپوں کا بھی انعقاد کیا جہاں ملازمین کو یہ ترغیب دی گئی کہ وہ فعال انداز میں, اس میں شرکت کر کے لوگوں کی زندگیاں بچانے میں مدد کریں۔

2018 کے CSR منصوبے

کمپنی نے 2018 میں CSR کے لیے اپنی تاریخ کا بلند ترین بجٹ 85 ملین روپے مختص کیا ہے۔ کمیونٹیز میں سرمایہ کاری کا مطمعِ نظر صحت، تعلیم اور ماحولیات کے ساتھ ساتھ دیگر عوامل پر ہوگا تا کہ زیادہ سے زیادہ فائدہ حاصل کرنے کے لیے مؤثر انداز میں اپنا کردار ادا کیا جائے۔

کاروباری اخلاقیات اور بدعنوانی کا مقابلہ

کاروباری اخلاقیات اپنی بنیادی قدر ہے اور EPCL میں ہماری جانب سے انجام دی جانے والی تمام سرگرمیوں کی اصل روح ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے ''ضابطۂ اخلاق'' میں قابلِ قبول کاروباری طریقۂ کار اور طرزِ عمل کو واضح طور پر مرتب کر دیا ہے تا کہ ہماری تمام تر کاروباری سرگرمیاں اخلاقی قدروں کے انتہائی اعلیٰ مقام پر فائز ہو کر انجام دی جائیں۔ ہم ہر قسم کے غیر اخلاقی طرزِ عمل / سرگرمیوں کے ''برداشت کا صفر درجہ'' کی پالیسی رکھتے ہیں خواہ اس کے کچھ بھی نتائج برآمد ہوں۔ اس کی یقین دہانی مؤثر انداز میں مرتب اور تکمیل کردہ آڈٹ منصوبوں اور ضمانتی طریقۂ کار کے نفاذ کے ذریعے کروائی جاتی ہے جن میں تمام اقسام کے غیر اخلاقی رویوں اور کاروباری اخلاقیات کے حوالے سے مسائل پیدا کرنے والے معاملات کی وضاحت کر دی گئی ہے۔ مزید برآں، ہمارے اسٹیک ہولڈرز کے لیے مختلف ذرائع دستیاب ہیں جن کے ذریعے وہ ہم سے بات کر سکتے اور اُن طریقۂ کار اور طرزِ عمل کی نشاندہی کر سکتے ہیں جو ہمارے بنیادی اور اہم ترین اقدار کے منافی ہیں۔ کاروباری عملداری اسی انداز میں اثر انداز ہوتی ہے جس طریقے پر ہم اپنی کمپنی چلاتے ہیں اور متعلقہ فریقین کے ساتھ تعلقات رکھتے ہیں۔ مینجمنٹ کی جانب سے شفافیت اور اخلاقی طرزِ عمل پر خصوصی زور دیا گیا ہے کیونکہ یہی عوامل ہمارے ملازمین کے ساتھ ساتھ ہم سے کاروباری معاملات رکھنے والے دیگر افراد خواہ وہ وینڈرز ہوں یا کسٹمرز، سب کو ذمہ دار پیشہ ور افراد اور کارپوریٹ شہری بنا کر ان کی ترقی وفروغ میں بنیادی کردار ادا کرتے ہیں۔

صحت، تحفظ اور ماحول

تحفظ کمپنی کے بنیادی اقدار میں سرفہرست ہے۔ مینجمنٹ کی کاوشوں اور ملازمین کی جانب سے اصول وقوانین کی پاسداری کی بدولت ہمارا ایک اور سال انتہائی محفوظ گزرا۔ کمپنی نے اپنے اُن تمام سیفٹی KPIs پر عمل درآمد کیا جنہیں سال 2017 کے لیے مرتب کیا گیا تھا۔ انڈسٹری میں سب سے بہترین، مجموعی قابلِ اندراج جسمانی نقصان کی شرح (TRIR) 0.11 کے قریب رہی جس نے ایک نیا ریکارڈ بنا دیا۔ سفر کے تحفظ کی کارکردگی بھی مثالی رہی اور فلیٹ کے حادثے کی شرح (FAFR) صفر رہی۔ مینوفیکچرنگ سائٹ، پیداواری عمل کو آزادانہ بنیادوں پر استوار کرنے (DBN Project) میں مصروف ہے اور اس ضمن میں ایک رخنۂ وقت چوٹ (Lost Time Injury) واقع نہیں ہوئی۔

کاروباری تسلسل کا منصوبہ

EPCL، کاروباری معاملات کو کسی بھی قسم کی خلل اندازی سے محفوظ رکھنے اور چلانے کی ذمہ داری کا اعتراف کرتی ہے۔ اس عزم اور مقصد کے ساتھ، کمپنی نے 2013 میں کاروباری تسلسل کے منصوبے کا آغاز کیا۔ یہ منصوبہ ناگہانی واقعات کی صورت میں اہم ترین کاروباری معاملات کی باسہولت عمل پذیری کو یقینی بناتا ہے اور درجِ ذیل مقاصد رکھتا ہے:

- مسائل سے عہدہ برآ ہونے اور ایک مؤثر ردِّعمل کی قابلیت پیدا کرنے کے لیے ایک ایسا فریم ورک مہیا کرنا جو بنیادی اسٹیک ہولڈرز کے مفادات، ساکھ، برانڈ اور تخلیقِ قدر کی سرگرمیوں کا تحفظ کرے
- کاروباری ترجیحات اور ادارے میں باہمی انحصار کو پیشِ نظر رکھتے ہوئے اپنے کاروباری معاملات کو لاحق ممکنہ خطرات کا تجزیہ کرنا اور وقوع پذیر ہونے پر ان خطرات کے ممکنہ اثرات کو سمجھنا
- ناموافق اثرات کو کم سے کم کرنے کے لیے، کسی بھی ممکنہ خلل اندازی کے ردِّعمل اور نتائج سے مؤثر اور موزوں انداز میں نمٹنا
- اگر کسی واقعے یا حادثے کا نتیجہ ہمارے بنیادی کاروباری عمل یا معاونتی خدمات میں خلل اندازی کی صورت میں برآمد ہو تو جس قدر جلد ممکن ہو سکے کاروباری عمل کو بحال کرنا
- کاروباری تسلسل سے متعلقہ منصوبوں، ECPL کی جوابی حکمتِ عملی کا حامل منصوبہ، کاروباری عمل کے لیے کم سے کم درکار لوازمات، BCP ٹیم کی تنظیم، نقصان کا تجزیہ، اور بنیادی سائٹ کے تحفظ کی سرگرمیوں کا میعادی بنیاد پر معائنہ کرنا و جائزہ لینا اور ضرورت کے تحت نظرِ ثانی کرنا۔ یہ ناموافق واقعے سے نمٹنے کے طریقۂ کار کے بنیادی عناصر کی نقشہ بندی کے ذریعے اہم ترین ڈیٹا کے تحفظ کو یقینی بناتا ہے۔ مینجمنٹ، اپنے کاروبار اور انفرااسٹرکچر کو لاحق خطرات کا باقاعدگی سے تجزیہ کرتی ہے اور کسی بھی ناموافق صورتحال سے دوچار ہونے کی صورت میں ردِّعمل کے طور پر ایک موزوں حکمتِ عملی مرتب کر چکی ہے۔

ذمہ دار شہریت اور CSR سرگرمیاں

کمپنی کا CSR پروگرام، معاشرے پر زیادہ مؤثر انداز میں اثر انداز ہونے کے مقصد کے ساتھ، اینگرو فاؤنڈیشن کے جھنڈے تلے، اینگرو کے تمام ذیلی اداروں کے ساتھ یکجا ہے۔

کمیونٹی کے لیے صحت عامہ کی مہم

EPCL نے ''کمیونٹی کے لیے صحتِ عامہ کی مہم'' کا آغاز کیا جو سال بھر جاری رہی اور گائنا کولوجی، ڈرماٹولوجی، بون ماس ڈینسٹی، ذیابیطس، آنکھ، ٹی بی، جنرل او پی ڈیز اور خون کے تجزیوں کے لیے شفاخانوں کا اہتمام کیا۔ انڈس ہسپتال، LRBT اور صحت کہانی کے تعاون سے، اندازاً 4,800 مریضوں کا معائنہ کیا گیا اور مختلف بیماریوں کے حوالے سے انھیں مفت علاج مہیا کیا گیا۔



مالیاتی خطرہ

لیکوئڈٹی کا خطرہ/بیلنس شیٹ پروفائل

حکمتِ عملی

مہنگے قرضوں کے لیے قرضہ جاتی رد و بدل عمل میں لایا گیا اور ورکنگ کیپیٹل کے مؤثر انتظام کو یقینی بنایا گیا، تاکہ لیکوئڈٹی کی کیفیت مستحکم رہے اور مالیاتی لاگتوں میں کمی آئے۔

نتیجہ

مہنگے قرضوں کو کم لاگتی قرضوں سے تبدیل کرنے کے لیے کمپنی کو فعال بنایا جس کا نتیجہ کمپنی کی مالیاتی لاگتوں کی بچت کی صورت میں سامنے آیا۔

غیر ملکی زرِمبادلہ کا خطرہ

حکمتِ عملی

بینکوں کے ساتھ قریبی رابطہ رکھا اور مستقبل کے معاہدوں کا استعمال کرتے ہوئے اہم معاشی عوامل کی نگرانی جاری رکھی تاکہ واجب ادائیگیوں پر پڑنے والے غیر ملکی زرِمبادلہ کے اثرات کو روکا جاسکے۔

نتیجہ

اپنی قدر رکھوتے روپے کی پیش بندی کے طور پر ڈالر پر مبنی LCs میں تخفیف کرتے ہوئے پاکستانی روپوں کی قدر میں کمی کے اثرات کو کم کیا۔

حکمتِ عملی سے متعلق خطرہ

پلانٹ کے عملی معاملات میں تغیر پذیری

حکمتِ عملی

محتاط مینٹیننس اور نگرانی کی حکمتِ عملی کا نفاذ کیا گیا، تکمیلِ عمل کے دوران ماخذ سے آگاہی کے حامل ممکنہ خطرات، تکنیکی مسائل کو درست کرنے کے لیے بین الاقوامی کنسلٹنٹس کے ساتھ لائسنس یافتہ معاہدے، اور باسہولت کاروباری معاملات کے لیے وقت سے پہلے اہم ترین اثاثوں کی تبدیلی۔

نتیجہ

اس حکمتِ عملی نے سال بھر مستحکم کاروباری معاملات کو یقینی بنایا۔

تجارتی / کاروباری عملی خطرہ

اشیائے تجارت کی بین الاقوامی قیمتیں

حکمتِ عملی

ادارے کے اندر کاروباری قابلیت کو فروغ دیا، اولفنز (Olefins) کے بین الاقوامی تجزیہ کاروں کے ساتھ نیٹ ورک تشکیل دیا تاکہ قیمتوں کے بین الاقوامی رجحان اور مارکیٹ کے تحریکی عوامل کی وضاحت کرتے بنیادی اصولوں کو زیادہ بہتر طور پر پرکھا جا سکے۔

نتیجہ

مینجمنٹ، حتمی پراڈکٹس اور بنیادی خام مال کی قیمتوں کا باقاعدگی سے جائزہ لیتی ہے۔ تجزیے کی بنیاد پر، پھر وہ مارکیٹ کے تحریکی عوامل سے استفادہ کرنے کے لیے قیمت/خریداری کی حکمتِ عملی وضع کرتی ہے۔

توانائی کے نرخ

حکمتِ عملی

قدرتی گیس کے مختلف نرخوں کے لیے توانائی کی بچت کے منصوبوں کا نفاذ کیا گیا اور ایک حکمتِ عملی تیار کی گئی۔

نتیجہ

مؤثر کارکردگی میں اضافے کی بدولت گیس کے نرخوں میں اضافے کے اثرات سے نمٹا جا رہا ہے۔

لیکویڈیٹی اور کیش فلوز

کمپنی کی مالیاتی کارکردگی کا نتیجہ کاروباری عمل سے خاطر خواہ کیش وصولی کی صورت میں نکلا۔ کیش کی زائد مقدار آنے سے، نہ صرف یہ کہ کمپنی CAPEX پر داخلی طور پر سرمایہ کاری کرنے کے قابل ہوئی بلکہ کرنسی کی مالیت میں کمی ہونے پر، فوریکس کے نقصان سے بچنے کے لیے اپنے غیر ملکی زرِمبادلہ واجب ادائیگیوں کو بھی کم کرنے میں بھی کامیاب ہوئی۔ سال کے دوران، کمپنی نے قرضہ جاتی لاگتوں کو کم کرتے ہوئے اپنے مہنگے قرضوں کو بھی کم لاگتی قرضوں سے تبدیل کیا، اس طرح کاروباری معاملات کے لیے باسہولت ایکوسسٹم تخلیق کیا۔

مالیات

کمپنی نے سال بھر اپنی توجہ ورکنگ کیپیٹل کی لاگتوں کو کم کرنے پر مرکوز رکھی۔ اس ضمن میں اس نے کیش فلو کی کارکردگی کو مؤثر بنانے کے لیے ایکسپورٹ ری فنانس کی سہولت، منی مارکیٹ قرضے اور منظّم ٹریڈ فنانس سے استفادہ کیا۔

PACRA کریڈٹ ریٹنگز

سال 2017 میں، کمپنی کو PACRA کی جانب سے سرمایہ کاری کی درجہ بندی سے نوازا گیا۔ کمپنی کی کریڈٹ ریٹنگ کو بڑھا کر 'A' طویل المیعاد اور 'A1' قلیل المیعاد ریٹنگ کر دیا گیا۔ مستحکم ریٹنگ اس بات کا ثبوت ہے کہ کمپنی نے عملی استحکام حاصل کرلیا ہے اور ترقی کرنے کی اہلیت رکھتی ہے۔ یہ کیپیٹل اسٹرکچر اور سرمائے کی لاگت سے استفادے کے لیے کمپنی کی صلاحیتوں میں اضافہ کرے گی۔

کیپیٹل اسٹرکچر

کمپنی کے اثاثوں کی سرمایہ کاری، قرضے اور ایکوئٹی کے ذریعے 53:47 کے تناسب سے کی گئی جبکہ 2016 میں یہ تناسب 60:40 تھا، جبکہ ہمارا سودی کور 2016 کے 2.3 گنا کے مقابلے میں 2017 میں بہتر ہو کر 4.9 گنا ہوا۔

خطرات سے نمٹنے کا فریم ورک

EPCL نے 2011 میں لین انٹرپرائز رسک مینجمنٹ فریم ورک کا آغاز کیا۔ یہ EPCL کی پالیسی ہے کہ رسک مینجمنٹ کو، شیئر ہولڈر کی قدر کی تخلیق، تحفظ اور اس میں اضافے کے ساتھ یکجا ہو کر، ایسی غیر یقینی صورتحال اور خطرات سے نمٹتے ہوئے دیکھا جائے جو ہمارے کاروباری مقاصد اور عزائم کے حصول پر اثر انداز ہو سکتے ہوں۔

ہم اعتراف کرتے ہیں کہ ہم ایک پیچیدہ کاروباری فضا میں کام کر رہے ہیں اور کمپنی، ادارے کی حکمتِ عملی اور خطرات کی اُس مقدار کے تجزیے کا اختیار دیتی ہے جسے کمپنی پورے ادارے میں ذمہ داریوں کی موزوں تقسیم کے ذریعے قبول کرنے کے لیے تیار ہے۔ EPCL ہر سطح پر جوابدہی کے عمل کو فروغ دیتی ہے اور خطرات کی فضا میں ہونے والی تبدیلیوں کی نگرانی، پیغام رسانی اور رپورٹنگ کو لازمی قرار دینے کے ساتھ ساتھ مسلسل بنیادوں پر نشاندہی کردہ خطرات سے نمٹنے کے لیے مؤثر اقدامات کو لازمی قرار دیتی ہے۔

ممکنہ خطرات کی نشاندہی پورے ادارے میں کی جاتی ہے اور ان کے اثرات اور امکانات کی بنیاد پر ان کی درجہ بندی کی جاتی ہے۔ خطرات کی نشاندہی ہو جانے پر، ان کے اثرات کو کم سے کم کرنے کے لیے ایک حکمتِ عملی مرتب کی جاتی ہے جس کی مینجمنٹ کمیٹی کی جانب سے باقاعدہ نگرانی عمل میں لائی جاتی ہے۔ رسک مینجمنٹ کا عمل، چیف رسک آفیسر (CRO) کی قیادت میں انجام پذیر ہوتا ہے جب کہ اس کی منظوری بورڈ آڈٹ کمیٹی (BAC) کی جانب سے فراہم کی جاتی ہے۔

مؤثر عملی کارکردگیاں

مقامی مارکیٹ کی بڑھتی ہوئی طلب کو پورا کرنے کے لیے، مینوفیکچرنگ ڈویژن نے 100%~ کی پیداواری صلاحیت سے استفادہ کرتے ہوئے کاروباری عمل انجام دیا اور قابلِ ستائش عملی کارکردگی کے ساتھ ساتھ اپنی تاریخ کی بہترین PVC کی پروڈکشن حاصل کی۔

سال 2017 کے دوران، مینجمنٹ نے کامیابی کے ساتھ PVC پلانٹ کو آزادانہ پیداواری بنیادوں پر استوار کرتے ہوئے، پیداواری صلاحیت کو 195,000 میٹرک ٹن تک پہنچا دیا۔ جہاں تک VCM پیداواری صلاحیت کو آزادانہ بنیاد پر استوار کرنے کا سوال ہے، تو یہ کام طے شدہ منصوبے کے مطابق زیرِ عمل ہے۔ سال بھر کے دوران، پلانٹ کی ساکھ بہتر بنانے کے حوالے سے کئی منصوبے مکمل کیے گئے۔ ان میں کچھ یہ تھے:

a. **پانی ٹھنڈا کرنے والے دو سیلز کی بحالی کا کام مکمل ہوا**

b. **کلورین لائن تبدیل کی گئی** **c.** **الیکٹرولائزر میش تبدیل کیا گیا**

d. **درجے کی تبدیلی کے دوران داخلی UHP جیٹنگ جس کا نتیجہ PVC پر زیادہ پیداواری صلاحیت کی صورت میں سامنے آیا**

e. **SAP پروڈکشن پلاننگ اور پلانٹ مینٹیننس موڈیولز کا نفاذ کے ساتھ ایک مکمل باہم مربوط ERP سسٹم کے لیے بنیاد کا انتظام**

پلانٹ کی ساکھ کو برقرار اور محفوظ رکھنے کے لیے، تمام اہم ایکوپمنٹس، بالخصوص گیس ٹربائن۔B کے HPGI کی کارکردگی کو بہتر بنانے کے لیے سائٹ پر سالانہ تکمیلِ عمل کی آزمائش کی گئی، جس سے مشین کی توانائی استعمال کرنے کی صلاحیت میں بے پناہ اضافہ ہوا اور یوٹیلیٹیز کی لاگت میں نمایاں کمی آئی۔

توانائی کا انتظام وانصرام اور بچت

مینوفیکچرنگ کے شعبے کے لیے پاکستان میں توانائی کے نرخ ہمیشہ سے مشکلات کا باعث بنے رہے ہیں اور یہ کمپنی کے لیے لاگت بڑھانے والے نمایاں ترین عوامل میں سے ایک ہے۔ سال 2017 کے دوران، توانائی کے نرخ مستحکم رہے، تاہم 2015 میں گیس انفرااسٹرکچر ڈیولپمنٹ کے ٹیکس (GIDC) کا نفاذ منافع پر برے اثرات مرتب کرتا رہا۔ کمپنی نے GIDC کے خلاف سندھ ہائی کورٹ میں اپیل دائر کر رکھی ہے اور مثبت نتائج کے لیے پر امید ہے۔ تاہم، عدالتی فیصلہ زیرِ التوا ہونے تک، کمپنی کے مالیاتی گوشواروں میں ٹیکس کو مکمل طور پر شامل کیا گیا ہے۔

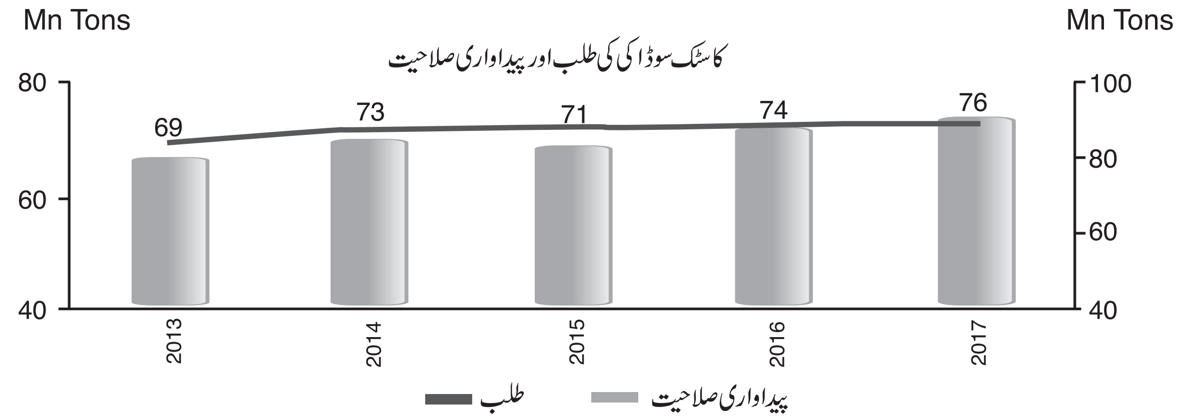
توانائی کی بچت کے شعبے میں، WWF گرین آفس مکرر تجزیہ کامیابی کے ساتھ پلانٹ پر مکمل کیا گیا اور اسے گرین آفس کے طور پر تسلیم کیا گیا۔ توانائی کی بچت کے لیے کئی اہم اقدامات کیے گئے ہیں جن میں گیس ٹربائن پر مینٹیننس کا کام بھی شامل ہے۔

مالیاتی جائزہ اور مینجمنٹ

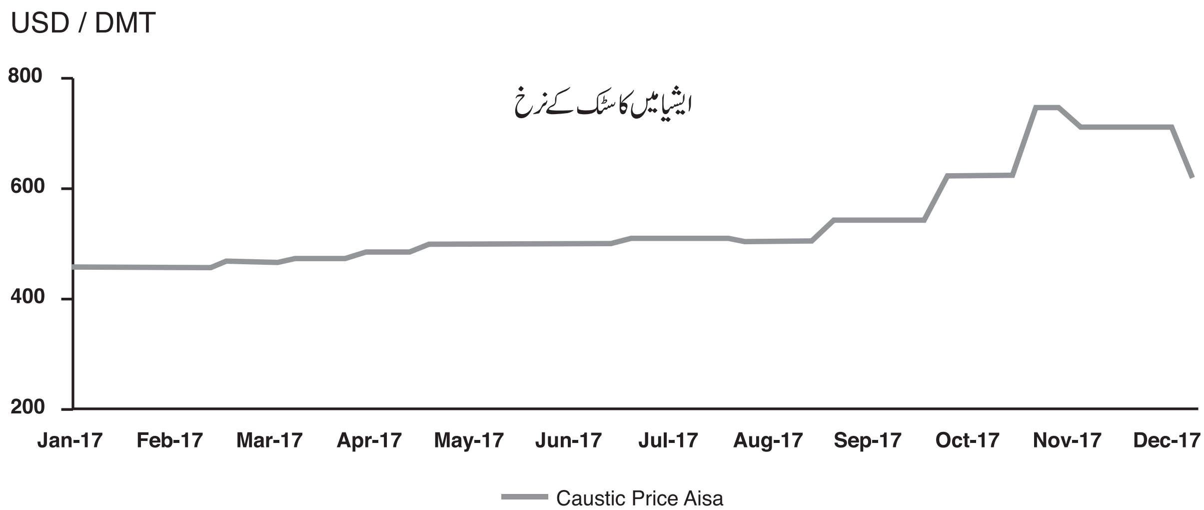
سال 2017 کے دوران، کمپنی نے 2,053 ملین روپے بعد از ٹیکس منافع حاصل کیا جو کہ 2016 میں 660 ملین روپے تھا۔ ونائل کے شعبے کے تحریکی عوامل، بین الاقوامی تحریکی عوامل میں بہتری اور اس کے ساتھ ساتھ ملک میں طلب میں بہت زیادہ اضافے کی وجہ سے موافق ثابت ہوئے۔ سال کے دوران ایتھائلین کی خریداری مشکل ثابت ہوئی کیونکہ ہمارے بنیادی سپلائر نے 2017 میں force majeure کا اعلان کرتے ہوئے رسد کو محدود کر دیا تھا۔ چونکہ EPCL مختلف سپلائرز کے ساتھ کام کر رہا تھا، لہٰذا یہ ایتھائلین کو بین الاقوامی مارکیٹ سے خریدنے میں کامیاب رہا اور باسہولت انداز میں پلانٹ کے معاملات چلتے رہے۔ سال کے دوران، پلانٹ کے قابلِ بھروسہ معاملات اور اس کے ساتھ ساتھ مؤثر شروعات نے بنیادی معاملات اور شیئر ہولڈر ویلیو کو مدد دی۔

منافع کا حصول

سال کے دوران، PVC کے نرخ بڑھ جانے اور طلب میں بے پناہ اضافے کے باعث، کمپنی کے منافع میں 21 فیصد اضافہ ہوا۔ ریونیو میں اضافہ، میٹریل کے مناسب نرخ، مؤثر عملی کارکردگی اور مینجمنٹ کے معیار کے باعث زیادہ منافع بخش شروعات میں تبدیل ہوا۔ سال کے دوران، کمپنی کو مجموعی طور پر 412 ملین روپے کی سرمایہ کاریاں کرنا پڑیں، جن میں 2007 میں پرانے مربوط نظام کے زمانے میں خریدے گئے پرزوں اور آلات کو جدید بنیادوں پر استوار کرنا، برآمد کی فروخت میں تبدیلی کے باعث ٹیکس کی منسوخی، میٹریل رکھنے کے گودام اور ایڈمن کی عمارت کا انہدام، جسے نئی توسیع کے لیے کلیئر کیا جائے گا، اسٹیمپ ڈیوٹی کی سہولت اور ہیڈ آفس کے ڈسپوزل پر یک مشت منافع۔



سال بھر کے دوران، کاسٹک سوڈا کے نرخ بین الاقوامی مارکیٹ میں اتار چڑھاؤ کا شکار رہے۔ ایشیا میں اس کے نرخ 748 امریکی ڈالرز فی ٹن تک جا پہنچے، جس کی وجہ چین میں ایلومینا کے شعبے میں اس کی طلب میں زبردست اضافہ تھا۔ تاہم، یہ اضافہ شدہ نرخ قائم نہ رہ سکے اور سال کے اختتام تک ان نرخوں میں خاصی کمی آ گئی۔



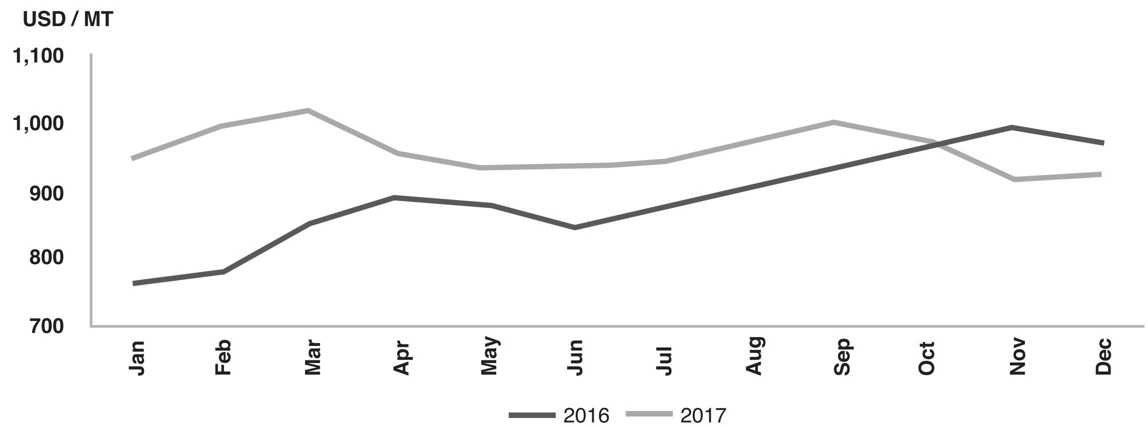
مقامی شعبے میں، کاسٹک سوڈا کی مارکیٹ غیر مؤثر رہی جس کی وجہ اضافی رسد کی صورتحال اور بین الاقوامی نرخ تیز رفتاری سے بڑھنے کے باوجود مقامی نرخوں میں اضافہ نہ ہونا تھا، تاہم اضافی برآمدات پر کمپنی بہتر منافعوں کے حصول میں کامیاب رہی۔

آئندہ کے لیے، کاسٹک کے کاروبار کی ترقی کا زیادہ تر انحصار ٹیکسٹائل کے شعبے پر ہوگا جس کے تحریکی عوامل اگرچہ قدرے غیر مؤثر رہیں گے تاہم تجزیہ کار اس بات کی توقع رکھتے ہیں کہ روپے کی قدر میں کمی ٹیکسٹائل کے شعبے کی ترقی کا پیش خیمہ ثابت ہوگی۔ دوسری جانب، صابن اور ڈیٹرجنٹس جیسے آئیٹمز بھی کامیابی کا خاصا رجحان رکھتے ہیں۔

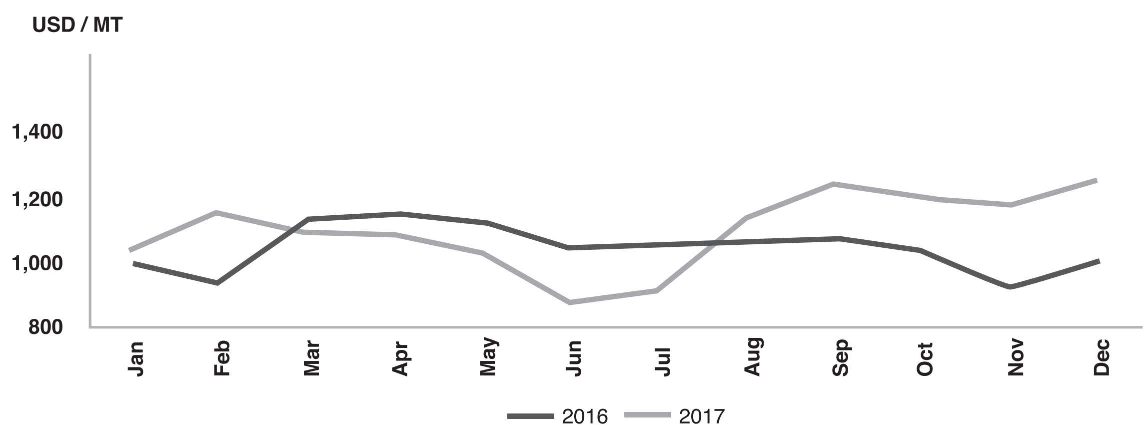
کلورالکلی کے شعبے میں دیگر پراڈکٹس جیسے کہ سوڈیم ہائپوکلورائیٹ (زیادہ تر ٹیکسٹائل انڈسٹری میں بلیچنگ ایجنٹ کے طور پر، اس کے علاوہ بطور جراثیم کش اور پانی کی صفائی کے ایجنٹ کے طور پر بھی استعمال کیا جاتا ہے) اور ہائیڈروکلورک ایسڈ (پاور پلانٹس، جیلاٹن کے شعبے، اسٹیل کی ملمع سازی کی صنعت، آلودہ پانی کی صفائی، چاول، گلوکوز کی صنعت وغیرہ میں استعمال کیا جاتا ہے) کی کارکردگی سال کے دوران اچھی رہی۔ آئندہ کے لیے ہمیں توقع ہے کہ پانی کو مصفا بنانے کے لیے کلورین گیس کی جگہ سوڈیم ہائپوکلورائیٹ لے گا جبکہ HCL کے مصرف میں بھی بہتری آئے گی، کیونکہ ملک میں نئے پاور پلانٹس، کام کا آغاز کر رہے ہیں۔

ونائل چین کے بین الاقوامی نرخ

PVC ایک عالمی پیمانے کی تجارتی شے ہے، تاہم مختلف خطّوں کے لحاظ سے اس کے نرخ میں تبدیلی آتی رہتی ہے۔ پاکستان سے متعلقہ نرخ، جنوبی ایشیائی نرخ ہے (جس کا اطلاق بھارت/ پاکستان/ بنگلہ دیش/ سری لنکا پر ہوتا ہے)۔ سال 2017 میں، PVC کی کارکردگی گزشتہ سال کے مقابلے میں بہتر رہی جس میں نرخ 900 امریکی ڈالرز اور 1,020 امریکی ڈالرز فی MT کے درمیان رہے۔



PVC کی پروڈکشن کے لیے بنیادی خام مال، ایتھائلین میں حتمی ماحصل اشیاء کے نرخوں میں اتار چڑھاؤ اور رسد کے عدم تسلسل کے باعث تغیر رہا۔ ایتھائلین کی مارکیٹ، مختلف حتمی صارف مارکیٹس سے استحکام حاصل کرتی ہے جو اسے تغیر پذیری کے مزید رجحان کا حامل بنا دیتی ہے۔ ایتھائلین کے نرخ سال 2017 میں اوسطاً 1,092 امریکی ڈالرز کے لگ بھگ رہے، جو کہ 2016 میں 1,039 امریکی ڈالرز کے مقابلے میں زیادہ تھے۔ ایک عالمی پبلی کیشن فراہم کنندہ IHS کے مطابق، رسد کی موجودہ مشکل صورتحال سے نمٹنے کے لیے عالمی پیداواری صلاحیت میں اضافہ متوقع ہے۔



کلور الکلی مارکیٹ

سال 2017 کے دوران، کاسٹک سوڈا کی عالمی طلب مستحکم رہی اور 2.8 فیصد کی گروتھ دیکھنے میں آئی۔ گروتھ کا رجحان، ترقی پذیر ممالک خصوصاً ایشیا کی جانب رہا۔

پاکستان

سال 2017 کے دوران، مقامی PVC مارکیٹ میں سالانہ بنیاد پر 11 فیصد کی مستحکم گروتھ ریکارڈ کی گئی۔ پاکستان کا انفرادی PVC صَرف لگ بھگ 1.2 کلوگرام فی فرد رہا جو کہ علاقائی اوسطوں کے مقابلے میں کہیں کم ہے۔ سال کے دوران، سیلز میں پائپس اور فٹنگز کی اشیاء کے غالب رجحان کے ساتھ ہر شعبے کی طلب میں اضافہ ہوا۔ پائپ اور فٹنگز کے شعبے میں یہ گروتھ، حکومتی منصوبوں، CPEC سے متعلقہ خرچ، نجی ہاؤسنگ اور ٹیوب ویل پائپ کی تجدید و بحالی کی مرہونِ منت تھی۔ مستقبل میں طلب میں اضافے کی توقع کے ساتھ، کئی پائپ مینوفیکچررز نے اپنی سہولیات کو اپ گریڈ کرتے ہوئے نئی پیداواری صلاحیت کا اضافہ کیا، چنانچہ یہ اقدام PVC پلاسٹک کی متوقع اضافہ شدہ طلب کو پورا کرنے میں مدد دے گا۔

موجودہ شعبوں میں مستحکم طلب کے ساتھ ساتھ نئی پراڈکٹس کا حوصلہ افزا رجحان، مقامی مارکیٹ میں گروتھ کے فروغ کو جاری رکھے گا۔ EPCL، رسد کے شعبے میں، مارکیٹ کی وسیع تر طلب کو پورا کرتا ہے، جبکہ باقی ماندہ خلاء درآمدات کے ذریعے پُر کیا جاتا ہے۔ درآمدات کے حوالے سے ایک اہم مسئلہ PVC میٹریل کا درآمدی ذرائع سے اتلاف ہے، جس کی نگرانی نہ کی گئی تو یہ چیز کمپنی کی گروتھ اور قدر پر ناموافق اثرات مرتب کرے گی۔ اس تناظر میں نیشنل ٹیرف کمیشن نے PVC کی درآمد پر سال 2017 میں عبوری طور پر عدم اتلاف کے محصولات نافذ کیے تھے جس سے کمپنی کو قدرے استحکام ملا اور مستقبل کے توسیعی منصوبوں کو زیرِ غور لانے کے لیے بورڈ کو حوصلہ دیا۔

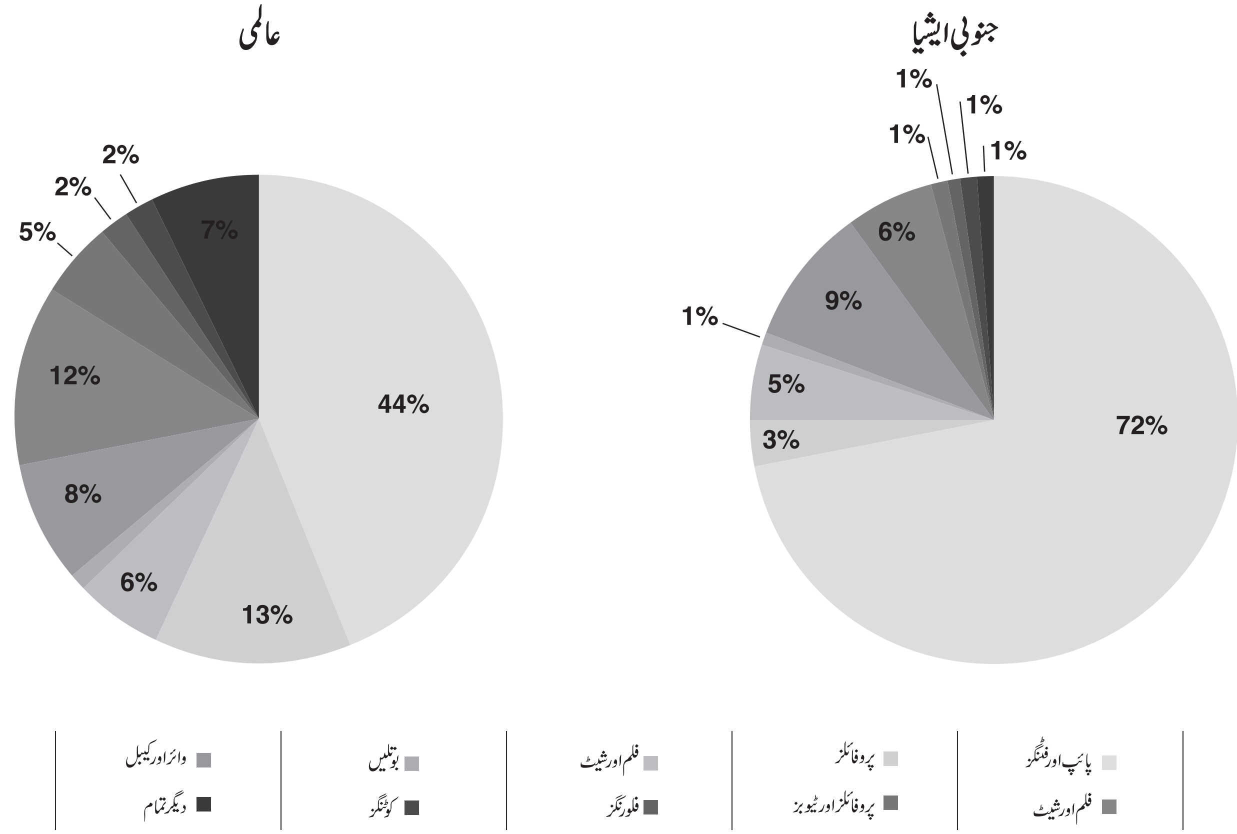
مارکیٹ کے فروغ کی سرگرمیاں

EPCL اپنے حتمی صارفین کے لیے پراڈکٹ اور مارکیٹ کی ترقی وفروغ کے عزم کے ساتھ مسلسل کوشاں ہے۔ سال 2017 کے دوران، مقامی مارکیٹ میں نئی PVC پراڈکٹس متعارف کروائی گئیں، جن کے نام یہ ہیں:

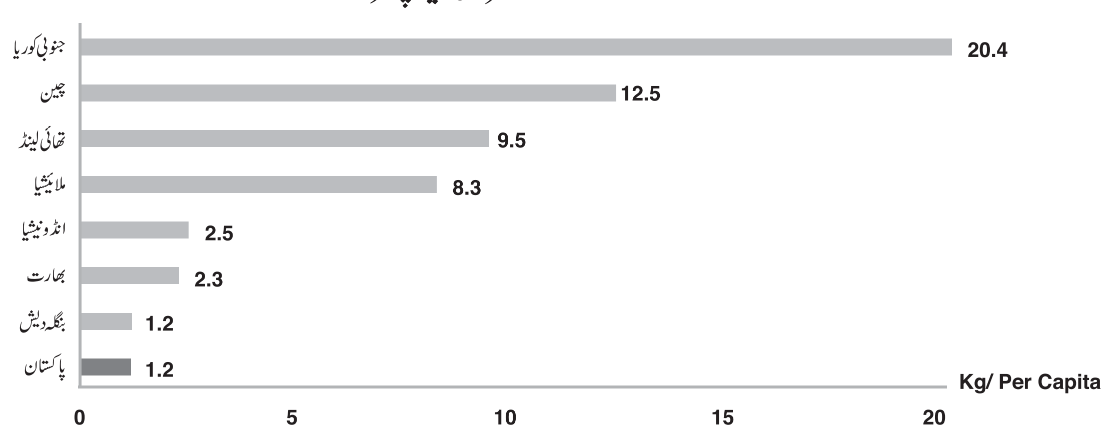
PVC فوم بورڈ اور PVC ووڈ پلاسٹک - یہ لکڑی کا متبادل ہے جو پلاسٹک کی خصوصیات کے ساتھ لکڑی کی خوبصورتی وسجاوٹ فراہم کرتا ہے۔ کم خرچ مینٹیننس اور زیادہ پائیداری کے باعث، یہ پراڈکٹ حتمی صارفین کے لیے ممکنہ طور پر من چاہی پراڈکٹ بن سکتی ہے۔ پراڈکٹ کی مقبولیت کو دیکھتے ہوئے، کئی نوآموزوں نے بھی اس پراڈکٹ کی پیداوار پر توجہ مرکوز کر رکھی ہے۔ لہٰذا یہ توقع ہے کہ اس شعبے میں پلاسٹک کا استعمال بڑھے گا۔

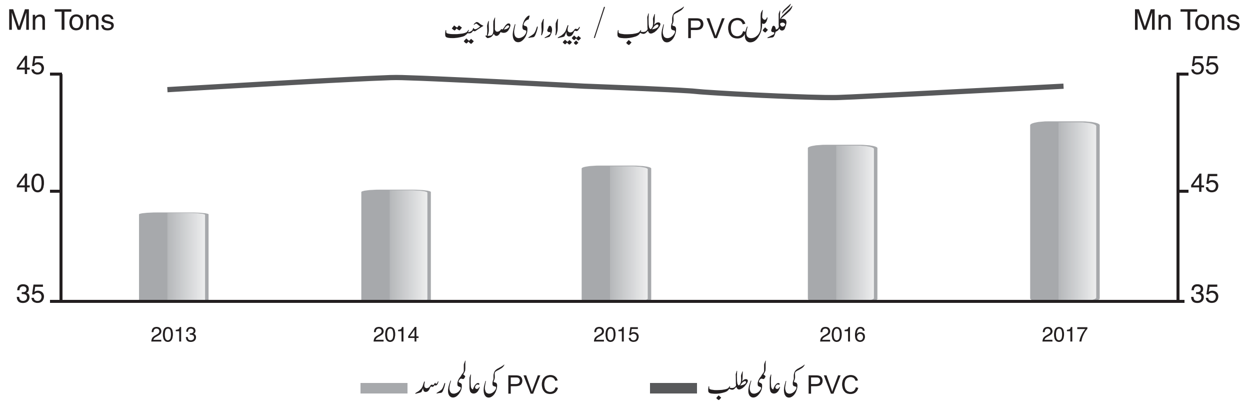
PVC وال پینلز - ایک آرائشی وال پینل، جس کا آغاز ٹائلز اور وال پیپر کے کم خرچ متبادل کے طور پر کیا جارہا ہے۔ آزمائشی پروڈکشن کا آغاز کیا جاچکا ہے اور کئی کمپنیاں تجارتی پروڈکشن کا اعلان کرنے کے مراحل میں ہیں۔ اس سال مارکیٹ کے فروغ کی ایک اور اہم بات بِلڈ ایشیا (Build Asia) کانفرنس میں EPCL کا کردار تھا، جہاں EPCL نے ایک جمع کنندہ کا کردار نبھایا اور مختلف نوعیت کے PVC آئیٹمز کو ایک ہی جگہ اکٹھا کرکے PVC اور اس کے بے شمار استعمالات کی نمائش کی۔

ایشیا میں اگر ہم خصوصاً جنوبی ایشیا کی بات کریں جس میں بھارت، پاکستان، بنگلہ دیش، سری لنکا کے ممالک شامل ہیں، تو یہاں طلب میں اضافہ مستحکم ہے۔ سال 2017 میں، PVC کے لیے جنوبی ایشیائی طلب 3.5~ ملین ٹن رہی جبکہ رسد صرف 1.8 ملین ٹن رہی، جس سے تقریباً 100 فیصد کا طلب/رسد خلاء پیدا ہونے کے باعث یہ خطہ PVC کے ایک اہم ترین درآمد کنندہ کے طور پر سامنے آیا۔ بڑھتی ہوئی آبادی اور کم تر انفرادی صَرف، مستقبل میں طلب میں اضافے کے عوامل سمجھے جارہے ہیں۔ ہمارے اس یقین کو اس حقیقت سے بھی تقویت ملتی ہے کہ فی الحال، جنوبی ایشیا میں PVC کا استعمال روایتی شعبوں جیسے کہ پائپس اور فٹنگ تک محدود ہے جبکہ عالمی سطح پر، پلاسٹک کی بوتلوں اور پیکیجنگ جیسے استعمالات، سیلز کے شعبے میں نمایاں حصہ ڈالتے ہیں۔

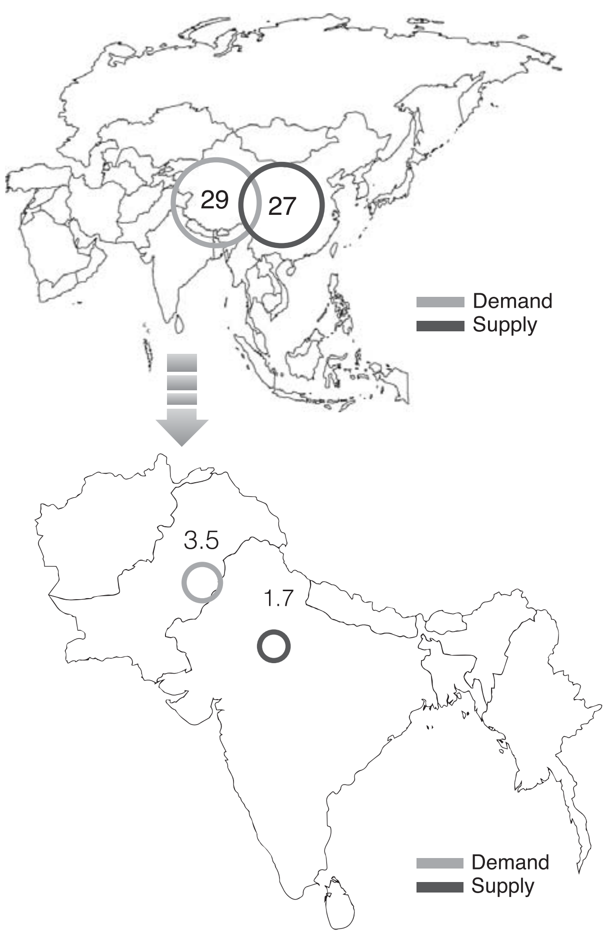


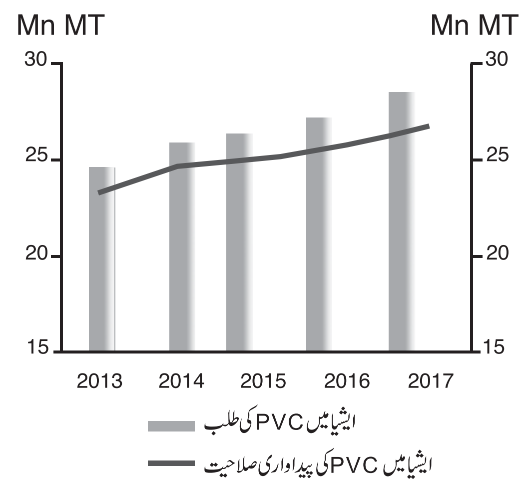
PVC کا انفرادی بنیاد پر صَرف

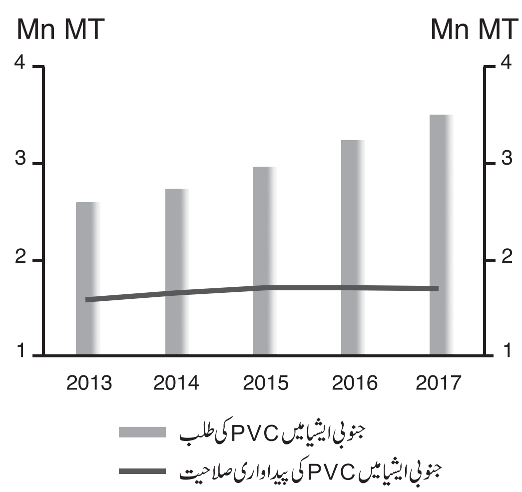




اگرچہ عالمی طلب میں ایشیا کا نمایاں ترین حصہ ہے، تاہم دیگر دنیا کے مقابلے میں، ایشیا میں ترقی کے عوامل سے اس بات کا اظہار نہیں ہوتا۔ سال 2017 میں، عالمی طلب میں ایشیا کا حصہ 66%~ تھا جبکہ عالمی رسد میں اس کا حصہ 50 فیصد رہا اس طرح طلب و رسد میں پیدا ہونے والے خلاء نے اسے PVC کا حتمی درآمد کنندہ بنا دیا۔ ایشیا میں PVC کی گروتھ کی مجموعی خصوصیات، انفراسٹرکچر کے خلاء، بڑھتی ہوئی آبادی اور تیزی سے ترقی کرتے ہاؤسنگ کے شعبے کے باعث عالمی اوسط کے مقابلے میں مثبت رجحان کے حامل رہیں۔







اس وژن کے حصول کے لیے ایک جامع حکمتِ عملی کی تیاری کے ساتھ ساتھ قلیل وطویل میعاد کے منصوبے تیار کیے جا چکے ہیں۔قلیل بنیاد پر کمپنی، کاروبار کو مزید مستحکم بنانے کے عزم کے ساتھ ہمارے موجودہ پلیٹ فارم پر موجود مواقعوں سے استفادہ کرے گی، جبکہ طویل بنیاد پر کاروباری منظرنامے کو وسیع کرنے کی حکمتِ عملی اپنائی جائے گی اور اس کے ساتھ ساتھ دیگر پولیمرز اور الائیڈ کیمیکلز میں بھی وسائل تلاش کیے جائیں گے۔

کاروباری نوعیت اور کاروباری ساخت

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ، کلور۔ وینائل کے شعبے میں اپنی سرگرمیاں انجام دیتی ہے اور اس کا منافع بخش ہونا اُن کاروباری سرگرمیوں سے عبارت ہے جن میں یہ مصروفِ عمل ہے۔

کلّی معاشی منظرنامہ

2017 کا سال قومی معیشت کے لیے ہنگامہ خیز سال رہا۔معاشی ترقی میں اضافے کا رجحان برقرار رہا جبکہ کرنٹ اکاؤنٹ اور تجارتی خسارے میں ہونے والے اضافے نے طویل المیعاد معاشی منصوبوں کے لیے مسائل پیدا کیے۔GDP میں گزشتہ سال کے 4.7 فیصد کے مقابلے میں 5.28 فیصد کا اضافہ ہوا۔تعمیری شعبے کی شاندار کارکردگی بھی جاری رہی اور اس شعبے میں 9.05 فیصد کا اضافہ ریکارڈ کیا گیا۔

EPCL نے PVC کی مجموعی طلب مستحکم رہنے کے باعث، تعمیری شعبے کی فعالیت سے بھرپور استفادہ کیا۔سرکاری و نجی، دونوں شعبوں نے طلب کے اضافے میں اپنا کردار ادا کیا جس کا نتیجہ PVC کی مارکیٹ کی گروتھ کی صورت میں سامنے آیا۔پاکستان میں انفرااسٹرکچر کے شعبے میں خلاء اور PVC کے قلیل استعمال کے پیشِ نظر، ہمیں توقع ہے کہ ترقی کا یہ رجحان مستحکم ہے اور اگر موافق حالات فراہم کیے گئے تو ملک کا مینوفیکچرنگ شعبہ پوری قوت سے اپنا کردار کر سکے گا۔

بین الاقوامی ذخائر کی مجموعی صورتحال اور کرنٹ اکاؤنٹ کے خسارے کے حوالے سے خدشات کے پیشِ نظر، ہماری حکومت سے استدعا ہے کہ نہ صرف برآمدات کی حوصلہ افزائی، بلکہ ساتھ ہی ساتھ کسی متبادل کے ذریعے درآمدات میں کمی کرتے ہوئے، درآمدات و برآمدات کے درمیانی خلاء کو پُر کیا جائے۔

وینائل مارکیٹ

PVC کی عالمی طلب نے 43 ملین ٹن کا ہدف پار کرتے ہوئے 4.1 فیصد کی گروتھ حاصل کی جو کہ گزشتہ سال 2.3 فیصد تھی۔اس شاندار گروتھ کا کریڈٹ ایشیا کی جانب سے موصول ہونے والی زبردست طلب کو دیا جاسکتا ہے۔رسد کے نقطۂ نظر سے، مجموعی پیداواری صلاحیت میں کوئی تبدیلی نہیں ہوئی جس کی بدولت اضافی رسد کی صورتحال بہتر ہوئی۔

ڈائریکٹرز کی رپورٹ

ڈائریکٹرز برائے اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ، 31 دسمبر 2017 کے اختتام پر اپنی سالانہ رپورٹ اور آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے انتہائی خوشی محسوس کر رہے ہیں۔ سال 2017 کو EPCL کے لیے ایک انقلابی سال کے طور پر یاد رکھا جائے گا، جس میں کمپنی نے قابلِ ستائش عملی کارکردگی کے ساتھ ساتھ صحت، تحفظ اور ماحول (HSE) کے قوانین اور اخلاقی معیار سے ہم آہنگ رہتے ہوئے اپنی تاریخ کے بلند ترین پیداواری اور فروخت کے اعداد وشمار حاصل کیے۔

سال کے دوران، کمپنی نے 27,731 ملین روپے کا منافع اور بعد از ادائیگی ٹیکس 2,053 ملین روپے کا منافع حاصل کیا جو کہ گزشتہ سال بالترتیب 22,854 ملین روپے اور 660 ملین روپے تھا۔ بورڈ آف ڈائریکٹرز نے سال 2017 کے لیے عبوری کیش ڈیویڈنڈ 0.45 روپے فی حصص اور حتمی کیش ڈیویڈنڈ 0.8 روپے فی حصص کے حساب سے منظوری بھی دی، جس سے سال 2017 میں ڈیویڈنڈ کی رقم مجموعی طور پر 1.25 روپے فی حصص تک جا پہنچی۔

اہم سرگرمیاں

اینگرو پولیمر اینڈ کیمیکلز لمیٹڈ ("EPCL" یا ''کمپنی'')، اینگرو کارپوریشن لمیٹڈ (''ECL'' یا ''EPCL کی مالک کمپنی'') کی ایک ذیلی کمپنی ہے، جبکہ اینگرو کارپوریشن لمیٹڈ (''ECL'' یا ''EPCL کی مالک کمپنی'')، داؤد ہرکولیس کارپوریشن لمیٹڈ (''DH کارپوریشن'' یا ''ECL کی مالک کمپنی'') کی ذیلی کمپنی ہے۔ EPCL کو 1997 میں کمپنیز آرڈیننس 1984 کے تحت بطور پبلک لمیٹڈ کمپنی قائم کیا گیا تھا اور اس کی تجارتی سرگرمیاں 1997 میں شروع ہوئیں۔ کمپنی کے شیئرز پاکستان اسٹاک ایکسچینج میں لسٹڈ ہیں۔ کمپنی کی اہم سرگرمی کلور۔ وینائل پروڈکٹس کی پیداوار اور مارکیٹنگ ہے۔ ان پروڈکٹس میں پولی وینائل کلورائیڈ (PVC)، وینائل کلورائیڈ مونومر (VCM)، کاسٹک سوڈا، ہائیڈروکلورک ایسڈ اور سوڈیم ہائپوکلورائٹ شامل ہیں۔ کمپنی کا برانڈ نشان "SABZ"، اندرونِ ملک PVC کی کوالٹی کی علامت بن چکا ہے۔ EPCL بھرپور انداز میں اپنے بنیادی ثلاثی فلسفے، افراد، کائنات اور منافع پر عمل پیرا ہے۔

وژن اسٹیٹمنٹ کی تیاری

سال 2017 میں کمپنی نے اپنے اسٹرکچر کو باہم مجتمع کرتے ہوئے مستقبل کے لیے ایک لائحہ عمل تیار کیا۔ اس سلسلے میں کمپنی کے لیے ایک وژن اسٹیٹمنٹ کی تیاری کے لیے سال بھر پر محیط ایک مشق عمل میں لائی گئی۔ اس مشق میں تمام متعلقہ اسٹیک ہولڈرز شامل رہے اور بورڈ آف ڈائریکٹرز کی جانب سے درجِ ذیل وژن اسٹیٹمنٹ کی منظوری دی گئی۔

''بین الاقوامی معیار کے ساتھ پولیمرز اور الائیڈ کیمیکلز میں پاکستان کی قیادت کرو''

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