LOTTE CHEMICAL PAKISTAN LTD

20 Years of Excellence

REPORT FOR THE SIX MONTHS PERIOD
ENDED 30 JUNE 2019

Contents

Company Information
As at 26 August 2019

Board of Directors

Kwang Sik Huh	Chairman
Humair Ijaz	Chief Executive
Sang Hyeon Lee	Executive
In Goo Park	Non-Executive
Jae Sun Park	Non-Executive
M Qasim Khan	Non-Executive
Pervaiz Akhtar	Independent
Istaqbal Mehdi	Non-Executive

Audit Committee

Pervaiz Akhtar	Chairman
Kwang Sik Huh	Member
Istaqbal Mehdi	Member
Faisal Abid	Secretary

HR & Remuneration Committee

Pervaiz Akhtar	Chairman
Kwang Sik Huh	Member
Sang Hyeon Lee	Member

Shares Sub Committee

Sang Hyeon Lee	Chairman
M Qasim Khan	Member
Kwang Sik Huh	Member

Executive Management Team

Humair Ijaz	Chief Executive
Tariq Nazir Virk	General Manager Manufacturing
Waheed U Khan	General Manager HR & IT

Chief Financial Officer
Ashiq Ali

Company Secretary
Faisal Abid

Bankers
Askari Bank Limited
Citibank NA
Deutsche Bank AG
Habib Bank Limited
Industrial & Commercial Bank of China
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited

Internal Auditors
KPMG Taseer Hadi & Co.,
Chartered Accountants

External Auditors
EY Ford Rhodes
Chartered Accountants

Legal Advisor
Naz Toosy
148, 18th East Street,
Phase 1, DHA, Karachi

Registered Office
EZ/I/P-4, Eastern Industrial Zone,
Port Qasim, Karachi

Shares Registrar
Famco Associates (Pvt) Limited
8-F, Next to Hotel Faran,
Nursery, Block 6, P.E.C.H.S.,
Shahrah-e-Faisal,
Karachi

Directors’ Review
For the second quarter ended 30 June 2019

The Directors are pleased to present their review report for the second quarter ended 30 June 2019 together with the un-audited condensed interim financial statements of the Company as at and for the second quarter and six months period ended 30 June 2019.

Business Overview

The second quarter commenced with a stable Crude Oil (WTI) market. Crude prices found support from the ongoing production cut OPEC Plus deal, rising tensions in the Middle East and the sanctions on Iran and Venezuela. However, as US Crude production continued to increase and crossed a record level of more than 12 million barrels per day, the market sentiment became cautious on oversupply concerns. During June, Crude prices weakened at first due to uncertainty in the market owing to fears of weak global economic growth resulting from the US-China trade war and rising US Inventories. However, towards the end of the quarter, Crude prices recovered as tensions in the Middle East worsened with attacks on Saudi Arabia and increased US-Iran confrontations. Additionally, the temporary tariff truce between US and China at the G-20 summit and the expectations of an extension to the OPEC Plus deal in July provided support to the market. Crude prices averaged at US$ 59.83 per barrel for the quarter.

The PX market exhibited a bearish trend and fell by more than US$ 250 during the quarter despite the high seasonal demand from the downstream PTA sector. This was mainly due to fears of an oversupplied market owing to the start-up of a 4.5 million tonne PX unit in China. An uptrend in Crude prices towards the end of the quarter provided some support to stabilize the falling market. The average PX price for the quarter was US$ 913.68 per tonne while the PX - Naphtha spread averaged at US$ 373 per tonne.

At the start of the quarter the PTA market remained stable and successfully battled the bearish trend of upstream PX market. The maintenance shutdowns of a few PTA producers coupled with peak seasonal demand provided support to the PTA market. However, by the mid of the quarter Polyester demand started eroding due to fears of a slowdown in the global economy owing to the US-China trade war. Consequently PTA demand declined as downstream Polyester producers’ rationalized their operations to avoid inventory losses in the wake of a falling market. The news of US and China agreeing to continue trade talks provided some stimulus to the downstream industries and resulting in slight recovery of PTA prices. The average PTA price and margin over PX was US$ 795 and US$ 192 per tonne respectively for the quarter.

Operations

Production volume during the quarter at 128,829 tonnes was 3% higher than the corresponding period last year due to a plant outage in Q2 2018 for certain maintenance activities.

Sales volume, comprising of domestic sales only, for Q2 2019 at 132,951 tonnes was 5% higher than the corresponding quarter last year due to increased demand from the downstream industry.

Financial Performance

Revenue for the quarter was 28% higher than the corresponding period last year due to higher average PTA price per tonne.This, together with lower conversion cost resulted in a gross profit of Rs 2,600 million for the quarter as compared to gross profit of Rs 1,713 million during the same period last year.

Distribution and selling expenses and Administrative expenses were higher than the corresponding period last year due to overall impact of inflation.Other income for the quarter was higher than Q2 2018 mainly due to higher income earned on bank deposits as a result of increase in average cash surplus levels.

Directors' Review
For the second quarter ended 30 June 2019

Finance costs for the quarter were lower than the corresponding period last year mainly due to relatively stable rupee dollar parity during the quarter.

The taxation charge for the quarter is based on the statutory income tax rate and tax under Final Tax Regime (FTR) as adjusted by the movement in the deferred tax account.

Profit after taxation for the quarter ended 30 June 2019 amounted to Rs 1,764 million as compared to profit after taxation of Rs 990 million in Q2 last year.

Future Outlook

Moving forward, Crude Oil prices are expected to be volatile as the continued increase in US Crude production and weaker forecasted oil demand weighs down on the market despite the extension of the OPEC Plus deal in July. While the sanctions on Venezuela and Iran and the rising tensions in the Middle East may help in limiting the oversupply in the market, the unresolved US-China trade spat will add uncertainty in the global demand outlook and will continue to exert pressure on prices.

The overall PX market in the region is expected to gain length as majority of PX producers are expected to complete their scheduled maintenances within Q3 2019. Additionally, 2.3 million tonnes of new capacity is expected to be added to the market in 2019. With the PX market becoming oversupplied in the second half of the year, the Crude Oil market will play a more pivotal role in determining the price direction.

The PTA market is expected to remain balanced in the short term owing to lower Polyester inventories and stable demand from the downstream sector supported by the temporary tariff truce between US and China. However, the bearish outlook of upstream PX market and a new PTA capacity addition of 2.5 million tonnes in the region will keep pressure on PTA prices.

The domestic Polyester market is expected to slow down as devaluation of the Pakistani Rupee, higher utility costs and efforts by the Government to increase tax revenue has led to increased cost of doing business. Declining demand has been observed especially in the PSF sector as major producers struggle to maintain sales and manage rising inventories. The PFY sector is also facing tough competition from imports as the regulatory duty on their product has been eliminated by GOP in the recent budget. However, as businesses accept the eventuality of the new regulations, we expect the market to normalize in the long run.

The management has been making efforts to initiate the sale of electricity to K-Electric. In this regard discussions are on-going with SSGC.

Kwang Sik Huh
Chairman

Humair Ijaz
Chief Executive

Date: 26 August 2019
Seoul, Korea

EY Ford Rhodes
Chartered Accountants
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Independent Auditors' Review Report
To the members of Lotte Chemical Pakistan Limited

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Lotte Chemical Pakistan Limited** as at **30 June 2019** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months ended 30 June 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2019.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditors report is Mr. Shariq Ali Zaidi.

EY Ford Rhodes
EY Ford Rhodes
Chartered Accountants

Karachi
Date: 28 August 2019

Condensed Interim Statement of Financial Position
As at 30 June 2019

Amounts in Rs '000

	Note	30 June 2019 (Un-audited)	31 December 2018 (Audited)
Assets			
Non-current assets			
Fixed assets	4	**4,808,827**	5,142,935
Long-term loans and advances		**97,703**	82,912
Long-term deposits and prepayments		**41,724**	42,149
Deferred tax assets	5	**534,258**	435,938
		5,482,512	5,703,934
Current assets			
Stores and spare parts		**934,962**	866,638
Stock-in-trade		**4,041,522**	5,238,450
Trade debts		**4,478,236**	3,401,047
Loans and advances		**32,162**	27,150
Trade deposits and short-term prepayments		**61,659**	59,488
Interest accrued on short-term fixed deposits		**57,239**	7,061
Other receivables	6	**452,993**	756,689
Tax refunds due from government - sales tax	7	**148,687**	189,950
Taxation - payments less provision		**431,848**	802,967
Cash and bank balances	8	**10,033,201**	4,220,756
		20,672,509	15,570,196
Total assets		**26,155,021**	21,274,130
Equity and liabilities			
Share capital and reserves			
Issued, subscribed and paid-up capital 1,514,207,208 (31 December 2018: 1,514,207,208) ordinary shares of Rs 10 each		**15,142,072**	15,142,072
Capital reserves		**2,345**	2,345
Unappropriated profit / (accumulated losses)		**425,293**	(2,625,192)
		15,569,710	12,519,225
Liabilities			
Non-current liabilities			
Retirement benefit obligations		**132,490**	125,482
Current liabilities			
Trade and other payables	9	**10,179,635**	6,682,630
Accrued interest		**248,306**	211,018
Unpaid dividend		**-**	1,703,790
Unclaimed dividend		**24,880**	31,985
		10,452,821	8,629,423
Total liabilities		**10,585,311**	8,754,905
Total equity and liabilities		**26,155,021**	21,274,130
Contingencies and commitments	10		

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Kwang Sik Huh	**Humair Ijaz**	**Ashiq Ali**
Chairman	Chief Executive	Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Un-audited)
For the six months period ended 30 June 2019

Amounts in Rs '000

	Note	Quarter ended 30 June		Six months period ended 30 June	
		2019	2018	**2019**	2018
Revenue - net	11	**17,066,375**	13,318,789	**33,189,662**	25,695,282
Cost of sales	12	**(14,466,439)**	(11,605,917)	**(28,709,896)**	(22,861,095)
Gross profit		**2,599,936**	1,712,872	**4,479,766**	2,834,187
Distribution and selling expenses		**(26,627)**	(20,839)	**(50,321)**	(41,319)
Administrative expenses		**(102,257)**	(92,182)	**(195,544)**	(181,176)
Other expenses	13	**(190,236)**	(174,297)	**(322,427)**	(266,470)
Other income	14	**259,827**	126,751	**426,736**	217,271
Finance costs	15	**(68,358)**	(100,105)	**(117,420)**	(276,183)
Profit before taxation		**2,472,285**	1,452,200	**4,220,790**	2,286,310
Taxation	16	**(708,151)**	(462,158)	**(1,170,305)**	(940,820)
Profit after taxation		**1,764,134**	990,042	**3,050,485**	1,345,490
		--------------- **Amount in Rupees** ---------------			
Earnings per share - basic and diluted		**1.17**	0.65	**2.01**	0.89

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Kwang Sik Huh	**Humair Ijaz**	**Ashiq Ali**
Chairman	Chief Executive	Chief Financial Officer

Condensed Interim Statement of Other Comprehensive Income (Un-audited)
For the six months period ended 30 June 2019

Amounts in Rs '000

	Quarter ended 30 June		**Six months period ended 30 June**	
	2019	2018	**2019**	2018
Profit after taxation	**1,764,134**	990,042	**3,050,485**	1,345,490
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income for the period	**1,764,134**	990,042	**3,050,485**	1,345,490

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Kwang Sik Huh	**Humair Ijaz**	**Ashiq Ali**
Chairman	Chief Executive	Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months period ended 30 June 2019

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Reserves			Total equity
		Capital reserves	Unappropriated profit / (accumulated losses)	Sub-total	
Balance as at 1 January 2018	15,142,072	2,345	(4,467,337)	(4,464,992)	10,677,080
Final dividend @ Rs 0.20 per share for the year ended 31 December 2017	-	-	(302,841)	(302,841)	(302,841)
Total comprehensive income for the six months period ended 30 June 2018					
- Profit for the six months period ended 30 June 2018	-	-	1,345,490	1,345,490	1,345,490
- Other comprehensive income for the six months period ended 30 June 2018	-	-	-	-	-
	-	-	1,345,490	1,345,490	1,345,490
Balance as at 30 June 2018	15,142,072	2,345	(3,424,688)	(3,422,343)	11,719,729
Balance as at 1 January 2019	**15,142,072**	**2,345**	**(2,625,192)**	**(2,622,847)**	**12,519,225**
Total comprehensive income for the six months period ended 30 June 2019					
- Profit for the six months period ended 30 June 2019	**-**	**-**	**3,050,485**	**3,050,485**	**3,050,485**
- Other comprehensive income for the six months period ended 30 June 2019	**-**	**-**	**-**	**-**	**-**
	-	**-**	**3,050,485**	**3,050,485**	**3,050,485**
Balance as at 30 June 2019	**15,142,072**	**2,345**	**425,293**	**427,638**	**15,569,710**

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Kwang Sik Huh
Chairman

Humair Ijaz
Chief Executive

Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)
For the six months period ended 30 June 2019

Amounts in Rs '000

	Note	**Six months period ended 30 June 2019**	Six months period ended 30 June 2018
Cash flows from operating activities			
Cash generated from operations	17	**8,240,601**	1,690,427
Long-term loans and advances - net		**(14,791)**	(23,256)
Long-term deposits and prepayments - net		**425**	13,444
Finance costs paid		**(17,248)**	(17,563)
Payments to retirement benefit obligations		**(610)**	(540)
Taxes paid		**(939,878)**	(302,438)
Interest received from short-term fixed deposits		**362,333**	184,604
Net cash generated from operating activities		**7,630,832**	1,544,678
Cash flows from investing activities			
Payments for capital expenditure		**(107,492)**	(29,419)
Proceeds from disposal of property, plant and equipment		**-**	116
Net cash used in investing activities		**(107,492)**	(29,303)
Cash flows from financing activities			
Dividend paid		**(1,710,895)**	(288,415)
Net cash used in financing activities		**(1,710,895)**	(288,415)
Net increase in cash and cash equivalents		**5,812,445**	1,226,960
Cash and cash equivalents at 1 January		**4,220,756**	5,043,188
Cash and cash equivalents at 30 June		**10,033,201**	6,270,148

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

Kwang Sik Huh	**Humair Ijaz**	**Ashiq Ali**
Chairman	Chief Executive	Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 30 June 2019

1. Status and nature of business

1.1 Lotte Chemical Pakistan Limited ("the Company") was incorporated in Pakistan on 30 May 1998 and is listed on Pakistan Stock Exchange Limited, and is engaged in the manufacture and sale of Pure Terephthalic Acid (PTA).

1.2 The geographical location and addresses of business units are as under:

Location	**Address**
Registered Office	EZ/I/P-4, Eastern Industrial Zone, Port Qasim, Karachi.
City Office	Al-Tijarah Centre, 14th Floor, 32/1-A, Main Shahrah-e-Faisal, Block 6, P.E.C.H.S., Karachi.

1.3 The Company is a subsidiary of Lotte Chemical Corporation, South Korea and its ultimate parent company is South Korean Conglomerate Lotte.

2. Statement of compliance and Basis of preparation

2.1 These condensed interim financial statements of the Company for the six months period ended 30 June 2019 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

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

2.2 These condensed interim financial statements are un-audited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under Section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018.

2.3 The preparation of these condensed interim financial statements, in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates. During the preparation of these condensed interim financial statement, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and assumptions are consistent with those that were applied to the annual audited financial statements of the Company for the year ended 31 December 2018 except, if any, as stated in note 3 of these condensed interim financial statements.

3. Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2018, except for the adoption of the following new and amended standards, interpretations and improvements to IFRSs by the Company, which became effective for the current period:

IFRS 9	Financial Instruments
IFRS 9	Prepayment Features with Negative Compensation (Amendments)
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23	Uncertainty over Income Tax Treatments

Improvements to accounting standards issued by IASB in December 2017

The adoption of above standards, interpretations and improvement to standards did not have any material effect on the condensed interim financial statements of the Company, except for the changes related to adoption of IFRS 9 ‘Financial Instruments’, IFRS 15 'Revenue From Contracts with Customer' and IFRS 16 'Leases' as explained below.

a) IFRS 9 - Financial Instruments

IFRS 9 ‘Financial Instruments’, has replaced IAS 39 ‘Financial Instruments: Recognition and Measurement’ (IAS 39) for annual periods beginning on or after 01 January 2019, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. IFRS 9 categorizes financial assets at (a) amortised cost; (b) fair value through other comprehensive income (FVOCI); and (c) fair value through profit or loss (FVTPL) and their classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 has changed the accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires to recognise a loss allowance for ECLs on debt instruments measured subsequently at amortised cost or at FVTOCI. There are no significant changes in the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

As allowed under IFRS 9, the Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements and therefore, the information presented for prior periods does not reflect the requirements of IFRS 9, but rather those of IAS 39. Further, as initial application of IFRS 9 did not have any significant impact on the classification, measurement and impairment of the Company’s existing financial assets and liabilities as at 01 January 2019, accordingly, the opening retained earnings as of 01 January 2019 have not been restated in these condensed interim financial statements.

b) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 ‘Revenue from Contracts with Customers’ establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced IAS 18 ‘Revenue Recognition’, IAS 11 ‘Construction Contracts’ and related interpretations for annual periods beginning on or after 01 January 2019. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when a customer obtains control of the goods or services and the determination of timing of the transfer of control – at a point in time or over time requires judgement. Further, revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The Company enters into contracts with customers for sale of goods and related variable consideration and has concluded that the first-time application of IFRS 15 by the Company does not have any significant effect with regard to the amount of revenue and variable consideration recognised and when it is recognised. Accordingly, opening reserves as at 01 January 2019 does not required to be restated. As allowed under IFRS 15, the Company has adopted the new standard on the required effective date using a modified retrospective method, therefore the information presented for prior periods has not been restated. i.e. it is presented, as previously reported, under IAS 18 and related interpretations and additional disclosure requirements in IFRS 15 have not been applied to comparative information.

c) IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Whereas, for lesses all leases will be classified as finance leases only.

Amounts in Rs '000

The Company adopted IFRS 16 using the modified retrosepctive methhod of adoption with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Accordingly, initial application of IFRS 16 did not have any impact on the opening retained earnings as of 01 Janaury 2019 and on these condensed interim financial statements.

4. Fixed assets

The following fixed assets have been added / disposed of during the six months period ended 30 June:

	2019		2018	
	Additions cost	**Disposals net book value**	Additions cost	Disposals net book value
Property, plant and equipment				
Operating assets - owned				
Plant and machinery	**36,624**	**252**	2,901	-
Furniture and equipment	**2,456**	**-**	2,550	57
Capital work-in-progress	**68,412**		23,968	

	Note	**30 June 2019 (Un-audited)**	31 December 2018 (Audited)
5. Deferred tax assets			
(Credit) balance arising in respect of property, plant and equipment		**(574,162)**	(594,241)
Debit balances arising in respect of:			
- provisions for:			
- sales tax refundable		**35,840**	33,368
- retirement benefit obligations		**25,616**	22,051
- provision for Gas Infrastructure Development Cess and Sindh Infrastructure Development Cess		**1,046,964**	974,760
		1,108,420	1,030,179
		534,258	435,938
6. Other receivables			
Rebates receivable	6.1	**412,931**	735,247
Insurance claims		**36,627**	20,842
Others		**3,435**	600
		452,993	756,689

6.1 This represents amounts receivable on account of price and exchange rate differentials in respect of paraxylene and acetic acid settlements.

	Note	**30 June 2019 (Un-audited)**	31 December 2018 (Audited)
7. Tax refunds due from government - sales tax			
Sales tax refundable	7.1	**278,777**	320,040
Provision for doubtful receivables		**(130,090)**	(130,090)
		148,687	189,950

Amounts in Rs '000

7.1 This includes Rs 114.09 million (31 December 2018: Rs 114.09 million) on account of input tax arising from sales tax charged to the Company under the Sindh Sales Tax on Services Act, 2011 which is administered by the Sindh Revenue Board with effect from 01 July 2011. This is being deferred due to procedural issues between Federal and Provincial Tax collecting agencies, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue (FBR). The Company had approached Federal Tax Ombudsman (FTO) for resolution of the matter. The FTO in its order dated 02 May 2013 have directed FBR, with certain recommendations, to resolve the issue. The Company has filed a Suit No. 537 of 2014 before the Sindh High Court (SHC) to resolve this issue as per the prevailing Sales Tax Law. The SHC passed an order dated 14 January 2015 directing the FBR to verify exact amount of refund of sales tax to which plantiff is entitled and submit their report accordingly.

	Note	**30 June 2019 (Un-audited)**	31 December 2018 (Audited)
8. Cash and bank balances			
Short-term fixed deposits	8.1	**9,997,200**	2,652,300
With banks in current accounts		**33,854**	1,566,900
Cash in hand		**2,147**	1,556
		10,033,201	4,220,756

8.1 During the period ended 30 June 2019, the mark-up rates on term deposits ranged from 9.0% to 13.05% (31 December 2018: 5.5% to 10.75%) per annum and had maturities of less than three months.

	30 June 2019 (Un-audited)	31 December 2018 (Audited)
9. Trade and other payables		
Trade creditors including bills payable	**3,599,227**	876,202
Accrued expenses	**551,293**	670,360
Advances from customer	**14,199**	7,102
Infrastructure cess	**2,565,032**	2,418,030
Gas infrastructure development cess	**2,653,999**	2,410,863
Workers' Profit Participation Fund	**226,873**	42,372
Workers' Welfare Fund	**239,374**	149,583
Sales tax payable	**178,325**	-
Others	**151,313**	108,118
	10,179,635	6,682,630

10. Contingencies and commitments

Contingencies

10.1 The Appellate Tribunal Inland Revenue (ATIR) vide order no ITA.No.111/KB/2006 dated 20 April 2006 had set aside the taxation officer's assessment order for the assessment year 2002-2003 (income year ended 31 December 2001) whereby, the assessing officer had been directed to re-examine the issue of allocation of cost of goods sold to export sales, strictly in accordance with Rule 216 of the Income Tax Rules, 1982. The taxation officer vide order no. DC20/106 dated 29 June 2007 had used volume basis to determine the allocation of cost of goods sold to export sales, against which the Company had filed an appeal. The Commissioner Inland Revenue (Appeals) [CIR(A)] vide order numbers 153 and 391 dated 31 January 2011 (received by the Company on 4 June 2011) has set aside the taxation officer's order with instructions to strictly comply with the directions contained in the ATIR's order of 20 April 2006 in relation to the basis of allocation of cost of goods sold to export sales. The Deputy Commissioner Inland Revenue (DCIR) vide order number 01/171 dated 25 June 2012 (received by the Company in July 2012) has maintained the above basis of allocation to export sales. The Company filed an appeal against the said order in August 2012. The CIR(A) vide its order dated 29 May 2013 has disagreed with 'basis of dual allocation' as per taxation officer's assessment order and has directed the officer to accordingly determine the amount on the basis of "sales" and finalise the assessment on such basis. The department filed an appeal against the said order on 15 August 2013. The ATIR vide order no. ITA No.744/KB-2013 dated 27 August 2015 has rejected the department appeal. The department has filed an appeal in the High Court of Sindh on 04 May 2017 against the order dated 27 August 2015 passed by the ATIR. The High Court of Sindh has issued hearing notice to the Company and the matter was fixed for hearing on 31 January 2019. However, the matter could not proceed further for want of Court's time, The matter is now fixed on 26 November 2019. Accordingly, no provision has been made for the potential liability amounting to Rs 97.37 million (31 December 2018: Rs 97.37 million) in these condensed interim financial statements.

Amounts in Rs '000

10.2 The Deputy Commissioner Inland Revenue passed an orders on 06 December 2018 for non-furnishing of monthly statements for the period of July, August and September 2018 u/s 165(2) of the Income Tax Ordinance, 2001 involving penalty amount Rs 0.03 million. The Company has applied for rectification of the Order on the grounds that the documentary evidence for timely submission of statements was not considered at the time of issue of said Order. The Company is confident that the order will be rectified by the department, hence no provision has been made in these condensed interim financial statements.

10.3 Outstanding guarantees of the Company as at 30 June 2019 were Rs 2,734.8 million (31 December 2018: Rs 2,594.8 million).

Commitments

10.4 Commitments in respect of capital expenditure as at 30 June 2019 amounts to Rs 27.75 million (31 December 2018: Rs 19.94 million).

10.5 Commitments for rentals under Ijarah contracts in respect of vehicles are as follows:

Year	**30 June 2019 (Un-audited)**	31 December 2018 (Audited)
2019	**13,169**	22,695
2020	**25,901**	21,967
2021	**20,864**	16,835
2022	**14,167**	10,304
2023	**8,094**	4,598
2024	**535**	-
	82,730	76,399

10.6 Commitments for service charges under an agreement with a supplier in respect of storage and handling facility is as follows:

Year	**30 June 2019 (Un-audited)**	31 December 2018 (Audited)
2019	**487,006**	827,742
2020	**993,491**	844,297
2021	**1,013,361**	861,183
2022	**1,033,629**	878,407
2023	**175,717**	149,329
	3,703,204	3,560,958

10.7 Letters of credit issued on behalf of the Company as at 30 June 2019 were Rs 1,448.5 million (31 December 2018: Rs 20 million).

	Quarter ended 30 June		**Six months period ended 30 June**	
	2019	2018	**2019**	2018
11. Revenue - net				
Manufactured goods				
Local sales	**17,966,761**	13,509,193	**34,815,941**	26,528,166
Less: Sales tax and excise duty	**(697,518)**	(444,731)	**(1,398,053)**	(903,598)
Price settlements and discounts	**(415,191)**	(61,384)	**(661,447)**	(538,146)
	16,854,052	13,003,078	**32,756,441**	25,086,422
Trading goods				
Local sales	**220,043**	329,440	**453,231**	635,719
Less: Sales tax and excise duty	**(4,207)**	(7,566)	**(13,229)**	(16,199)
Price settlements and discounts	**(3,513)**	(6,163)	**(6,781)**	(10,660)
	212,323	315,711	**433,221**	608,860
	17,066,375	13,318,789	**33,189,662**	25,695,282

Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 30 June 2019

Amounts in Rs '000

		Quarter ended 30 June		Six months period ended 30 June	
		2019	2018	**2019**	2018
12.	**Cost of sales**				
	Manufactured goods				
	Opening stock of raw and packing materials	**3,394,103**	2,327,521	**2,779,589**	2,843,041
	Purchases	**12,154,557**	11,607,880	**24,904,926**	21,349,693
	Closing stock of raw and packing materials	**(3,064,381)**	(3,859,065)	**(3,064,381)**	(3,859,065)
	Raw and packing materials consumed	**12,484,279**	10,076,336	**24,620,134**	20,333,669
	Manufacturing costs	**1,222,278**	1,134,925	**2,271,845**	2,213,352
	Cost of goods manufactured	**13,706,557**	11,211,261	**26,891,979**	22,547,021
	Opening stock of finished goods	**1,502,839**	641,828	**2,371,381**	322,157
		15,209,396	11,853,089	**29,263,360**	22,869,178
	Closing stock of finished goods	**(920,100)**	(512,619)	**(920,100)**	(512,619)
		14,289,296	11,340,470	**28,343,260**	22,356,559
	Trading goods				
	Opening stock	**141,289**	146,310	**87,480**	196,776
	Purchases	**92,895**	240,515	**336,197**	429,138
	Closing stock	**(57,041)**	(121,378)	**(57,041)**	(121,378)
		177,143	265,447	**366,636**	504,536
		14,466,439	11,605,917	**28,709,896**	22,861,095
13.	**Other expenses**				
	Auditors' remuneration	**930**	530	**1,035**	929
	Donations	**3,248**	204	**3,430**	1,152
	Property, plant and equipment written off	**252**	-	**252**	-
	Provision against sales tax refundable	**-**	-	**-**	42,000
	Provision against obsolete and slow moving stores and spare parts	**-**	60,211	**-**	60,211
	Workers' Profit Participation Fund	**132,905**	78,203	**226,873**	122,350
	Workers' Welfare Fund	**52,901**	33,656	**89,791**	38,335
	Others	**-**	1,493	**1,046**	1,493
		190,236	174,297	**322,427**	266,470
14.	**Other income**				
	Scrap sales	**3,131**	23,519	**7,388**	23,519
	Gain on disposal of property, plant and equipment	**-**	59	**-**	59
	Income from short-term fixed deposits	**252,891**	101,835	**412,511**	188,092
	Reversal of provision against receipt of sales tax refunds	**-**	-	**-**	1,914
	Indenting commission	**3,805**	541	**5,977**	2,131
	Cellular tower rental income	**-**	797	**828**	1,556
	Others	**-**	-	**32**	-
		259,827	126,751	**426,736**	217,271

Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 30 June 2019

Amounts in Rs '000

	Quarter ended 30 June		Six months period ended 30 June	
	2019	2018	**2019**	2018
15. Finance costs				
Discounting charges on trade debts	**1,677**	843	**4,837**	3,413
Interest on Workers' Profit Participation Fund	**-**	-	**43**	23
Exchange loss - net	**63,162**	94,701	**100,129**	258,597
Bank and other charges	**3,519**	4,561	**12,411**	14,150
	68,358	100,105	**117,420**	276,183

16. Taxation

The taxation charge for the six months is based on the statutory income tax rate and tax under Final Tax Regime (FTR) as adjusted by the movement in the deferred tax account.

	Six months period ended 30 June	
	2019	2018
17. Cash generated from operations		
Profit before taxation	**4,220,790**	2,286,310
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	**441,348**	427,121
Provision against obsolete and slow moving stores and spare parts	**-**	60,211
Provision against sales tax refundable	**-**	42,000
Loss / (gain) on disposal of property, plant and equipment	**252**	(59)
Provision for retirement benefit obligations	**7,618**	9,476
Finance costs	**54,536**	34,192
Interest accrued on short-term fixed deposits	**(412,511)**	(188,092)
Infrastructure cess	**147,002**	119,790
Gas infrastructure development cess	**243,136**	256,303
	481,381	760,942
	4,702,171	3,047,252
Effect on cashflows due to working capital changes		
Decrease / (increase) in current assets:		
Stores and spare parts	**(68,324)**	(65,192)
Stock-in-trade	**1,196,928**	(1,131,088)
Trade debts	**(1,077,189)**	(438,689)
Loans and advances	**(5,012)**	(9,896)
Trade deposits and short-term prepayments	**(2,171)**	(17,402)
Other receivables	**303,696**	(429,625)
Tax refunds due from government - sales tax	**41,263**	106,572
	389,191	(1,985,320)
Increase in trade and other payables	**3,149,239**	628,495
Cash generated from operations	**8,240,601**	1,690,427

Notes to the Condensed Interim Financial Statements (Un-audited)

For the six months period ended 30 June 2019

Amounts in Rs '000

18. Transactions with related parties

The related parties comprise of parent company, related group companies, directors of the Company, companies where directors also hold directorships, key management personnel and staff retirement funds. All transactions with related parties are entered into at agreed terms. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements are as follows:

Relationship	Nature of transaction	Quarter ended 30 June		Six months period ended 30 June	
		2019	2018	**2019**	2018
Parent company					
Lotte Chemical Corporation	Dividend paid	**-**	-	**1,703,790**	227,172
Associate					
Lotte Academy	Purchase of services	**1,004**	-	**1,004**	-
Lotte Kolson Private Limited	Purchase of goods	**732**	-	**732**	-
	Amount payable	**732**	-	**732**	-
Key management personnel	Salaries and other short-term benefits	**14,796**	13,349	**28,998**	25,730
	Post employment benefits	**1,761**	1,404	**3,315**	2,653
	Loans				
	- given	**21,000**	-	**21,000**	21,346
	- received / adjusted	**700**	1,067	**700**	1,778
Others	Payments to retirement benefit funds	**19,391**	16,395	**36,820**	31,648

18.1 Comparative figures have been restated to reflect changes in the definition of key management personnel as per Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018.

19. General

Figures have been rounded-off to the nearest thousand rupees except as stated otherwise. Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison and to reflect the substance of the transactions.

20. Date of authorisation

These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 26 August 2019.

Kwang Sik Huh	**Humair Ijaz**	**Ashiq Ali**
Chairman	Chief Executive	Chief Financial Officer

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