Annual Report 2019

Lifetime Value Creator

LOTTE CHEMICAL
PAKISTAN LTD

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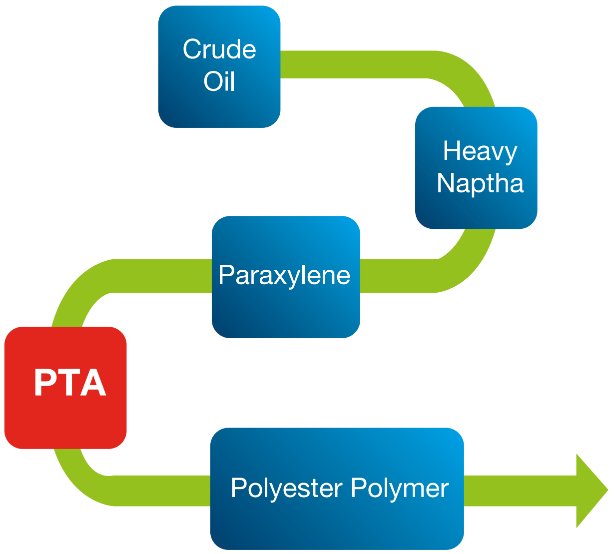
ABOUT US

Lotte Chemical Pakistan Limited (LCPL) is the only world-class manufacturer and supplier of Purified Terephthalic Acid (PTA) in Pakistan. The Company has the capacity to produce 500,000 tonnes of PTA per year through its state-of-the-art plant located at Port Qasim, Karachi.

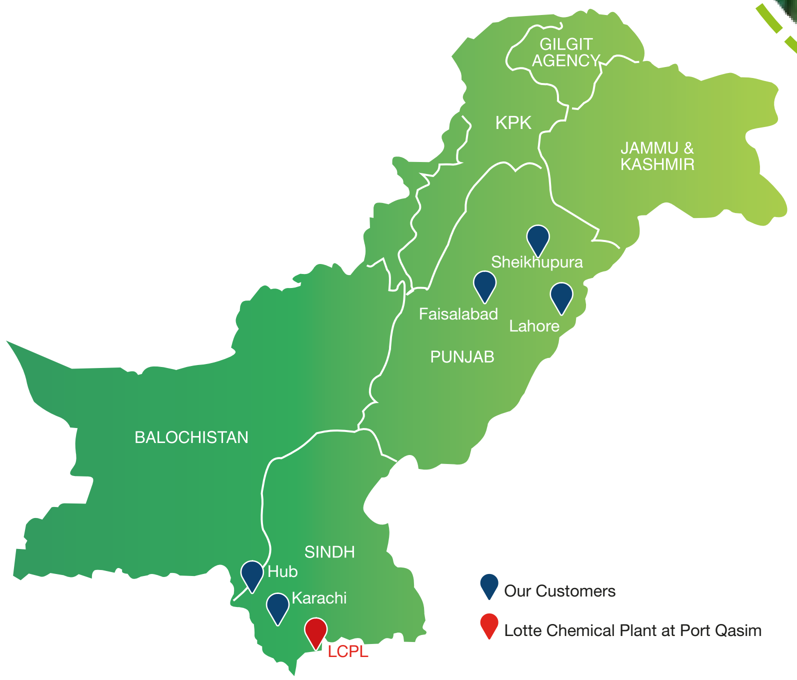
LOTTE CHEMICAL PAKISTAN LTD

PURIFIED TEREPHTHALIC ACID (PTA)



LCPL holds the foundation of the polyester chain in Pakistan and retains its edge by being a local PTA manufacturer and major supplier for the domestic Polyester and PET industries. We maintain major share of the domestic market, and remain the supplier of choice based on our short delivery time, consistent quality and excellent customer service.

For producing PTA we import our feedstock (Paraxylene) from reputable suppliers based in Asia and Middle-East region. Our plant operates under a technology license with IPT (Invista Performance Technologies) which is currently the leading global supplier of PTA technology.



Our Customers

Since its inception, the Company has focused on meeting Pakistan's PTA demand. However, if domestic demand slows down, the Company is well placed to export to other countries. Our product meets all international quality standards and is well accepted by Customers in Asia and Middle-East region. Our domestic Customers are located across Pakistan.

Our Mission

To be supplier of choice to PTA customers in Pakistan and to maximize long-term business value.

Our Vision

The Spirit to Make a Difference through Value, Quality and Excellence

At Lotte Chemical Pakistan Limited, our customer's satisfaction is the driving force behind our spirit to meet challenges and achieve excellence in everything we do. We maximise operating efficiencies and demonstrate best practices in Safety, Health and Environment that add value to our quality product and make a difference in letter and in spirit.

Our Key Strategic Objectives

- Maintain a high standard of HSE performance.
- Develop and retain talent and improve employee engagement.
- Deliver business improvement plan targets.
- Achieve more than 95% availability of PTA plant and Cogeneration plant.
- Maximize domestic sales and market share.
- Optimize raw material procurement.
- Continue efforts for the sale of surplus power.

Our Code of Conduct

From the inception of the Company it has been and continues to be a policy that the Company and all its employees maintain the highest ethical standards in the conduct of the Company's business. Our Code of Conduct constitutes a set of standards and rules which form an integral part of our corporate culture and is a statement of ***who we are and how we work.*** They highlight business principles, the ***Company's responsibilities*** towards its employees, and ***employee responsibilities*** towards your Company. All standards ensure both management and staff work in cohesion towards the smooth functioning of the organisation.

Business Principles

These define our management principles, core values and other specific policy areas which help in creating long-term value with all stakeholders. Specific policy areas include supporting the principles of free enterprise, ethics, integrity and fairness in all aspects of operations, supporting community activities as a socially responsible corporate citizen, communications in an open, factual and timely manner, compliance with the laws in which we operate and protecting the environment with the commitment to contribute to sustainable development. It is the responsibility of the Board through the Chief Executive to ensure that the business principles are communicated to all employees and to oversee implementation thereof.

Company Responsibilities

These define specific policy areas which include adopting a spirit of open communication, providing equal opportunities, a healthy, safe and secure environment, ensuring employee rights are exercised such as freedom to join unions and associations, protecting employees' personal data and engaging in an active performance management system.

Employee Responsibilities

The Code provides guidance to employees on their responsibilities towards media relations, disclosures, inside information, protecting intellectual property, information technology, code of conduct, compliance with business policies which ensure highest ethical standards in the conduct of the Company's business.

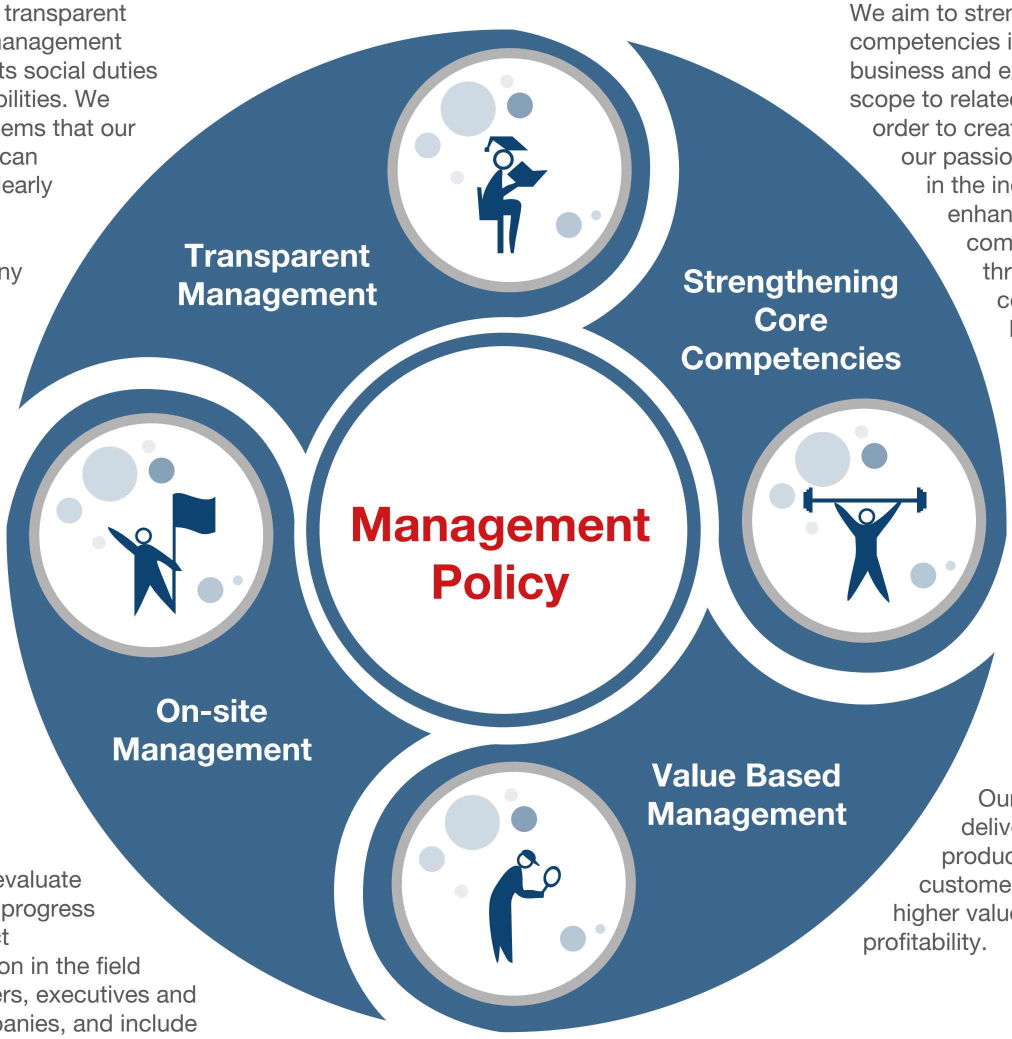
Our Management Principles

Lotte Management Policy is a collection of principles and business insights which forms the basis of our business strategy to determine “what, why and how to do.”

Following are our managment principles:

We believe in transparent and honest management which fulfills its social duties and responsibilities. We establish systems that our stakeholders can understand clearly and disclose information of the company correctly and transparently.

We aim to strengthen our core competencies in the main business and expand its scope to related businesses in order to create synergy. It is our passion to be the best in the industry by enhancing our core competencies through continuous learning.



We believe in accurate evaluation and quick decision making. We evaluate the business progress through direct communication in the field with customers, executives and partner companies, and include their ideas and suggestions in our strategy.

Our talented team delivers quality products to our customers which creates higher value and sustains profitability.

Our Core Values

Core Values are the standards that all Lotte staff should aspire towards so that Lotte can fulfill its mission and vision.

Beyond Customer Expectation

We do not aim to just satisfy customers' needs, but to create value beyond their expectations.

Challenge

We focus on the nature of our task and continue to challenge ourselves to accomplish higher goals.

Respect

We respect different opinions, communicate with others and observe general rules to build a bond of trust with our community.

Originality

We quickly respond to changes, cooperate with other fields without boundaries, and implement innovation to develop originality inimitable by anyone.

About LOTTE

LOTTE started its business in 1967 with confectionary. Since then LOTTE has grown into one of Korea's largest conglomerate and is trusted by customers all over the world. Currently, LOTTE with a turnover in excess of $92 billion is engaged in over 20 businesses in 30 countries worldwide.

Mission

We enrich people's lives by providing superior products and services that our customers love and trust.

Global Businesses of LOTTE

1. Food
2. Retail
3. Chemical/ Construction & Manufacturing
4. Tourism/ Service & Finance

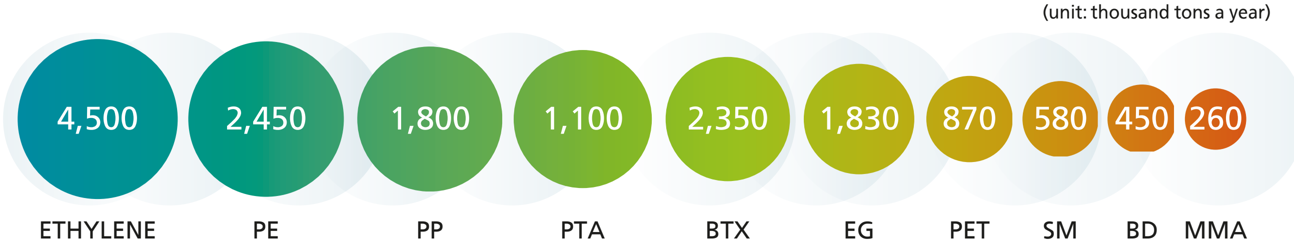
About LOTTE Chemical Corporation

Since its foundation in 1976, LOTTE Chemical, as a general petrochemical Company, has localized cutting-edge petrochemical technologies and has led Korea's heavy and chemical industry technology development. LOTTE Chemical is endeavouring to become a Company that ensures stable growth and contributes to human society.

Production Capacity for Major Products including Overseas Subsidiaries

With the production of the following chemical products, LOTTE Chemical has established a strong foundation overseas in the petrochemical industry.

(unit: thousand tons a year)

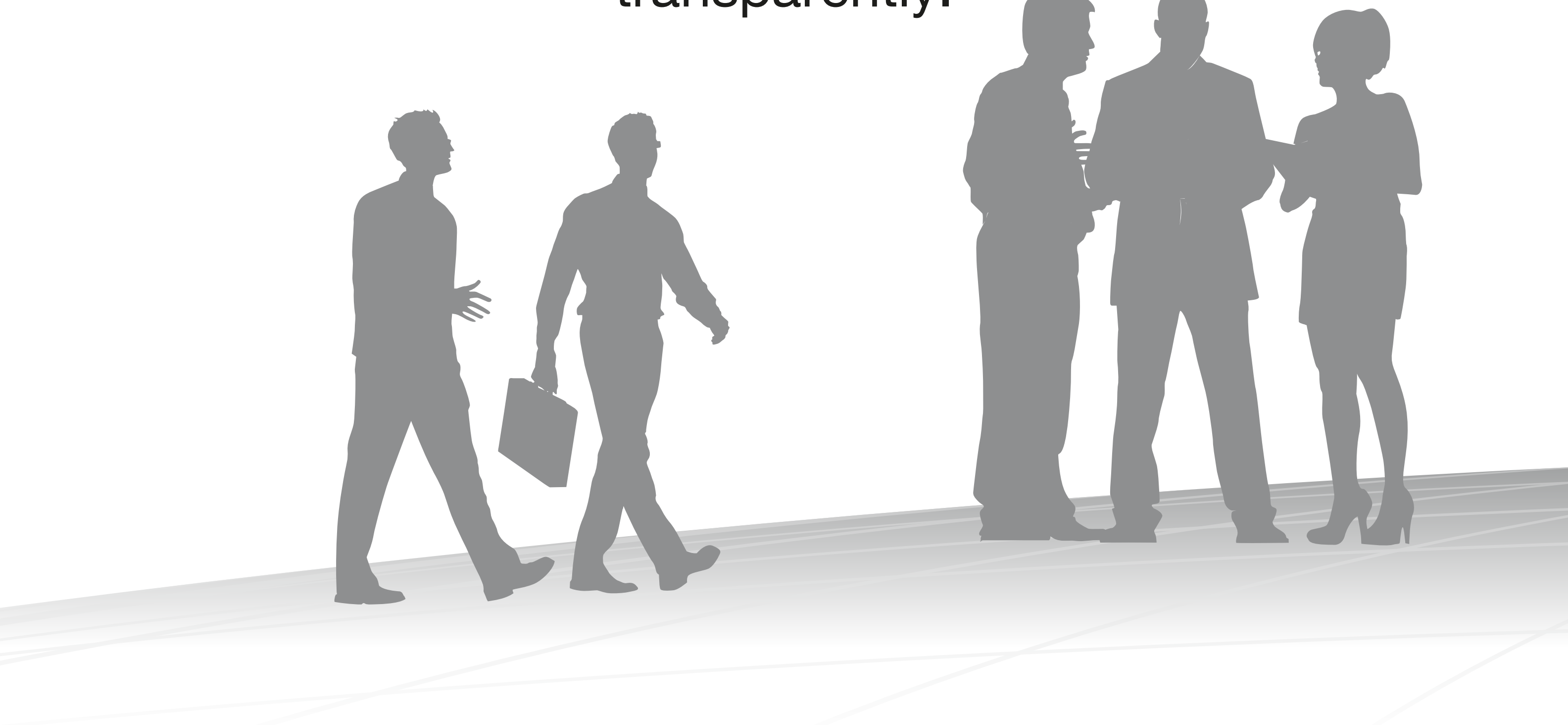


Usage of Major Products

PE	Household item, toy, wire clothing, vessel for chemicals, car„s fuel tank	PP	Auto material, home appliances, disposable syringe, transparent vessel, hygienic non-woven fabric, lm for packing	PET	Container for beverages, cosmetics and food items	PC	Optic disc (CD, DVD), sunglasses, lens, car lamp, home appliances
Perfor-mance material	Auto interior material, bumper, electronic part, building material	EG	Polyester bre, antifreeze	GE	Cleansing agent, machine lubricating oil, break oil, antifreeze	EOA	Detergent, shampoo, concrete compound
PIA	PET resin, special paint, unsaturated resin	PTA	Polyester bre, PET, PET lm, paint	MMA	Adhesive for medical use, acryl lm, arti cial marvel	BD	ABS, raw material for synthetic rubber (SBR, BR)
SM	PS, ABS, raw material for synthetic rubber	BZ	Agricultural chemicals, photo chemicals, explosives, insect repellent, SM raw material	TL	Medical supplies, paint, ink material, dye, aromatics, gunpowder	XL	Organic pigment, paint, aromatics, agricultural chemicals, general solvent

TRANSPARENT MANAGEMENT

We believe in transparent and honest management which fulfills its social duties and responsibilities. We establish systems that our stakeholders can understand clearly and disclose information of the company correctly and transparently.



Stakeholders Information

Company Information

Board of Directors

Min Jae Hwang	Chairman
Humair Ijaz	Chief Executive
Sang Hyeon Lee	Executive
In Goo Park	Non-Executive
Won Lee	Non-Executive
M Qasim Khan	Non-Executive
Pervaiz Akhtar	Independent
Istaqbal Mehdi	Non-Executive

Audit Committee

Pervaiz Akhtar	Chairman
Min Jae Hwang	Member
Istaqbal Mehdi	Member
Faisal Abid	Secretary

HR & Remuneration Committee

Pervaiz Akhtar	Chairman
Min Jae Hwang	Member
Sang Hyeon Lee	Member

Shares Sub Committee

Sang Hyeon Lee	Chairman
Min Jae Hwang	Member
M Qasim Khan	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
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited

Internal Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants
(Resigned: 20 November 2019)

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

Chief Executive's Message to the Stakeholders

I am pleased to report that despite very challenging market conditions we have been able to deliver the best financial results in the Company's history. Our persistence and diligence over the past many years has greatly optimized our operations, which has enabled us to deliver outstanding results despite various international and domestic economic issues that plagued the business environment during 2019.

The US-China trade war saw global demand and growth constricted creating ripples throughout the entire petrochemical chain. The Asian PTA market was unable to sustain margins gained in the first half of the year due to falling upstream markets and weak downstream demand. In contrast, the domestic market fared better in the first half of the year, with some improvement in the operating rates seen in the PET and PSF sectors. However, after the introduction of the tax-reforms under the budget, the overall economic activity in the country slowed down. Additionally, the devaluation of the Rupee added to the unfavorable business environment. Resultantly, the domestic demand for PTA during 2019 declined to 690KT, 12% lower than previous year.

Operationally, we achieved production of 483,500 tonnes and domestic sales of 485,864 tonnes despite the slowdown in the downstream industry. Our commitment to Health, Safety, Environment and Security (HSE&S) remained our top priority and I am delighted to report that as on 1st of March 2020, we have completed 60 million man-hours without any reportable injury. This is a remarkable milestone by any global standards. We were also able to deliver additional value to the business through our sales of Acetic Acid and various other initiatives. I am truly humbled by the incredible commitment and passion of each team member which has made 2019 an outstanding year for your Company.

2020 is expected to be a challenging year due to reduced margins and increasing competition with imports as new PTA capacities come online in the region. The Government's desire to improve the business environment and to increase exports may bring positive stimulus to the domestic industry. Our strategy remains the same, to maintain operational excellence and continue to provide reliable, high quality product and services to our esteemed customers. I am confident that our hard work and commitment to our core values will allow LOTTE Chemical Pakistan Limited to remain as a "Lifetime Value Creator".

I take this opportunity to express my commitment and gratitude to all employees and their families, our customers, suppliers, business partners and stakeholders for their kind support and trust.

Sincerely yours,

Humair Ijaz

Key Performance Indicators

Man-hours without Lost Time Case

2019 **59** million man-hours

2018 **56** million man-hours

Acetic Acid Sales

2019 **10,105** tonnes

2018 **9,530** tonnes

PTA Revenue

2019 **60,540** million

2018 **57,400** million

EBITDA

2019 **8,782** million

2018 **7,697** million

Profit after Tax

2019 **5,542** million

2018 **4,431** million

Earnings per share

2019 **3.66** per share

2018 **2.93** per share

SWOT Analysis

STRENGTHS

- Sole PTA Producer in the country.
- Highly skilled and professional team.
- Competitive raw material sourcing.
- Ability to provide better service to customers contrary toimports.
- Strong maintenance and HSE Systems.

WEAKNESSES

- Dependence on international raw material.
- Single product business.
- Overcapacity in Asian market leading to depressed margins.
- Operating an old technology of PTA manufacturing.
- Aging plant machinery and equipment.

OPPORTUNITIES

- Improving power and economic situation on the country.
- Trends in packaging, directly affecting downstream demand.
- Strategic alliance with LOTTE global affiliates for further business development and diversification.

THREATS

- Volatility in crude oil and raw material pricing.
- Reduction in import tariff.
- Increased price competition with imports due to regional oversupply.
- Increasing trend of using recycled polyester in the domestic market.

Awards & Accreditations

16th Annual Environment Excellence Award 2019

Health, Safety & Environment (HSE) management forms an integral part of our core values. Protecting the environment and preserving natural resources has always been a top priority for us. The Company in a ceremony organised by the National Forum for Environment & Health (NFEH) won the 16th Annual Environment Excellence Award. The Company had also won this award in 2014, 2015, 2016, 2017 & 2018.

Best Employer of the year 2018

The Employers' Federation of Pakistan honored the Company with a prestigious award for Best Employer of the year. LCPL ranked third in the category of multinational companies contesting in the Employer of the Year Award. The award is an acknowledgement of our implementation of the best practices in the areas of Management, HR Management, OSH&E, Skill Enhancement and Sustainable development.

EFP's Occupational Safety & Health Award 2018

Our Company was presented the 1st position award for 2018 in Occupational Safety & Health category for chemical sector in the 14th EFP Best Practices award ceremony. The award is an acknowledgement of our implementation of the best HSE &S practices.

ISO 9001 – 2008 Certification

We are an ISO 9001 – 2008 certified Company. Accreditation to this system has provided the foundation for better customer satisfaction, staff motivation and for the continual improvement of our processes. There was no major Non-Conformity reported in the surveillance audit conducted in 2019.

Financial Calendar

14 February 2019 Announcement of results for the Year ended 31 December 2018	**18 April 2019** 21st Annual General Meeting was held	**19 April 2019** Announcement of results for the 1st Quarter ended 31 March 2019
26 August 2019 Announcement of results for the 2nd Quarter ended 30 June 2019	**17 October 2019** Announcement of results for the 3rd Quarter ended 30 September 2019	**14 February 2020** Announcement of results for the Year ended 31 December 2019

Tentative dates for the announcement of 2020 financial results:

16 April 2020 22nd Annual General Meeting will be held	**17 April 2020** Announcement of results for the 1st Quarter ended 31 March 2020	**17 June 2020** Extraordinay General Meeting for the Election of Directors will be held
21 August 2020 Announcement of results for the 2nd Quarter ended 30 June 2020	**22 October 2020** Announcement of results for the 3rd Quarter ended 30 September 2020	**February 2021** Announcement of results for the Year ended 31 December 2020

The Company reserves the right to change any of the above dates.
All annual / quarterly reports are regularly posted at the Company's website: **www.lottechem.pk**

Annual General Meeting

The 22nd Annual General Meeting will be held at 11:00 am on 16 April 2020 at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Chartered Accountants Avenue, Clifton, Karachi.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 48 hours before the meeting date.

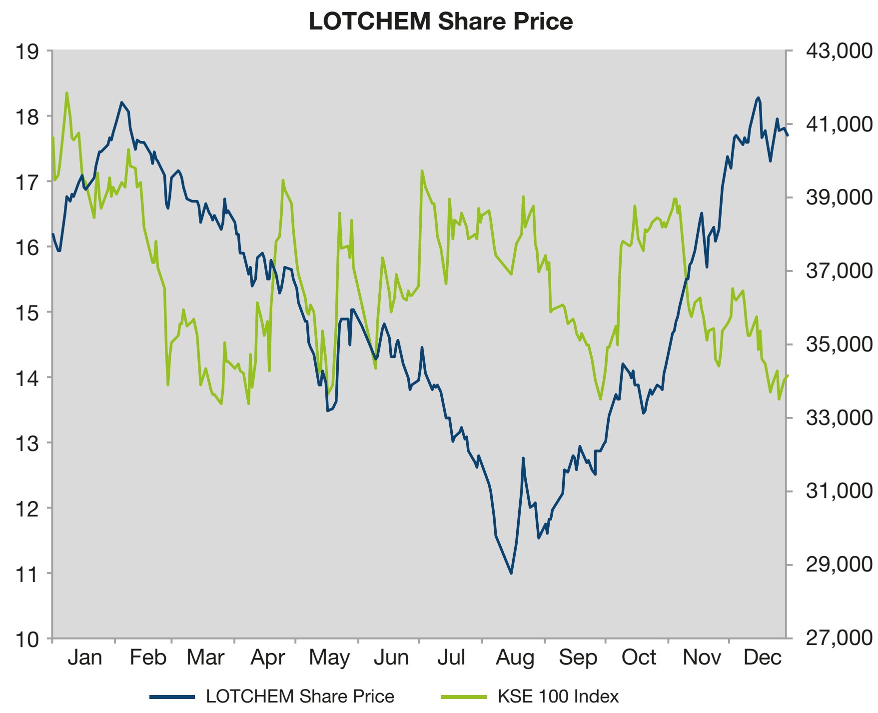
CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card along with Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

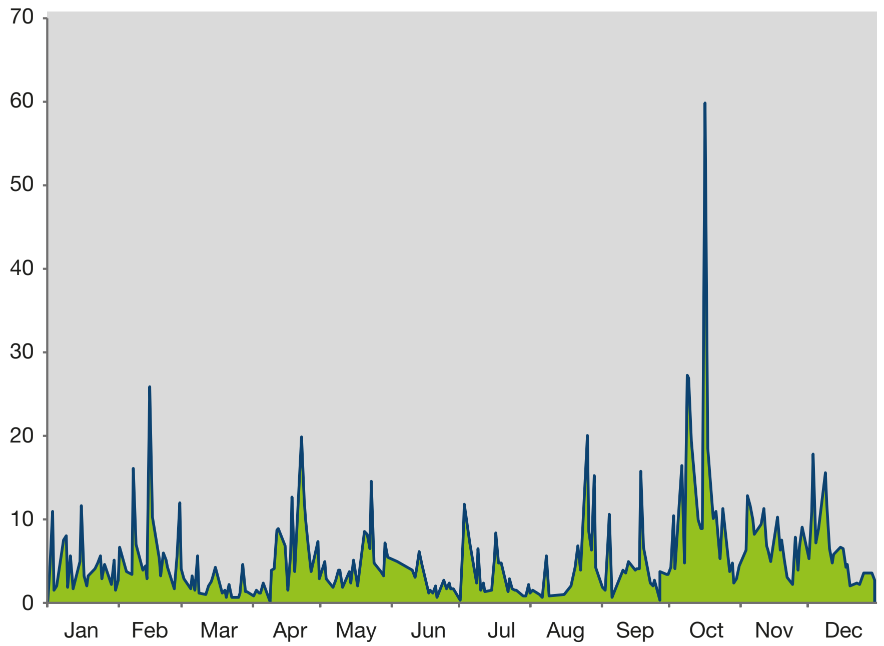
Share Price Analysis

On 31 December 2019 there were 18,452 members on the record of the Company's ordinary shares. Market capitalization of the Company's stock as at 31 December 2019 was recorded at Rs 21.23 billion (2018: Rs 25.57 billion) with the price per share fluctuating from a high of Rs 18.50 to a low of Rs 12.90 and closing the year at Rs 14.02.

Trading volumes for the Company's shares remained consistently high during the year and 1.32 billion shares were traded at the Pakistan Stock Exchange. The stock posted a loss of 16.9% during the year as against 9.9% gain of PSX 100 index.

Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 84.73% of the total share capital including 75.01% held by the shareholders.





LOTCHEM Trading Volume (in millions)

Investor Relation Contact

Mr Waseem Ahmed Siddiqui
(Manager Shares & Secretarial)
Email: waseem.siddiqui@lottechem.pk
UAN: +92(0)21 111-568-782
Fax: +92(0)21 34169126

Enquiries concerning cost of share certificate, dividend payments, change of address, verification of transfer deeds and shares transfers should be directed to the Shares Registrar at the following address:

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

Pattern of Shareholding

As at 31 December 2019

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
2,889	1	100	93,283
4,398	101	500	1,357,132
2,680	501	1,000	2,299,285
4,528	1,001	5,000	12,587,839
1,421	5,001	10,000	11,492,177
542	10,001	15,000	7,149,148
392	15,001	20,000	7,305,018
271	20,001	25,000	6,461,555
186	25,001	30,000	5,329,227
113	30,001	35,000	3,773,122
98	35,001	40,000	3,809,323
48	40,001	45,000	2,072,967
145	45,001	50,000	7,201,076
45	50,001	55,000	2,394,359
47	55,001	60,000	2,778,134
30	60,001	65,000	1,891,921
34	65,001	70,000	2,338,008
35	70,001	75,000	2,595,100
25	75,001	80,000	1,966,389
19	80,001	85,000	1,582,911
20	85,001	90,000	1,776,541
8	90,001	95,000	752,499
92	95,001	100,000	9,183,055
15	100,001	105,000	1,548,401
10	105,001	110,000	1,088,986
13	110,001	115,000	1,485,203
12	115,001	120,000	1,433,025
12	120,001	125,000	1,492,330
9	125,001	130,000	1,164,000
7	130,001	135,000	936,876
9	135,001	140,000	1,245,816
5	140,001	145,000	717,500
15	145,001	150,000	2,250,000
2	150,001	155,000	305,500
8	155,001	160,000	1,266,075
6	160,001	165,000	976,500
7	165,001	170,000	1,173,225
8	170,001	175,000	1,391,500
2	175,001	180,000	356,000
3	180,001	185,000	554,000
8	185,001	190,000	1,512,000
3	190,001	195,000	581,950
29	195,001	200,000	5,798,000
4	200,001	205,000	810,572
4	205,001	210,000	833,000
4	210,001	215,000	857,000
6	215,001	220,000	1,307,500
2	220,001	225,000	450,000
1	225,001	230,000	227,000
2	230,001	235,000	464,500
5	235,001	240,000	1,193,000
2	240,001	245,000	485,000
11	245,001	250,000	2,746,716

Pattern of Shareholding

As at 31 December 2019

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
8	250,001	255,000	2,025,500
2	255,001	260,000	519,100
4	260,001	265,000	1,060,000
2	265,001	270,000	538,861
6	270,001	275,000	1,643,032
2	275,001	280,000	555,532
2	280,001	285,000	566,000
1	285,001	290,000	285,900
2	290,001	295,000	588,500
14	295,001	300,000	4,200,000
2	300,001	305,000	601,000
1	310,001	315,000	315,000
2	315,001	320,000	640,000
3	320,001	325,000	975,000
1	325,001	330,000	330,000
2	335,001	340,000	679,500
1	340,001	345,000	345,000
3	345,001	350,000	1,050,000
1	350,001	355,000	350,350
1	355,001	360,000	360,000
2	360,001	365,000	726,500
1	370,001	375,000	375,000
1	380,001	385,000	383,000
2	390,001	395,000	784,500
5	395,001	400,000	1,994,000
3	400,001	405,000	1,206,001
1	405,001	410,000	406,500
1	420,001	425,000	421,500
1	430,001	435,000	431,000
2	445,001	450,000	898,500
1	455,001	460,000	457,000
1	460,001	465,000	462,000
1	470,001	475,000	475,000
1	475,001	480,000	480,000
1	490,001	495,000	490,565
5	495,001	500,000	2,500,000
1	500,001	505,000	500,375
1	515,001	520,000	520,000
1	520,001	525,000	522,500
1	540,001	545,000	541,500
1	550,001	555,000	552,500
1	555,001	560,000	558,572
1	560,001	565,000	563,000
1	565,001	570,000	567,000
1	585,001	590,000	588,500
1	595,001	600,000	600,000
1	600,001	605,000	600,100
2	605,001	610,000	1,213,514
1	610,001	615,000	615,000
1	615,001	620,000	620,000
1	630,001	635,000	635,000
1	680,001	685,000	684,500
2	695,001	700,000	1,400,000

Pattern of Shareholding

As at 31 December 2019

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
1	720,001	725,000	725,000
1	745,001	750,000	750,000
1	750,001	755,000	753,000
1	780,001	785,000	781,000
1	785,001	790,000	785,500
1	790,001	795,000	795,000
1	795,001	800,000	800,000
1	840,001	845,000	843,500
2	870,001	875,000	1,747,000
1	885,001	890,000	890,000
1	895,001	900,000	900,000
1	920,001	925,000	924,500
1	930,001	935,000	934,500
1	970,001	975,000	970,711
1	985,001	990,000	988,050
6	995,001	1,000,000	5,999,116
1	1,020,001	1,025,000	1,024,000
1	1,045,001	1,050,000	1,050,000
1	1,050,001	1,055,000	1,054,000
1	1,055,001	1,060,000	1,058,203
1	1,085,001	1,090,000	1,086,000
1	1,495,001	1,500,000	1,499,701
1	1,690,001	1,695,000	1,691,000
1	1,695,001	1,700,000	1,700,000
1	1,700,001	1,705,000	1,704,778
1	1,725,001	1,730,000	1,726,000
1	1,785,001	1,790,000	1,788,000
1	1,795,001	1,800,000	1,797,200
1	1,810,001	1,815,000	1,814,893
1	2,130,001	2,135,000	2,131,200
1	2,245,001	2,250,000	2,250,000
1	2,490,001	2,495,000	2,495,000
1	2,615,001	2,620,000	2,619,000
1	2,660,001	2,665,000	2,663,500
1	2,700,001	2,705,000	2,700,904
1	2,895,001	2,900,000	2,900,000
1	3,965,001	3,970,000	3,965,500
1	4,190,001	4,195,000	4,193,500
1	4,385,001	4,390,000	4,387,000
1	5,680,001	5,685,000	5,684,901
1	7,745,001	7,750,000	7,750,000
1	10,915,001	10,920,000	10,919,500
1	14,810,001	14,815,000	14,814,000
1	19,455,001	19,460,000	19,456,000
1	22,495,001	22,500,000	22,500,000
1	24,720,001	24,725,000	24,723,500
1	27,370,001	27,375,000	27,370,300
1	1,135,860,001	1,135,865,000	1,135,860,105
18,452			**1,514,207,208**

Pattern of Shareholding

As at 31 December 2019

S.No	Shareholders Category	No. of Shareholders	No. of Shares held
1	**Associated Companies, Undertakings and Related Parties:**		
	Lotte Chemical Corporation	1	1,135,860,105
2	**NIT and ICP**		
	CDC - Trustee National Investment (Unit) Trust	1	558,572
	Investment Corporatio of Pakistan	1	813
3	**Mutual Funds**		
	CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	1	60,000
	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	20,000
	CDC - TRUSTEE ABL STOCK FUND	1	250,000
	CDC - TRUSTEE AKD INDEX TRACKER FUND	1	88,000
	CDC - TRUSTEE AKD OPPORTUNITY FUND	1	200,000
	CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1	15,000
	CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	252,500
	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	25,000
	CDC - TRUSTEE FAYSAL MTS FUND - MT	1	239,000
	CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	9,000
	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	25,000
	CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	934,500
	CDC - TRUSTEE NBP INCOME OPPORTUNITY FUND - MT	1	38,500
	CDC - TRUSTEE NBP MAHANA AMDANI FUND - MT	1	872,000
	CDC - TRUSTEE NBP SAVINGS FUND - MT	1	448,500
	DOMINION STOCK FUND LIMITED	1	690
	GOLDEN ARROW SELECTED STOCKS FUND	1	30
	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	4,500
	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	25,000
	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1	35,000
	MCBFSL-TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	1	25,000
	SAFEWAY MUTUAL FUND LIMITED	1	1,050
	SECURITY STOCK FUND LIMITED	1	150
4	**Directors, CEO and their spouse and minor children**		
	Kwang Sik Huh	1	1
	Humair Ijaz	1	1
	Sang Hyeon Lee	1	1
	In Goo Park	1	1
	Jae Sun Park	1	1
	Mohammad Qasim Khan	1	1
	Pervaiz Akhtar	1	1
	Istaqbal Mehdi	1	1
5	**Executives**	1	9
6	**Public Sector Companies and Corporations**	2	1,060,243
7	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**	39	17,297,578
8	**Others**	215	124,642,562
9	**Individuals**	18,161	231,218,898
		18,452	**1,514,207,208**

Shareholders holding five percent or more voting rights

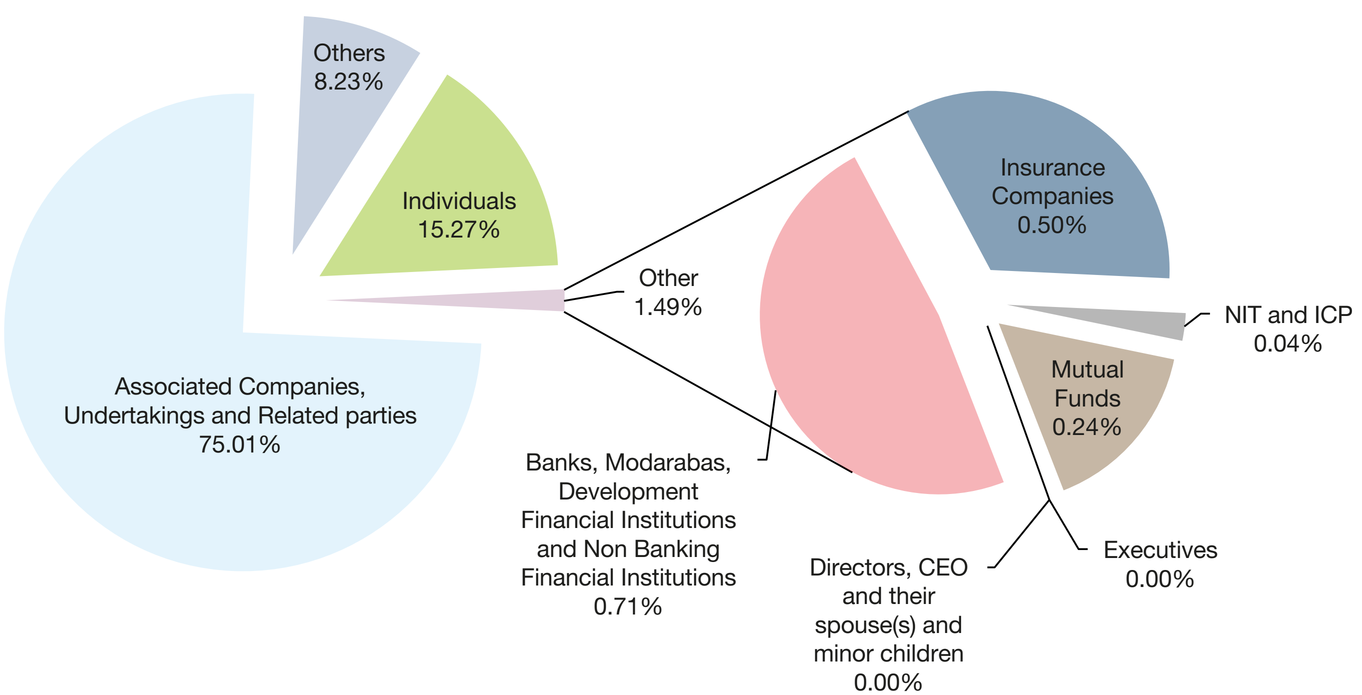
	Lotte Chemical Corporation	1	1,135,860,105

Categories of Shareholding

As at 31 December 2019

S.No	Shareholders Category	No. of Shareholders	No. of Shares	Percentage (%)
1	Associated Companies, Undertakings and Related parties	1	1,135,860,105	75.01
2	NIT and ICP	2	559,385	0.04
3	Mutual Funds	23	3,568,420	0.24
4	Directors, CEO and their spouse(s) and minor children	8	8	0.00
5	Executives	1	9	0.00
6	Banks, Modarabas, Development Financial Institutions and Non Banking Financial Institutions	28	10,815,222	0.71
7	Insurance Companies	13	7,542,599	0.50
8	Others	215	124,642,562	8.23
9	Individuals	18,161	231,218,898	15.27
Total		**18,452**	**1,514,207,208**	**100.00**

Shareholders Categorisation 2019



STRENGTHENING CORE COMPETENCIES

We aim to strengthen our core competencies in the main business and expand its scope to related businesses in order to create synergy. It is our passion to be the best in the industry by enhancing our core competencies through continuous learning.

Corporate Governance

Board of Directors

As at 14 February 2020

Min Jae Hwang

Chairman

Tenure

Appointed to the Board on 11 February 2020 for the term to expire on 22 June 2020.

Board and Committee Activities

- Chairman
- Member HR & Remuneration Committee
- Member Audit Committee
- Member Shares Sub Committee

Outside Interests

- Director, KP Chemtech Corporation

Career

Mr. Hwang is currently Managing Director of Aromatic Business for LOTTE Chemical Corporation, South Korea. He joined KP Chemical Corporation (now Lotte Chemical Corporation) in 2005 and had been associated with strategy, planning and feedstock teams. Prior to this, he had been working with Honam Petrochemical Corporation Research Institute for more than 9 years. Mr Hwang has also served as Managing Director of Olefin Business unit for five years. He has been CEO of LOTTE Chemical UK, from 2019 to 2020.

Mr. Hwang has a versatile experience of 24 years of working with petrochemical companies in South Korea and United Kingdom. He holds a Master's degree in Chemical Engineering from Yonsei University in South Korea.

Humair Ijaz

Chief Executive

Tenure

Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

Outside Interests

- None

Career

Mr Humair Ijaz has over 26 years of experience. After working for Siemens for a year, he joined ICI in 1993 as Management Trainee and worked in various businesses including Paints, Soda Ash and Pharmaceuticals. He was transferred to the PTA Business in 1998 as Logistics Manager and was promoted as IT Manager in the same year. He made significant contribution in setting up the business processes and systems of the PTA Plant. In 2004, he was promoted as Supply Chain Manager and then Commercial Manager in 2008. He has played an instrumental role in reshaping the Company's Commercial activities and based on his continued commitment, he was promoted as Director Commercial in 2013 and was appointed as the CE in June 2015.

He did his Bachelor's in Electrical Engineering and MBA (Finance) from Virginia Tech, USA and possesses a wide range of experience in the areas of Supply Chain, Sales and Information Technology.

He is a certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).

In Goo Park

Non-Executive Director

Tenure

Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

Outside interests

- Director, LOTTE Chemical USA Ltd

Career

Mr Park has been working with LOTTE Chemical Corporation, South Korea since 1996. He had worked at Planning Department of Lotte Chemical Corporation from 2000 to 2008. He was involved in Mergers & Acquisition, Strategy and New Business Planning of LOTTE Group Headquarters from 2009 to 2016.

Mr Park is currently working as Vice President of Value Management Team at LOTTE Chemical Corporation, South Korea.

Mr Park holds a Bachelor's Degree in Economics from Seoul National University South Korea.

Won Lee

Non-Executive Director

Tenure

Appointed to the Board on 11 February 2020 for the term to expire on 22 June 2020.

Outside Interests

- None

Career

Ms Won Lee has been working as a legal counsel with LOTTE Chemical Corporation, South Korea since 2015. She has been in charge of Legal affairs team as Senior Legal Counsel since 2019. Ms Lee had been associated with Tyler Fox Law Office in Cambridge, Massachusetts, USA and Myeong-dong Law firm in Seoul and Real Networks Asia Pacific. She was involved in Mergers & Acquisition transactions, criminal and civil litigations in USA, and has provided legal advice on a wide range of compliance and corporate governance matters to LOTTE Chemical Corporation.

Ms Lee did Bachelor of Science with Honors from University of New Brunswick, Canada in 2004. She acquired Juris Doctor from New England School of Law in Massachusetts, USA in 2010 and has also completed finance and accounting program from Northwestern University, Chicago, USA.

Sang Hyeon Lee
Executive Director

Tenure
Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

Board and Committee Activities
- Chairman Shares Sub Committee
- Member HR & Remuneration Committee

Outside Interests
None.

Career
Mr Lee has been working with LOTTE Chemical Corporation, South Korea since 1992, spending his first twelve years in the Production Control Team in the Ulsan Plant, where he was in charge of Planning, Budgeting, Cost Accounting, and Decision Making Support. He graduated from Hanyang University, majoring in Business Administration in 1989.

Mr Lee has previously served as a Non-Executive Director on the Company's Board from April 2013 to June 2014.

He is certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).

Mohammad Qasim Khan
Non-Executive Director

Tenure
Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

Board and Committee Activities
- Member Shares Sub Committee

Outside Interests
- CEO Amea Synergy Group

Career
Mr Khan is currently working as CEO of Amea Synergy Group. Prior to this, he was associated with PepsiCo, serving diverse roles in Australia, New Zealand, Vietnam, Malaysia, Singapore, Thailand and the Pacific Islands. He was responsible for Asia, Middle East and North America PepsiCo's beverage and food businesses. His last assignment with PepsiCo was as Senior Vice President AMENA Sector.

Mr Khan also worked for Procter & Gamble based in Geneva, Switzerland, where he was responsible for the Arabian Gulf markets. Mr Khan has an MBA in Marketing from the USA.

Mr Khan is the longest serving Board member of the Company. He was first appointed as Director in 2009 and was re-elected in 2011 and 2014.

Pervaiz Akhtar
Independent Director

Tenure
Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

Board and Committee Activities
- Chairman Audit Committee
- Chairman HR & Remuneration Committee

Outside interests
- Director Star Farm Pakistan (Pvt) Limited (METRO Group Company)
- Director CABI-SFPK Joint Venture

Career
Mr Akhtar graduated in 1976 from University of Punjab with majors in Economics. He later attended an MBA program at School of Business and Commerce Islamabad and secured distinction in Business Policy & Strategy and Human Resource Management. He completed his professional training with Klynveld Peat Marwick Goerdeler (KPMG) and passed Institute of Chartered Accountants of Pakistan (Inter) examination in 1981. In 1989 Mr. Akhtar was awarded a USAID scholarship and he completed Petroleum Management Program at Arthur D. Little Inc Boston, U.S.A.

He is responsible for METRO's Corporate Affairs since 2007. Being part of the senior management team, he has contributed towards successfully establishing the METRO Cash & Carry's business in Pakistan.

Prior to joining METRO, he served as General Manager Corporate Affairs for a Dutch Multinational Company (SHV Energy) for over 9 years. Mr Akhtar has a versatile experience of more than 30 years of working with local and multinational companies in Pakistan. During this period, he served in senior management positions in the field of Finance, Human Resources, Procurement and Corporate Affairs.

Istaqbal Mehdi
Non-Executive Director

Tenure
Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

Board and Committee Activities
- Member Audit Committee

Outside Interests
- Chairman / Chief Executive of Al-Aman Holidng (Private) Limited

Career
He has held several roles throughout his professional career. From 2009 onwards, he served as Chairman and Chief Executive of Al-Aman Holding (Pvt) Ltd. Prior to that, he was a Managing Director at Pakistan Kuwait Investment Company (Private) Limited. Some of his other roles include: serving as President and Chief Executive Officer at Zarai Taraqiati Bank Limited, Chairman and Chief Executive Officer at Agriculture Development Bank of Pakistan and Managing Director at Investment Corporation of Pakistan. He began his career in 1967 as a Research Assistant at USAID Lahore. He holds a Master of Philosophy in Financial Economics from the University of Leeds, UK. He also holds Bachelor and Master of Arts degrees in Economics from Government College, Lahore. In 1982, Mr Mehdi completed a course in Public Enterprise Policy in Developing Countries from Harvard University.

Mr Mehdi has previously served as a Director on the Company's Board from January 2011 to April 2012 and was re-appointed in June 2013.

He is a certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).

Board Committees
with brief terms of reference

Audit Committee

Members:

Mr Pervaiz Akhtar, Chairman
Mr Istaqbal Mehdi, Member
Mr Min Jae Hwang, Member

The Audit Committee assists the Board in effectively discharging its responsibilities with regard to corporate governance, financial reporting and corporate control. The Board draws up the terms of reference of the Audit Committee, which comply with relevant legislations.

The Board acts in accordance with the Committee's recommendations on matters forming its responsibilities. The Audit Committee reviews the system of internal controls, risk management and the financial audit process, as well as assists the Board in reviewing financial statements and announcements to shareholders. In carrying out its duties, the Audit Committee has the authority to discuss any issues within its remit with management, internal auditors or external auditors. If it deems necessary, it may also obtain legal advice on it. The Committee controls and monitors the scope of the internal audit function, including powers and responsibilities encompassing its charter.

The Chairman of the Audit Committee is an Independent Non-Executive Director, while its members include Non-Executive Directors. The Company Secretary acts as the Secretary of the Committee.

The Audit Committee meets at least once every quarter of the financial year. Its members meet at least once a year with external auditors, without the CFO and the Head of Internal Audit being present. In addition, Committee members also meet Head of Internal Audit and internal auditors at least once a year, without the CFO and external auditors being present.

HR and Remuneration Committee

Members:

Mr Pervaiz Akhtar, Chairman
Mr Min Jae Hwang, Member
Mr Sang Hyeon Lee, Member

The HR and Remuneration Committee assists the Company's Board of Directors to administer and develop a fair and transparent procedure for establishing human resource management policies. The Committee is responsible for reviewing the remuneration and benefits of the Chief Executive, Executive Directors and senior managers. Consisting of two Non-Executives and one Executive Director, the Committee is also responsible for reviewing the remuneration budget. The Chairman of the Committee is an Independent Director.

The General Manager HR & IT acts as the Secretary and the Committee meets at least once a year.

Shares Sub Committee

Members:

Mr Sang Hyeon Lee, Chairman
Mr Mohammad Qasim Khan, Member
Mr Min Jae Hwang Member

The Shares Sub Committee consists of one Executive and two Non-Executive Directors. This Committee approves registrations, transfers and transmission of the Company's shares. Resolutions passed by this Committee are subsequently placed at Board meetings for ratification.

Report of the Audit Committee

The Board Audit Committee has concluded its annual review of the conduct and operations of the Company for the year ended 31 December 2019 and reports that:

- The Company has adhered in full without any material departure, with the Pakistan Stock Exchange regulations, Listed Companies (Code of Corporate Governance) regulations, Company's Code of Conduct and Values throughout of the year.

- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of the financial statements of the Company on a going concern basis, for the financial year ended 31 December 2019, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company for the year under review.

- Accounting estimates are based on reasonable and prudent judgment. Estimates and judgments were continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Proper, accurate and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017.

- The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards.

- The Company has issued a Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, which has also been reviewed and certified by the auditors of the Company.

- The Audit Committee has reviewed all related party transactions, including the terms of the transactions, and recommends the same to the Board for review and approval.

- 'Closed periods' during which the Directors, the Chief Executive, CFO, Company Secretary and other executives of the Company including their spouses and minor children were precluded from dealing in Company shares were duly determined and announced by the Company prior to each Board meeting.

- During the year four Audit Committee meetings were held. These meetings were held prior to the approval of interim results of the Company by the board of directors and after completion of external audit.

- The Audit Committee met the external auditors without the CFO and the Head of Internal Audit being present as required by the Code.

- The Audit Committee also met the Head of Internal Audit and other members of the internal audit function without the CFO and the external auditors being present as required by the Code.

- The internal control framework has been effectively implemented through outsourcing the internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants. However, they have resigned effective from 20 November 2019 after completion of audit plan for the year 2019. The Company is in the process of outsourcing this function to a new firm of Chartered Accountants for the year 2020.

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control. The Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through financial, operational and compliance controls and risk management at all levels within the Company.

- The Company has also appointed a Head of Internal Audit in compliance of the Code of Corporate Governance. The Head of Internal Audit coordinates with the internal auditors and reports directly to the Chairman of the Board Audit Committee.

- Coordination between the external and internal auditors was facilitated to ensure efficiency and contributions to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

- The Board Audit Committee has reviewed and discussed audit observations and the Management Letter with the external auditors.

- The audit firm has been given a satisfactory rating under the Quality Control Review Programme of the institute of Chartered Accountants of Pakistan (ICAP). The firm is registered with Audit Oversight Board of Pakistan and is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP.

- The auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the auditors has thereby been ensured. The auditors attended the Annual General Meeting of the Company during the year.

- The statutory auditors M/s EY Ford Rhodes, Chartered Accountants have been Company's auditors for the last five years. In order to align with LOTTE Group external auditors, the Audit Committee has suggested appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants, as the statutory auditors of the Company for the financial year ending 31 December 2020.

Pervaiz Akhtar
Chairman - Board Audit Committee
13 February 2020
Karachi

Executive Management Team

The Executive Management Team consists of functional heads, operating under the Board and the Chief Executive, to ensure smooth operations and achieve strategic objectives. The Team conducts its business under the chairmanship of the Chief Executive with other senior managers. The Team is responsible for strategic business planning, decision-making, establishing adequacy of the Company's operational, administrative and control policies adopted by the Board and monitoring compliance thereof.

Tariq Nazir Virk
General Manager, Manufacturing

Humair Ijaz
Chief Executive, Profile on page 28.

Waheed U Khan
General Manager, HR & IT

Tariq Nazir Virk is a vastly experienced multi skilled professional in Plant maintenance, Operations, Process and Project management. He has more than 29 years of hands on operational experience with Petro Chemical Industry. He completed his Bachelor degree in Mechanical Engineering from University of Engineering and Technology, Lahore in 1990. He started off his career as a maintenance engineer with Dawood Hercules Chemical, one of the most reputable Fertilizer plants of the country.

He joined the Company in 1997 and was the key member of the original team which led the successful commissioning of the plant. He has served in various roles over the last twenty two years of his association with the company. He has delivered some of the most challenging projects to the Business such as Ox Dryer replacement, DCS up-gradation, Process Air Compressor control system up-gradation, Oxidation Reactor agitator modification etc.

Tariq stamped his mark on every function through his leadership that he was assigned to look over, whether it was HSE, Projects, Planning, Workshop, Operations or Process. He has special passion to hone young talent and thus has successful developed a proficient team which is a great mix of youth and old.

In the light of his contributions and skills, Tariq was promoted as General Manager Manufacturing in 2016. He never looked back since then and continued to make huge contributions to reduce fixed cost, enhance safety, reliability and operational efficiencies of the plant which are second to none vis a vis any International plant of this nature.

Waheed U Khan has over 29 years of versatile experience. Started his career with Computer Aided Engineering Services Descon as a designing engineer and moved to the major BMR project of Dawood Hercules Chemicals to enhance its Production Capacity, Reliability & Efficiency. Commissioned HaldorTopsoe Ammonia Reactor and completed the project with the team. He joined the Company in 1997. Since then, he has been challenged to perform in various departments of the organization, including Production, Technical, HSE, Product Quality, Training before becoming HR, Administration & Public Affairs Manager in 2008. Based on his continued commitment and experience, he was promoted as General Manager HR & IT in 2016.

He has played a pivotal role in nurturing a caring culture based on strong values of the organization. Closely worked with ICI AkzoNobel and LOTTE Group during the business acquisitions. Implemented strategies to reduce rising attrition and increased employee engagement. Over the years he has established strong succession programs to reduce business risks, introduced job evaluation process to rightly position each role in its competitive range, and synergized IT with business processes to bring efficiency and effectiveness. Under his leadership the Company has won several awards in recognition of the business HR systems. He is also driving the CSR program for the Company and has delivered various initiatives in the areas of health, education and a green environment.

Waheed holds a Master's degree in Business from LUMS and a second Master's degree in Engineering from Punjab University with distinction.

Management Committees

with brief terms of reference

Executive Committee

Members:

• Mr Humair Ijaz
• Mr Sang Hyeon Lee
• Mr Tariq Nazir Virk
• Mr Waheed U Khan
• Mr Kee Seo Park
• Mr Ashiq Ali
• Mr Adnan Ul Haque
• Mr Syed Masood Ul Hasan
• Mr Syed Qamar Alam
• Mr Kyoungmo Cho
• Mr Muhammed Talha Khan

The Executive Committee, chaired by the CE, supports the Executive Management Team in achieving its objectives and is responsible for smooth operations on an ongoing basis. It comprises of the various heads of departments including the Executive Management Team. The Executive Committee meetings are conducted on a monthly basis or more frequently if needed. The Committee reviews all operational and financial aspects, advises improvements to operational policies / procedures and monitors implementation of the same.

The Committee met on a monthly basis during 2019 and reviewed all operational and financial aspects of the business, including improvements to operational policies / procedures.

BCP Committee

Members:

• Mr Humair Ijaz
• Mr Tariq Nazir Virk
• Mr Ashiq Ali
• Mr Adnan Ul Haque
• Mr Syed Masood Ul Hasan
• Mr Syed Qamar Alam
• Mr Muhammad Tabish Ashfaq
• Mr Syed Arif Hussain
• Mr Umair Khalid

The BCP Committee's objective is to steer the Business Continuity Plan (BCP) by establishing a fit-for-purpose strategic and operational framework to respond to major business interruption situations.

The CE as Business Continuity Manager (BCM) leads the BCP process along with General Manager Manufacturing and Chief Financial Officer. A working level BCP Committee, headed by General Manager Manufacturing is responsible for stewarding the BCP Programme and comprises of representatives of all functions / departments. Each functional head is responsible for current and comprehensive Business Continuity Planning in his respective sphere of operations.

HSE&S Management Committee

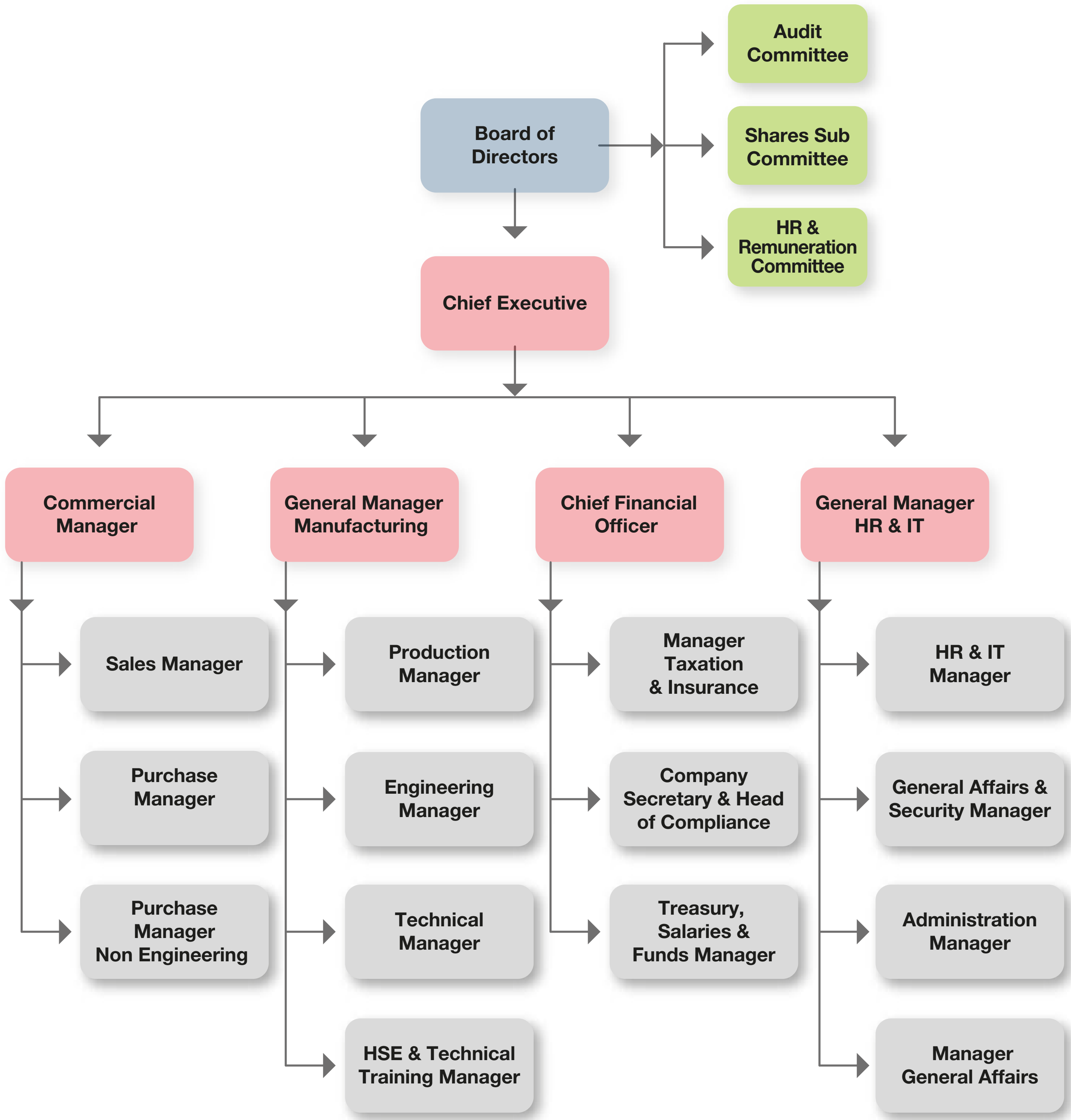
Members:

• Mr Humair Ijaz
• Mr Tariq Nazir Virk
• Mr Waheed U Khan
• Mr Ashiq Ali
• Mr Kyoungmo Cho
• Mr Syed Masood Ul Hasan
• Mr Adnan Ul Haque
• Mr Syed Qamar Alam
• Mr Mohammed Talha Khan
• Mr Umair Khalid

The HSE&S Committee, chaired by the CE, periodically reviews and monitors Company-wide practices. It oversees the Health, Safety, Environment and Security functions of the Company and is responsible for ensuring that all operations are safe, environment-friendly and compliant with regulatory framework.

The Committee received regular reports from the HS&E function, including quarterly reports prepared for Executive Committee on Company's Health, Safety and Environmental performance and operational integrity. These included quarter-by-quarter measures of personal and process safety, environmental and regulatory compliance and audit findings. Operational risk and performance forms a large part of the Committee's agenda.

Organisational Structure



Corporate Governance and Compliance

Board Governance

The Company's Corporate Governance Structure is based on the requirements of the Companies Act 2017, along with other circulars and guidelines issued by the Securities and Exchange Commission of Pakistan (SECP), regulations of the Pakistan Stock Exchange, the Code of Corporate Governance and the Company's Articles of Association. This is further strengthened by several internal procedures, which include a risk management assessment and control system, as well as a system of assurances of compliance with the applicable laws, regulations and the Company's Code of Conduct.

The Company is a public limited company established under the laws of Pakistan. The shares of the Company are listed on the Pakistan Stock Exchange (G) Limited.

Role of the Board

The Board of Directors provides oversight in the governance, management and control of the Company and is responsible for setting the goals, objectives and strategies of the Company and for formulating the policies and guidelines towards achieving those goals and objectives. The Board is accountable to the shareholders for the discharge of its fiduciary function. The Management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. In order to facilitate the smooth running of the day-to-day affairs of the Company, the Board entrusts the Chief Executive with necessary powers and responsibilities who in turn is assisted by an Executive Management Team. The Board is also assisted by Sub Committees comprising mainly Non-Executive / Independent Directors. Specific tasks are delegated to the board sub committees and the Board seeks to set the 'tone from the top' by working with the management to agree on the values of the Company.

The activities of the Board are based on the requirements and duties laid down under relevant laws and the Company's Memorandum and Articles of Association. This compliance assists the Board in safeguarding the interests of all the stakeholders.

Board Composition, Size and Tenure

The structure of the Board reflects an optimum combination of Executive, Non-Executive and Independent Directors. The current Board comprises eight directors which include two Executive Directors (including the Chief Executive), five Non-Executive Directors and one Independent Director. The Chairman of the Board is a Non-Executive Director. The positions of Chairman and Chief Executive are held by separate individuals with clearly defined roles and responsibilities.

All the Directors are appointed for a term of three years on completion of which they are eligible for re-election under the Company's Articles of Association through a formal election process.

Consent to act as director is obtained from each candidate prior to election. The Company has had an Audit Committee and a HR & Remuneration Committee of the Board much before the introduction of the Code of Corporate Governance.

Roles and Responsibilities of the Chairman and Chief Executive

There is a clear segregation of roles between the Chairman of the Board and the Chief Executive for smooth running of the business. The Company's Articles of Association, relevant laws and the duties assigned by the Board outline the responsibilities and the power of the Chairman of the Board.

The key role and responsibilities of the Chairman includes;

- Provides leadership of the Board
- Acts as main point of contact between the Board and management.
- Speaks on Board matters to shareholders and other parties.
- Is responsible for the integrity and effectiveness of the Board's system of governance.
- Ensures that systems are in place to provide directors with accurate, timely and clear information to enable the Board to operate effectively.

The Chief Executive functions in accordance with the powers vested in him by law, the Company's Articles of Association and the authorities delegated to him by the Board. The Chief Executive is responsible for framing strategic proposals and formulating business plans for the

Board approval. Moreover, the Chief Executive is also responsible for ensuring smooth functioning of the business with optimum utilisation of the Company's resources and effective implementation of internal controls.

Board Meetings

The Board determines the key items for its consideration for the coming financial year. The agenda is set by the Chairman in consultation with the Chief Executive and with support of the Company Secretary. A similar process is used for meetings of Board Committees.

Meetings of the Board of Directors and Sub Committees are held in accordance with an annual schedule circulated before each year end to ensure maximum participation of the directors.

Discussions at Board meetings are open and constructive. All discussions of the Board and their records are maintained in confidence unless there is a specific decision or legal requirement to make disclosure.

When participating in Board discussion, Executive Directors are expected to discharge their responsibilities as directors of the Company and not to act solely as the representatives of that activity for which they bear executive responsibility.

Independence and Conflict of Interest

The Non-Executive and Independent directors are expected to be independent in character and judgment and free from any business or other relationship which would materially interfere with the exercise of that judgment.

The Board is satisfied that there is no compromise to the independence of, and nothing to give rise to conflicts of interest for, those directors who serve together as directors on the boards of outside entities or who have other appointments in outside entities.

Board Induction and Education

All Directors, including foreign resident Directors, as part of their induction package, are provided with sufficient information of their duties and responsibilities under respective laws and the Company's Memorandum and Articles of Association. Directors, being senior professionals and possessing experience of managing various responsibilities, have adequate exposure to corporate matters.

On joining Company's Board, Non-Executive and Independent Directors are given a tailored induction programme. This includes meetings with the management and site visit. Moreover, the Board received briefings on Company's Code of Conduct, Company's values and key business developments including legal updates, the economic outlook and the necessary information under respective laws and the Company's Memorandum and Articles of Association.

At present, one independent director, two Executive Directors and two Non-Executive Directors have completed all parts of the certification "The Board Development Series" offered by the Pakistan Institute of Corporate Governance (PICG). Certification for remaining directors will be obtained in accordance with the Code of Corporate Governance.

Board Evaluation

A comprehensive evaluation with respect to the effectiveness of the Board own performance, members of the board and its committees was carried out in 2019 using an external facilitator, PICG. The Board evaluation assessment covered specific areas of Board performance including Board Composition, Board & CEO Compensation, Strategic Planning, Board Procedures, Board Interaction, Board Information, Board Committees and Board & CE Effectiveness. The findings of the evaluation were discussed in detail with the Board of Directors.

The Board also regularly reviews the developments in Corporate Governance to ensure that the Company always remains aligned with the best practices.

CE Performance Review

The Board of Directors of Lotte Chemical Pakistan Limited regularly evaluates performance of the CE based on agreed financial and non-financial KPIs.

The Board has reviewed the performance of the CE for the current financial year and is satisfied with the achievements for the year. The Board has full confidence in his abilities to manage the affairs of the Company in the most professional and competent manner. The CE is also responsible for setting the objectives for his management team and regularly updates the Board about the performance of the management in achieving the desired goals.

Material Interests of Board Members

Directors are required to disclose, at the time of appointment and on an annual basis, the directorships or memberships they hold in other corporations. This is in pursuance with Section 205 of the Companies Act 2017, which also requires them to disclose all material interests.

This information is used to help maintain an updated list of related parties. In case any conflict of interest arises, the matter is referred to the Board's Audit Committee.

None of the directors are either members of any stock exchanges in Pakistan or engaged in the business of stock brokerage. Moreover, they are not involved in external audit and have had no relationship with the Company's external auditors during the preceding two years. Remuneration and benefits of the Board, including the Chief Executive and Executive Directors, are disclosed in note 36 to the financial statements as determined under provisions of the Articles of Association of the Company.

Board & Management Committee

The Board may at any time establish Committees of the Board to assist in carrying out its responsibilities. Any Committee will be subject to the Board Principles and will speak or act for the Board only when and to the extent so authorised.

The permanent Committees of the Board include the Audit Committee, the HR & Remuneration Committee and Shares Sub Committee.

Each permanent Committee is comprised of those directors the Board considers best suited to serve on that Committee and in accordance with the Code of Corporate Governance.

The Board and Management Committees brief details are covered elsewhere in the Report.

Financial Statements

Periodic financial statements of the Company are circulated to the directors duly endorsed by the Chief Executive and the Chief Financial Officer for approval by the Board before publication, in compliance with the Listed Companies (Code of Corporate Governance) Regulations. After consideration and approval, the Board authorizes the signing of financial statements for issuance and circulation. The half-yearly and annual financial statements are initialed by the external auditors before presentation to the Audit Committee and the Board for their respective approvals.

The publication and circulation to the shareholders, stock exchange and regulators of quarterly unaudited financial statements along with Directors' Review is done within one month and half-yearly financial statements reviewed by the external auditors within two months, of the respective period end dates.

Annual financial statements together with the Directors' Report, Auditors' Reports and other Statutory Statements / Information are circulated for consideration and approval by the shareholders, within four months from the end of the financial year. These statements are also made available on the Company's website. All other important information considered sensitive for share price determination is transmitted to stakeholders and regulators on a timely basis.

Adequate Disclosure

We believe in best practices in corporate governance by adopting transparency and disclosure as a policy with our stakeholders. This is achieved through disclosure of communications to our shareholders and other stakeholders, including our financial statements. All critical accounting estimates, rules and procedures governing extraordinary transactions, or any changes in accounting policies along with their financial impact, are disclosed in the notes to the financial statements. We follow the Companies Act, 2017 and applicable IAS and IFRS (International Accounting Standards and International Financial Reporting Standards). In addition, we endeavour to provide as much relevant supplementary information in the financial statements as possible.

Annual General Meeting

The Company holds its Annual General Meeting of the shareholders in light of the Companies Act, 2017, Code of Corporate Governance and our Articles of Association. We request all our shareholders to participate. We also ensure that a copy of the Annual Report containing the agenda and notice of AGM is dispatched to every shareholder at his/her registered address.

Issues raised in last AGM: During the 21st AGM of the Company held on 18 April 2019, general clarifications were sought by the shareholders on the financial statements and the market. No significant issues were raised.

Investor Relations

The Company seeks to keep all stakeholders informed on a regular basis. This is done by means of publication on Company's website containing complete financial reports on a quarterly basis and the publication of the annual and interim reports. In addition, the Company communicates with all its shareholders / investors and analysts through organizing or attending meetings such as AGMs.

Meetings are held with stakeholders to ensure that the investment community receives a balanced and complete view of the Company's performance and the issues faced by the business, while always observing applicable rules concerning selective disclosure, equal treatment of shareholders and insider trading.

Pattern of Shareholding

Disclosure of Company's shareholding structure is given in the pattern pursuant to the Companies Ordinance and the Code of Corporate Governance in the printed accounts of the Company. Our share capital is comprised of ordinary shares. No other class of shares is issued by the Company. LOTTE Chemical Corporation, Korea holds 75.01% shares, while the balance 24.99% shares are held by individuals and domestic and foreign institutions. The Pattern of Shareholding in the Company, as at 31 December 2019, is given on page 21 of the Annual Report.

Code of Conduct

Even before the introduction of the requirement in the Code of Corporate Governance, the Company had a comprehensive Code of Conduct. In order to apprise the employees of the Code of Conduct, the Company organizes training sessions and induction programmes on a regular basis to ensure compliance at all levels. Besides this, every employee of the Company is required to sign, on an annual basis, a statement to the effect that he or she understands the Code of Conduct and that he or she abides by it at all times while doing business for the Company. Salient features of the Code of Conduct are covered earlier in the Report.

Speak Up

A separate 'Speak Up' policy has been formulated in order to facilitate strict adherence to the Code of Conduct, whereby any Company employee can raise concerns, expose irregularities and help management of the Company in identifying financial malpractices and potential frauds without any fear of reprisal or adverse consequences on a confidential basis through various modes of communication. Complete anonymity of the person using this facility is assured and all complaints are thoroughly investigated either by the Company internally or by assigning it to the Internal Auditors.

Employees of the Company are encouraged to use the guidance provided by the Speak Up Policy for reporting wrongdoing/improper conduct. A separate Speak Up Committee has been formed with a direct reporting line to the Board Audit Committee.

Insider Trading

The Company has a stringent policy on insider trading and securities transactions. The policy paper which is circulated to all the employees of the Company from time to time prohibits all employees of the Company from making use of inside information for direct or indirect transactions in Company shares. Closed periods during which Directors, CEO, CFO, CS and designated Executives, as determined by the Board, and their spouse and minor children were precluded from dealing in Company shares are duly determined. No trading in Company shares is allowed during the closed periods. Prior notification in writing is required to be given to Company Secretary before carrying out any transaction and once the transaction is executed, it is to be reported back to the Company Secretary within two days of execution of the transactions with relevant details of purchase/sale of shares. No opposite transaction is allowed within six months i.e. if anyone buys any shares of the Company, he or she is not allowed to sell those shares within six months to make a gain.

Related Party Transactions

A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. After review by the Audit Committee, the transactions are placed before the Board for their consideration and approval.

Internal Control

The Company has a sound system of internal control and risk management. The internal audit function, mainly responsible for internal controls, has been outsourced to a Chartered Accountants firm and reports directly to the Chairman of the Audit Committee. As a consequence of regular review over several years, the Company now has an extremely robust system of internal controls which was further strengthened in 2005 when the Company had to go through a comprehensive implementation of the Sarbanes-Oxley Act (SOX) due to listing of its previous parent company's shares on the New York Stock Exchange. Although this requirement is no longer applicable to the Company, the Company continued with the control framework then adopted.

Internal and External Audit

Internal Audit function plays a key role in providing the management and the Board an objective view and reassurance of the effectiveness of the risk management and related control systems throughout the entity. Internal Audits are carried out across all functions by the appointed Internal Audit firm and all findings are reported to the Management and the Audit Committee of the Board.

Action plans are followed up rigorously to ensure that timely corrective action is implemented for the effective functioning of controls. The Board, through the Audit Committee, reviews the assessment of risks, internal and disclosure controls and procedures and suggests remedial actions where applicable. The role of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of Company's financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, the performance of the internal audit function, and compliance with the Code of Conduct.

The external auditors are appointed by the shareholders on a yearly basis at the Annual General Meeting on the recommendation of the Audit Committee and Board of Directors. The partner in charge of our audit or the audit firm is rotated every five years as per the regulations.

HR Policy & Succession Planning

A comprehensive HR policy is part of terms of employment and is applicable to all the permanent employees. The key objective of the HR policy is to develop a high performance culture providing a critical link between an employee's performance and Company's goals. The policy also supports in maintaining the desired organisational culture. In order to ensure continued business performance, the Company has developed a robust Succession Plan for the positions of Chief Executive, his direct reports in Executive Management Team and business critical roles.

Quality Policy Statement

Lotte Chemical Pakistan Limited operates in an environment which is influenced by global trends. To remain competitive and retain its status as a preferred PTA supplier, it has to produce a world-class product that always meets the expectations of its customers, both local and overseas, in terms of price, product, quality and service.

The Company achieves the above mentioned objectives by delivering a quality service on the principle of "right first time every time".

To support the Quality Policy, the Company ensures ownership at all levels to continually improve the Quality System consistent with the latest standards and provides necessary training & resource to deliver added value to the business.

Risk Management

The Board has an overall responsibility for the risk management process and internal control procedures. The Audit Committee monitors the Company's risk management process quarterly or more frequently if required and reviews the adequacy of the risk management framework. The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. A clear organizational structure with defined delegation of authorities is maintained and the senior management takes the day-to-day responsibility for implementation of procedures, ongoing risk monitoring, and effectiveness of controls.

The risk and control procedure is supported through a Business Continuity Plan and Crisis Management Plan.

Business Continuity Plan / Crisis Management Plan

The Company recognizes the importance of a comprehensive Business Continuity Planning Programme that allows it to plan for and manage major business disruptions. All significant risks, possibilities for control and reduction are identified. The plan is periodically tested in a simulated environment to ensure that it can be implemented in emergency situations and that the management and employees are aware of their respective roles. The range of events considered includes natural disasters, failure of equipment, terrorist action, government/political/legal actions, and changes in the financial and business climate. The controls identified are tested by internal auditors and action plans are followed rigorously to ensure timely corrective action is implemented for the effective functioning of controls. In addition, a Crisis Management Plan is also developed and is regularly reviewed and updated. This focuses on helping management to handle the immediate effects of a major incident and includes instructions on communications both within and outside the Company.

During the year, the Board through its Audit Committee regularly reviewed the processes whereby risks are identified, evaluated and managed.

Business Risks & Challenges

The following risks are considered to be relevant in evaluating the overall outlook and business strategy of the Company.

	Risk	Mitigating Factors
STRATEGIC	Changing Economic Conditions & Government Policies	The Board and the Management strive to follow a defined strategy to overcome strategic risks and continuously seek dialogue with the policy makers through various business forums in the overall interest of the domestic industries.
STRATEGIC	Non Compliance with Laws & Regulations	Changes in regulatory environment are monitored closely and all significant changes are adapted in a timely manner. We advertise and encourage use of 'Speak Up' policy to all our employees to report irregularities, if any, in relation to our Code of Conduct. We remain committed to compliance with all legal and regulatory requirements with special emphasis on our Code of Conduct.
OPERATIONAL	Critical Equipment Failure	Stringent control measures for all critical equipment are in place which includes, but is not limited to, exhaustive preventive maintenance regimes, availability of all adequate spares, upgrade of technologies and necessary training of related manpower.
OPERATIONAL	Power Failure	Being the sole producer of PTA in the country, it remains imperative that the PTA plant remains in operation on continuous basis throughout the year and as a result, alternate sources for all its key utility needs are in place. The Company in 1998/1999 invested heavily in the K-Electric network to ensure uninterrupted power supply to the Company and the Company entered into an evergreen power supply agreement with K-Electric based on its investment in the necessary infrastructure. All critical equipment remains connected to standby generators. In addition, the Company invested in a captive co-generation power facility, which became operational in July 2012, to improve the energy economics of the business and to ensure alternate uninterrupted power supply for continuous PTA operations.
OPERATIONAL	Risk to Health, Safety and Environment	We continue to uphold the highest safety standards, in line with ISO 45001:2018 & internal HSE policies, for both Company and contractor employees which is evident by an excellent safety record spread over 21 years without a Lost Time Injury – more than 59 million man-hours have been completed without a Lost Time Case.
OPERATIONAL	Inability to attract and retain talent	The Board and the Management put great emphasis on attracting, educating, motivating and retaining staff and the Company continues to support the development of a winning culture through its human resources management policies. Engagement of all our employees remains our key priority.
COMMERCIAL	Key Supplier Failure	The Company aims to use its purchasing power and long-term relationships with the suppliers to ensure continuous availability of raw materials. Maintenance of optimum buffer inventory levels and ensuring alternative sources for key raw materials assists in partially mitigating the risk of abrupt supply interruptions.
COMMERCIAL	Key Customer Failure	The Company takes pride in the dependable relations developed with its customers over the years and aims to enter into long-term relationships to ensure continuous sale of its product. The Company has demonstrated its ability to export larger volumes, if required. Availability of locally produced PTA and excellent technical support present a strong incentive for local customers to retain the relationship with the Company on a long-term basis.
FINANCIAL	Liquidity Risk	The Company's sales strategy enables maximum volumes to be sold against sight letters of credit and purchasing strategy ensures optimum level of credit days. Adequate modes of financing are available in the form of committed bank facilities. This risk is also mitigated by continuous monitoring of cash flow needs and careful selection of financially strong banks with good credit ratings.
FINANCIAL	Fluctuations in Foreign Currency Rates	The Company incurs foreign currency risk on sales, purchases and borrowings that are in a currency other than Pak Rupees. The Company's foreign currency risk arising on sales is minimised through a natural hedge resulting from the pricing mechanism of PTA whereby the price invoiced for PTA domestically is recalculated every month to derive a Rupee price from the international commodity price of PTA in US dollars. To hedge against its foreign currency risk arising on purchase transactions, the Company may enter into forward exchange contracts when considered appropriate. Also, the natural hedge on PTA sales minimises the impact of risk arising on purchase transactions.
FINANCIAL	Credit Risk	The Company's exposure to credit risk is influenced by the individual characteristics of each customer. All sales are made against letters of credit and the Board has established a credit policy under which each new customer is analysed individually for credit worthiness. All customers have been transacting with the Company for over five years.

VALUE-BASED MANAGEMENT

Our talented team delivers quality products to our customers which creates higher value and sustains profitability.

Business Review

Chairman's Review Report

For the year ended 31 December 2019
On Board's overall performance U/S 192 of the Companies Act 2017

Dear Stakeholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Lotte Chemical Pakistan Limited highlighting the Company's performance and achievements for the year ended 31 December 2019.

This year, the revenue of Lotte Chemical Pakistan Limited increased by 5% to Rs 60.540 billion. The Company's profit before tax for the year is Rs 7.779 billion and profit after tax is Rs 5.542 billion. I am pleased to report that despite a challenging operating environment, the Company has been able to deliver the best financial results.

The Board remained actively engaged with the management to monitor the Company's performance against its established strategy, goals and targets. The Board carried out its fiduciary duties with a sense of objective judgment and in good faith in the best interests of the Company and its stakeholders. The Board and its committees played an active role to oversee critical aspects from governance perspective and adherence to high standards of ethical practices.

During the year, four meetings of the Board of Directors, four Audit Committee and one HR & Remuneration Committee meetings were held.

As required under the Code of Corporate Governance, an annual evaluation of the board's own performance, members of board and of its committees was carried out for the financial year ended 31 December 2019. I am pleased to report that the overall performance of the Board was found satisfactory.

The Board has an appropriate mix of skills and experience. The Board comprises members with rich professional experience in various domains, having strong financial and analytical abilities and independent perspectives. The Board keeps abreast of trends and issues affecting the market in which the Company operates and provides appropriate direction and oversight on a timely basis to ensure optimal utilization of resources.

On behalf of the Board, I express my sincere appreciation to our customers, employees, suppliers, the Government and all other stakeholders, who have supported the Company's business performance.

Min Jae Hwang
Chairman

Directors' Report

For the year ended 31 December 2019

The Directors are pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Board Changes

Mr Kwang Sik Huh (Chairman) and Ms Jae Sun Park (Director) resigned with effect from 11 February 2020 and Mr Min Jae Hwang and Ms Won Lee were appointed as Directors with effect from the same day to fill the casual vacancies for the remainder of the term to expire on 22 June 2020.

Following this Mr Min Jae Hwang was appointed as Chairman of the Board, Member of HR & Remuneration Committee, Member of the Audit Committee and Member of the Shares Sub Committee in place of outgoing Director Mr Kwang Sik Huh with immediate effect.

The Board places on record its appreciation for the valuable contributions made by the outgoing Directors, Mr Kwang Sik Huh and Ms Jae Sun Park and welcomes Mr Min Jae Hwang and Ms Won Lee as the new Directors of the Company.

Business Overview

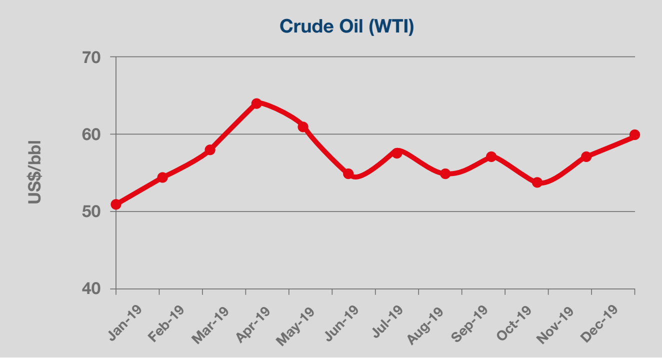
Crude Oil

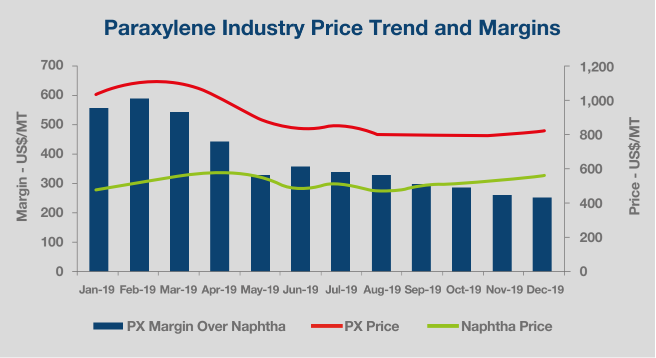
The Crude Oil (WTI) market experienced a bullish trend in the first quarter mainly due to the OPEC Plus production cuts of almost 1.2 million bpd. This was further supported by the sanctions on Iran and Venezuela which contributed towards limiting supply in the global market. However, during the second quarter the market declined due to fears of an economic recession owing to the US-China trade war and the continued increase in US Crude production. Despite the heightened security concerns in the Middle East and the attack on Saudi Aramco's oil facilities, Crude prices were unable to gain significant momentum and remained range-bound. Towards the end of 2019, Crude prices strengthened on additional cuts agreed by the OPEC Plus, leading to almost 1.7 million bpd being taken off the global market. The bullish trend was further supplemented by the optimism of a possible trade deal between US and China. The year ended with WTI Crude prices at US$ 61.20/bbl., while the average price for the year was at US$ 59.72/bbl.

Paraxylene (PX) Industry

The year commenced with Paraxylene (PX) prices tracking the upstream Crude market and exhibiting a bullish trend. However, towards the second quarter, the PX market turned bearish on weaker downstream demand owing to the US-China trade war and slower than expected recovery in demand post seasonal holidays. The market lost further strength on concerns of over supply owing to the expected addition of over 7 million MTs of new PX capacity in the region. Additionally, the declining PX and PTA margins and the short-lived PTA peak season kept the market sentiment negative; prompting multiple PX producers to rationalize operating rates and commence shutdowns. Towards the end of the year, PX prices exhibited slight improvement owing to start-up of new PTA capacity and the bullishness in the upstream Crude market.

Overall, the PX market operated at an average rate of 84% compared to 91% last year, as producers reduced throughput due to oversupply concerns and declining margins. The average PX margin over Naphtha for the year was US$ 379 per tonne as compared to US$ 446 per tonne in 2018.



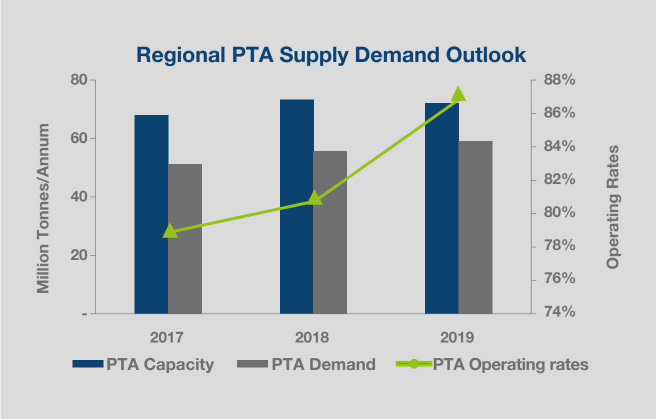


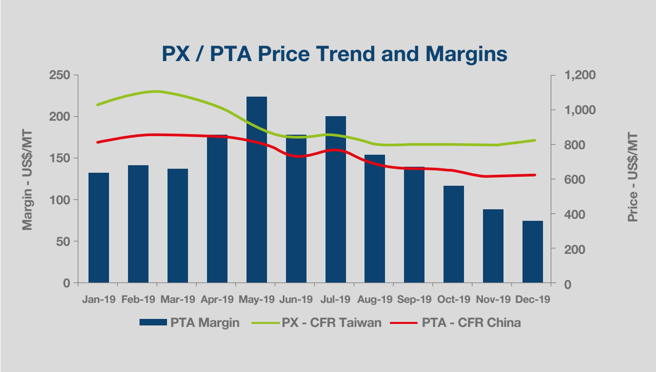
PTA Industry

The PTA market on average trended lower compared to the previous year. Prices were unable to maintain pace with the bullishness in the upstream feedstock markets due to the slow recovery in downstream sales. Nevertheless, seasonal demand from PET and PSF helped limit the downward price movement. Towards the second half of the year, lingering US-China trade talks led to a short-lived peak season and forced Polyester producers to rationalize operations. The PTA market was therefore, unable to recover as fears of a recession and limited downstream demand. Towards the year end, PTA margins had declined to US$ 75/MT last seen in March 2017.

PTA producers operated at an average rate of 87% in 2019 while the average PTA price for the year was US$ 738.48/MT.

PTA margin over PX averaged at US$ 146 per tonne for 2019; while, the average margin for Q4 2019 was US$ 93 per tonne.





Domestic Polymer Industry

The downstream Polyester industry contracted by 12% compared to 2018 mainly due to the reforms in the Finance Bill 2019 which led to increased economic uncertainty and a higher cost of production. Additionally, the devaluation of the Rupee added to the unfavorable business environment thereby affecting sales in the entire chain and resulting in increased inventories. Towards the end of the year, business performance showed some improvement as businesses rationalized inventories and streamlined operations to adjust to the new regulations.

The domestic Polymer industry operated at an average rate of 78% during the year compared to 89% in the previous year leading to reduced PTA demand in 2019.

Operations

Sales volume during the year, comprising of domestic sales only, was 3% lower than last year mainly due to uncertain domestic market conditions.

Production during the year was 6% lower than the corresponding period last year due to lower downstream demand and consequent reduction in plant operating rates.

The Company continued to make investments in its production facility, aimed at sustaining continuous reliable operations and to improve plant efficiencies.

Health, Safety and Environment (HSE)

The Directors are proud to report that your Company has maintained due focus on HSE and has achieved a major milestone by completing 59 million man-hours as of 31st December 2019, without any injury to own or to contractors' employees. This is an impeccable record by any global standards.

During the year, both internal and external audits were carried out to verify compliance with regulations and standards. No major concerns were reported in these audits. In addition to this, the Company's liquid effluent met national environmental quality standards and gaseous emissions also remained within regulatory limits.

Your Company actively fosters a culture of training and capacity-building of its employees and invests in state-of-the-art equipments and techniques to ensure safety at all times.

A detailed report on HSE performance and development in 2019 is available on page 68 of the Annual Report.

Impact of the Company's Business on Environment

Protection of the environment remains a critical component of our sustainability vision. Energy, water, waste and resource conservation; biodiversity enhancement; emissions management and regulatory compliance; are all essential areas of focus for us.

We are committed to ensuring that our operations remain environment friendly - taking an avid interest in reducing our carbon footprint. In line with this belief, we maintain a state-of-the-art deep shaft technology Effluent Treatment Plant (ETP) to treat liquid emissions. To further improve our waste management the Company has initiated a project to install Anaerobic Reactor, installation of which will be completed in Q3, 2020. Being an ISO 14001 certified organization, and believing that long-term economic sustainability depends on ecological sustainability, our focus remains on reducing waste.

A detailed report on Environmental protection is available on page 73 of the Annual Report.

Financial Performance

Amount in Rs million	Year ended 31 December	
	2019	2018
Revenue	**60,540**	57,400
Gross profit	**7,876**	7,382
Profit before taxation	**7,779**	6,346
Taxation	**(2,237)**	(1,914)
Profit after taxation	**5,542**	4,431
Earnings per share (in Rupees)	**3.66**	2.93

Despite lower volume sold, revenue of Rs 60,540 million for the year was higher by 5% compared to Rs 57,400 million of previous year mainly due to higher average PTA price per tonne on account of devaluation of the Pakistan rupee versus the US dollar. The Company posted a gross profit of Rs 7,876 million for the year as compared to gross profit of Rs 7,382 million during the same period last year.

Administrative expenses were 9% higher than last year due to overall impact of inflation. Other expenses were higher than last year mainly due to higher provision for Workers' Profit Participation and Workers' Welfare Funds on the back of higher operating profit. Other income for the year was higher than last year due to higher income earned on bank deposits as a result of increase in average cash surplus levels.

Earnings per share (EPS) for the year increased to Rs 3.66 per share as compared to Rs 2.93 per share for last year.

Dividend

During the year, an interim dividend @ Rs 1.50 per ordinary share (15%) for the year ended 31 December 2019 as approved by Board of Directors, was paid to the shareholders of the Company.

Human Resources

Throughout 2019, HR standards were held high and untiring efforts were made to increase efficiency and accountability, while improving services to our customers and streamlining our administration. Your Company remains passionate about promoting and maintaining a culture of employee engagement. In order to maintain the Company's market position, attracting, retaining and developing talent across all functions is a crucial and incessant process. As part of its human capital strategy, the Company advocates equal opportunity employment. While we ensure compliance with the prevailing labor laws, we follow best practices in industrial relations and ensure a productive and positive work environment for all.

A detailed report on human resource performance and development in 2019 is available on page 56 of the Annual Report.

Corporate Social Responsibility (CSR) Activities

As a socially responsible corporate citizen, your Company has committed itself to the uplift of local communities and society. We have identified Health and Education as the foremost need of our people and strive to improve these areas by supporting and partnering with charitable organizations.

A detailed report on CSR activities undertaken by the Company in 2019 is available on page 75 of the Annual Report.

Future Outlook

Crude (WTI) prices are expected to come under increasing pressure as fears of a pandemic rise owing to the coronavirus originating from China. This may offset the bullishness seen in the Crude market following the Phase 1 trade deal between US and China and the deeper production cuts by the OPEC Plus. While there remains an element of hope on a Phase 2 deal, the trade spat has left the global economy weaker and with the continued increase in Crude production, especially from the US, we foresee upward price movement to remain limited.

The PX market is expected to gain length as substantial new capacity is likely to be added in the region. This will keep PX industry margins under pressure and will force PX producers to rationalize operations. Although over 10 million MT of PTA capacity is also expected to come online in 2020, with global demand weakened by the trade war and fears of a pandemic owing to the coronavirus, we may actually see limited demand growth in the Polyester chain. Nevertheless, demand for PTA is expected to improve from current low levels as the seasonal demand for Polyester picks up. The international community's stand on reducing the carbon footprint is expected to increase the consumption of recycled Polyester, which may also limit the demand for PTA.

The operating rate of domestic Polyester industry is expected to improve due to the upcoming seasonal demand and as market players adjust to the new regulations imposed by the government. The Government's new policies have improved the country's ease of doing business rating, thereby attracting higher foreign investment. Furthermore, the Government of Pakistan's recent efforts to help support the domestic export sectors may see downstream demand improve.

Corporate Governance

The Directors are pleased to state as follows:

- The financial statements of the Company, prepared by the management fairly present its state of affairs, the results of its operations, cash flows and the changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and departures there from, if any, have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance.

Principal Activities

The Company is engaged in the manufacture and sale of Pure Terephthalic Acid (PTA).There have been no changes in the nature of the principal activities during the financial year.

Risk Management

The Audit Committee monitors the Company's risk management process and reviews the adequacy of the risk management framework. The Board has an overall responsibility for the risk management process and internal control procedures. The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. A clear organizational structure with defined delegation of authorities is maintained and the senior management takes the day-to-day responsibility for implementation of procedures, ongoing risk monitoring, and effectiveness of controls.

A statement summarizing principal risk and uncertainties faced by the Company is given on page 41 of the Annual Report.

Composition of the Board

The total number of directors and composition of the board is as follows:

Total number of Directors	Nos
(a) Male	7
(b) Female	1
	8

Composition of the board	
Independent Directors	1
Other Non-executive Directors	4
Executive Directors	2
Female Director	1

Committees of the Board

The names of members of the Board's committees are given below:

Audit Committee	
Mr Pervaiz Akhtar	Chairman
Mr Min Jae Hwang	Member
Mr Istaqbal Mehdi	Member

HR and Remuneration Committee	
Mr Pervaiz Akhtar	Chairman
Mr Min Jae Hwang	Member
Mr Sang Hyeon Lee	Member

The names of the persons, who at any time during the financial year ended 31 December 2019, were Members of the Board and its Committees along with their attendance is as follows:

During the year, 4 (four) Board of Directors, 4 (four) Audit Committees and 1 (one) HR & Remuneration Committee meetings were held.

All Board meetings were held in Pakistan except for one Board meeting which was held in South Korea on 26 August 2019.

Director's Remuneration

The Board of Directors has approved a policy for remuneration of Non-Executive Directors (excluding the nominees of major shareholder) in respect of attendance at each Board of Directors, its Committee and General meetings of the Company. The policy also provides for reimbursement of reasonable expenses incurred for attending required Board and General meetings of the Company.

Board Evaluation

As required under the Listed Companies (Code of Corporate Governance) Regulations, evaluation of the board's own performance, members of board and of its committees of the Lotte Chemical Pakistan Limited was completed for the financial year ended 31 December 2019.

The online assessment was carried out by engaging external independent facilitator, Pakistan Institute of Corporate Governance (PICG) in collaboration with The Corporate L.I.F.E. Centre International Inc. (CLCI - a consulting firm based in North America).

Key Operational and Financial Data

A statement summarizing key operating and financial data for the last six years of the Company is given on page 83 of the Annual Report.

Name of Director		Board of Directors meetings	Audit committee meetings	HR & Remuneration Committee meetings
Mr. Jung Neon Kim	(resigned w.e.f 12 Feb 2019)			
Mr. Kwang Sik Huh	(appointed w.e.f 12 Feb 2019)	4	1	1
Mr. Humair Ijaz		4		
Mr. Sang Hyeon Lee		4		1
Mr. In Goo Park		3		
Ms. Jae Sun Park		3		
Mr. Mohammad Qasim Khan		2		
Mr. Pervaiz Akhtar		4	4	1
Mr. Istaqbal Mehdi		4	4	

Leave of absence was granted to directors who could not attend some of the Board meetings.

Investment in Retirement Benefits

The value of investments made by the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2018 is as follows:

	Value (Rs '000)
Lotte Chemical Pakistan Management Staff Provident Fund	437,947
Lotte Chemical Pakistan Management Staff Gratuity Fund	247,386
Lotte Chemical Pakistan Management Staff Defined Contribution Superannuation Fund	345,748
Lotte Chemical Pakistan Non-Management Staff Provident Fund	6,604
Lotte Chemical Pakistan Non-Management Staff Gratuity Fund	4,462

Pattern of Shareholding

The statement of Pattern of Shareholding in the Company as at 31 December 2019 is annexed to this Report.

Adequacy of Internal Financial Controls

The Board, through the Audit Committee monitors and reviews the adequacy of the internal controls. The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control. The internal control framework has been effectively implemented through outsourcing the internal audit function to a Chartered Accountant firm.

Trading in Company Shares

The Directors, Chief Executive, Chief Financial Officer, Company Secretary and Head of Internal Audit and their spouses and minor children did not carry out any transaction in the shares of the Company during the year, except for transfer of one share to Mr Kwang Sik Huh.

Holding Company

Lotte Chemical Corporation, South Korea continues to hold 75.01% shares in Lotte Chemical Pakistan Limited.

Subsequent Events

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company i.e. 31 December 2019 and the date of this report.

External Auditors

The present auditors M/s EY Ford Rhodes, Chartered Accountants have been Company's auditors for the last five years. In order to align with LOTTE Group external auditors, the Audit Committee has suggested appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants, as the statutory auditors of the Company for the financial year ending 31 December 2020.

The Board has recommended the appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants, for the year ending 31 December 2020, as suggested by the Audit Committee, for approval of the shareholders in the forthcoming Annual General Meeting.

Acknowledgement

We acknowledge and are thankful for the continued support of our shareholders, customers, suppliers and employees.

Min Jae Hwang
Chairman

Humair Ijaz
Chief Executive

Date: 14 February 2020
Karachi

Statement of Compliance with repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019

Lotte Chemical Pakistan Limited
Year ended 31 December 2019

The Company has complied with the requirements of the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 till 24 September 2019 and thereafter with Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as 'the Regulations') in the following manner:

1. The total numbers of directors are eight (8) as per the following:
   a. Male: 7
   b. Female: 1

2. The composition of board is as follows:

Category	Names
Independent Directors	Mr Pervaiz Akhtar
Non-Executive Directors	Mr Kwang Sik Huh (Chairman) Mr In Goo Park Mr Mohammad Qasim Khan Mr Istaqbal Mehdi
Executive Directors	Mr Humair Ijaz Mr Sang Hyeon Lee
Female Director	Ms Jae Sun Park (Non-Executive Director)

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

4. 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.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Regulations.

7. 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. The Board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and the Regulations.

9. The Board has arranged Directors' Training program for Mr Ashiq Ali (Chief Financial Officer) during the year. As at 31 December 2019, four directors namely Mr Humair Ijaz, Mr Sang Hyeon Lee, Mr Pervaiz Akhtar and Mr Istaqbal Mehdi have obtained the required certification of Directors Training Course from Pakistan Institute of Corporate Governance (PICG) while one director Ms Jae Sun Park has been granted exemption by the Commission. Certification of the remaining Directors will be obtained in accordance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However, no new appointments were made during the year.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

Audit Committee	
Mr Pervaiz Akhtar	Chairman
Mr Kwang Sik Huh	Member
Mr Istaqbal Mehdi	Member

HR and Remuneration Committee	
Mr Pervaiz Akhtar	Chairman
Mr Kwang Sik Huh	Member
Mr Sang Hyeon Lee	Member

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance.

14. The frequency of meetings of the committees were as per following:

Committees	Frequency of meetings
Audit Committee	Quarterly
HR and Remuneration Committee	Yearly

15. The Board had outsourced the internal audit function to M/s KPMG Taseer Hadi & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. However, they have resigned effective from 20 November 2019 after completion of audit plan for the year 2019. The Company is in the process of outsourcing this function to a new firm of Chartered Accountants for the year 2020.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3,6,7,8,27,32,33 and 36 of the Listed Companies (Code of Corporate Governance), 2019 have been complied with from the date of its applicability; and

19. We confirm that all the requirements of repealed Listed Companies (Code of Corporate Governance), 2017 have been complied with until the date of its applicability.

Min Jae Hwang
Chairman

Humair Ijaz
Chief Executive

Date: 14 February 2020
Karachi

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: + 9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

Independent Auditors' Review Report

Review Report on the Statement of Compliance contained in the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred to as 'the Regulations'), prepared by the Board of Directors of Lotte Chemical Pakistan Limited for the year ended 31 December 2019 in accordance with the requirements of Regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Regulations require 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, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2019.

EY Ford Rhodes

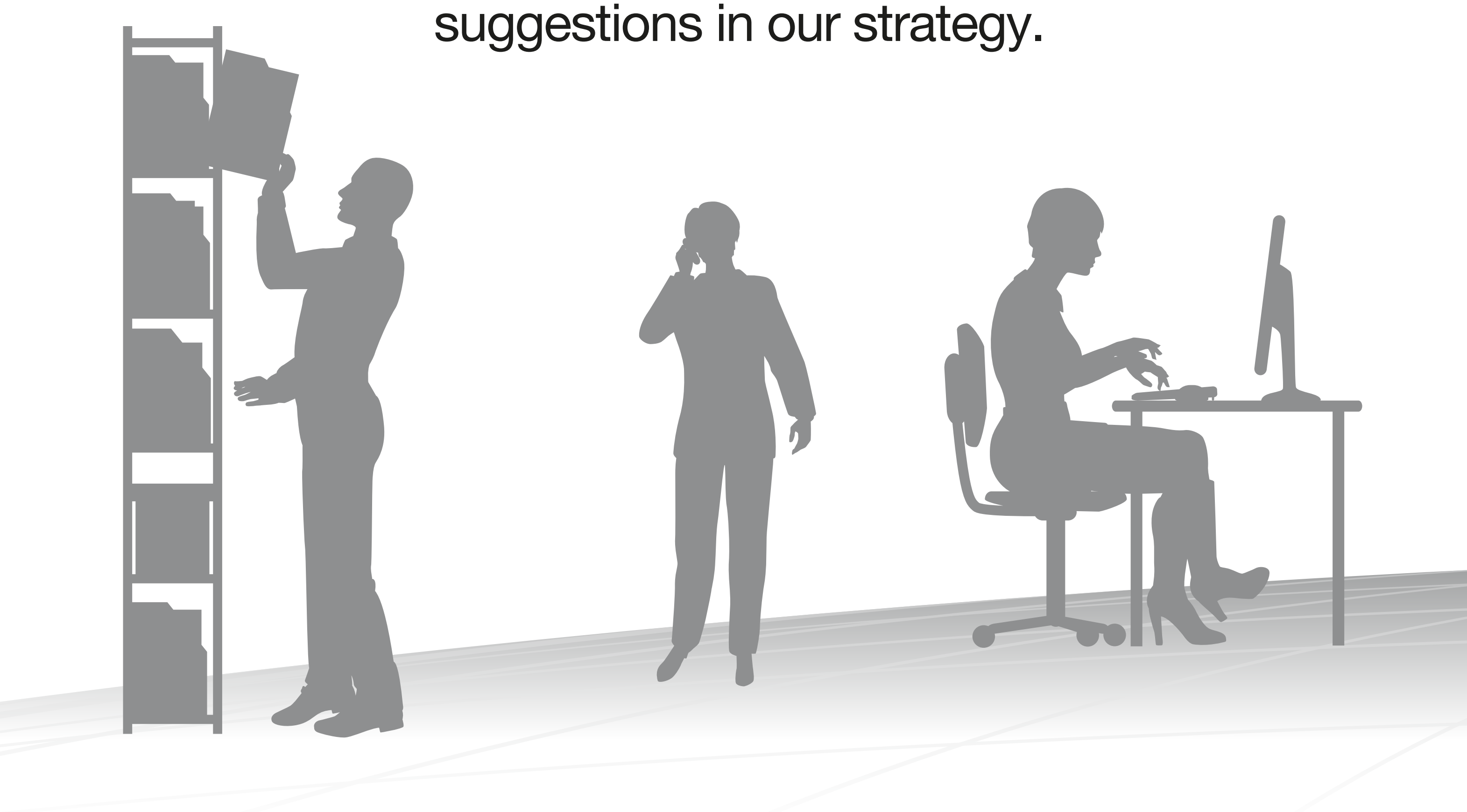
EY Ford Rhodes
Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi

Date: 16 March 2020
Karachi

A member firm of Ernst & Young Global Limited

ON-SITE MANAGEMENT

We believe in accurate evaluation and quick decision making. We evaluate the business progress through direct communication in the field with customers, executives and partner companies, and include their ideas and suggestions in our strategy.



Functional & Operational Excellance

Human Resources (HR)

Employees are a company's greatest asset and are the key to an organization's continuing success. Therefore, we concentrate our efforts towards attracting, developing and retaining talented people who possess the characteristics necessary to helpthe organization achieve its current and future objectives. We maintain a culture conducive to learning, and ensure adequate training is being imparted to each individual to encourage their personal and professional development. Our organizational culture is reflective of our flexible and innovative Human Resource policies, which help each employee, not only realize their true potential, but also enhance it. We treat all employees and service providers fairly, compensate them according to industry norms and provide them with a safe working environment.

Award Winning Year

The company received a number of awards based on its exceptional performance in terms of Human Resource Development as well as HSE&S. The Employers' Federation of Pakistan (EFP) awarded the Company 3rd position award in the Employer of the Year contest (category: multinational companies). The criteria for assessment were designed to evaluate HR department's performance. In addition to this, following awards were also received by the LCPL:

- Environmental Excellence Award by National Forum for Environment & Health (NFEH)
- Occupational Safety & Health award (Chemical sector)by EFP

Training and Development

We believe the quality oftraining a company's employees receive significantly impacts theirperformance. Our thorough and timely training anddevelopment programs ensure that our employeespossess all the skills necessary to perform optimally.Through a structured process, we provide managementand leadership development opportunities to our employees. The development needs of our employeesare identified within the framework of our performance evaluation system. Development areas for each individual are determined by comparing employees' existing qualifications andcompetencies to those targeted, which, in turn,provides input for the Training Need Analysis. Thisprocess aligns employee development with company strategy.

Various Competencies based Programswere organized throughout the year. Achieving Higher Performance, I am LOTTE, Introduction to Management, Leadership Boot camp and Happiness & Beyondwere some of the sessions carefully selected and customized for the needs of the employees. A total of 304man-days of external training werecompleted during 2019 by HR. Employees who participated inexternal training programs were also encouraged toconduct in-house training sessions to share theirlearning experience with others. This enhancesinteraction among employees so they form a cohesiveunit in line with the Company's corporate culture.

Talent Acquisition

The Company hires fresh and talented graduates from arange of professional and academic disciplines. We perceive them as future business and industry leaders and nurture them within ourorganization by providing them with training and developmentopportunities.

Several Graduate Trainee Engineer RecruitmentDrives were conducted in 2019. The recruitment drives follow rigorous selection criteria through which we hire young and talented individuals from topengineering universities of Pakistan. Around 250 graduate engineers were tested, out of which 9 were hired during the year.

We provide opportunities to our trainees to networkwith the leaders and decision makers in their fields. Suchnetworking opportunities serve as an excellent meansto gain insight and practical knowledge fromexperienced industry practitioners. Furthermore, ourpersonnel development plans ensure we offer theappropriate support, training and coaching so ouremployees succeed at all levels. Furthermore, our structured Apprenticeship Program,under the guidelines of Government of Pakistan rules and regulations, is also one of the talent acquisitionsources. Under this program, apprentices are providedwith an opportunity to gain 24 months of training indifferent areas and functions of the plant. Through this process,they not only gain a thorough understanding about thetechnical know-how of the plant, but also acomprehensive understanding of processes related tooccupational health and safety.

The Company also extends internship opportunities tostudents from various universities offering technical andbusiness management programs. The internshipprogram provides them with an opportunityto gain familiarity with the corporate culture andbusiness practices of the Company, while workingalongside highly professional and supportive staff. A total of 40 students completed their internships in different functions in 2019.

Career Portal

The Company continuously improves its recruitment system by leveraging technology. By making use of a web-based resume system, the Career Portal, the Company's HR personnel post job vacancies online and electronically sift through resumes of eligible candidate. The system not only saves costs and time, but also allows the HR department to generate statistics and reports pertaining to job applications, conduct analyses and respond to applicant queries. Additionally, this portal provides the Line Managers access to resumes, in turn increasing their participation in the recruitment process.

Employee Engagement

We are eager to engage with our employees,willing to hear their voice and help ease their concerns.Human Resources department maintainedfocus on the key HR areas and undertook variousinitiatives to make further enhance employee engagement.

Dialogue Sessions

Chief Executive’s Communicationsessions werealso held periodically. These provide a platform foremployees to interact with Management whichimproves communication and engagement.

Young Engineers’ Session is an annual forum which provides the personnel in initial years of their career an opportunity to engage in dialogue with the Chief Executive.

Recreational Activities

The Company organized a number ofrecreational activities during the year, which included events such as included

Family Get-together, Iftar Dinner, Eid Milan Party and breakfast at plant. Employees enthusiastically participated in these events. Furthermore, an activity packed Health Week was also organized to increase awareness and help employees be more mindful of lifestyle choices which impact their health in the short and long term.

Team Building, a semi-annual tradition of Lotte Chemical Pakistan,is a highly anticipated event where a group ofemployees from different departments go on tours to explore the beauty of Pakistan. This year TeamBuilding events were organized in Kashmir and Bhurban. The aim was to increase the team spirit and promote collaboration across the organization. At the end of the trips, participants grew closer as a team through collective experience.

Sports Activities

In order to improve engagement and increaseinteraction amongst employees the Company arrangesregular sporting events. During the year Crickettournaments, Table Tennis championship and Badmintoncompetitions were held. The Company also maintains a gymnasium at the Plant site to encourage ahealthy lifestyle in our employees.

Newsletter

We publish a quarterly Newsletter ‘Connect’, in whichimportant events are shared with employees and otherstakeholders. Topics such as HR development, socialevents, businessperformance, CSRinterventions, HSEperformance, and continual improvement initiatives are regularlyfeatured in thenewsletter.

Employee Satisfaction

We believe that employee satisfaction plays an importantrole in engagement with the Company. We carried out foodand transport related surveys to obtain valuable feedbackon these services from our employees. Actions forimprovement were subsequently implemented.

Talent Localization

The Company cultivates constructive and mutually beneficial relationships with its employees, customers,suppliers and communities. Our vision is to be the preferred supplier and employer in Pakistan, as well asin the markets we operate in. Our talent management efforts integrate a variety of components to develop local workforce and to utilize talent in Pakistan. In 2019, most of our workforce comprised of local talent.

We work towards employing the right people to deliver the services and operational excellence our customers require, when and where they need them, as well as build and strengthen local talent pools. We offer cutting-edge training and competency development programs.

Diversity and Inclusion

We welcome diversity in terms of gender, ethnicity, thought, skill and life experiences, as we believe that a diverse workforce drives us forward. Multiple perspectives and experiences in the workplace allow us to understand the mindset of our customers, suppliers and communities - helping us with developing innovative solutions and enhancing our Corporate Social Responsibility efforts.

One of our key challenges is to balance gender diversification in our organization. With females under-represented in the petrochemical industry, we encourage and fully support them to join our team.

Our selection process is unbiased, and our goal is to hire creative thinkers and innovators who display out-of-the-box thinking. Multi-taskers, flexible and passionate people who retain a global perspective and continuously improve and inspire themselves, remain our key strengths, and ultimately, our business drivers. A number of measures including strategic workforce planning, as well as programand policy development, are used to address issues of diversity and equal opportunity. Recognizing the benefits of a diverse workforce, the Company instills a culture of respect and tolerance within its employees.

Transparency and Ethics

We expect our employees to adhere to the highest standards of integrity, discipline and ethics, which arefundamental to our company’s success. Our Code of Conduct stipulates our exceptions, guiding employees to carry out ethical business practices. A separate ‘Speak Up’ policy is also in place to facilitate strict adherence to the Code of Conduct. We follow and set procedures for transparent business and free enterprise, which comply with the applicable laws and regulations.

Information Technology (IT)

Nowadays the formula for business success is to achieve operational excellence through Information Technology. The role of Information Technology is very pervasive and has touched every aspect of business. Today, the IT is providing information to business to become more productive, increase performance, save money, improve the customer experience, streamline communications and enhance managerial decision-making. IT is now at par with other departments such as Finance, Marketing, Commercial, Human Resource and has become an imperative and integral function of the organization.

IT Steering Committee (ITSC)

IT has become a major resource for fueling business innovation and has more responsibilities than ever to lead the Company forward. The IT Steering Committee function focuses on strategic IT issues - how to make IT work for the business, improve Company performance, examine ways to exploit the maximum potential of information systems from existing and new IT products, and provide innovative and cost-effective IT solutions.

The IT Steering Committee monitors and reviews the project status, as well as provides suggestion on its future plans establish and maintain with a visionary view.

The Company's Business Processes

We continuously map and document our business processes to reduce process complexity, streamline operations, and improve controls by transforming processes into automated functions. To enhance efficiency and productivity, we also develop plans and conduct trainings to introduce automated workflow systems.

Teamwork

Our "one team" attitude helps us to engage effectively from the c-suite to the front line. Our collaborative working methodology emphasizes teamwork, trust, and tolerance for varying thoughts. We are a team of multi-skilled and talented people who engage with each other to find solutions to problems - and are keen on tackling challenges with perseverance.

Major Projects / Improvements

Operational excellence has always been, and continues to be, an integral part of IT function.

During the year 2019, many new systems were developed and improvements were made in the existing systems to meet business requirements. The systems were developed for all business functions across the organization using different plat forms such as Oracle, IBM Notes and Web.

IT infrastructure also upgraded to provide efficient service to users. The upgrade included of servers, routers, switches and internet band width, which resulted in minimizing the down time of the systems and maximizing the productivity of the users. Video conferencing facility has dominated the physical pressure of participants, hence increasing efficiency and saving cost.

Business Intelligence Tools

We have already started working on business intelligence tools which will provide insights and help simplify information within our Company. Such tools will result in faster and easier decision making by providing key information to decision makers in a timely and efficient manner by way of dashboards - displaying possibilities for targeted planning and forecasting based on existing data.

Information Security

Currently, information security is crucial to the entire organisation to protect their information and conduct business. Information security is defined as the protection of information and system, and hardware that use, store and transmit that information. It is important that these systems are used, operated and managed efficiently and effectively to ensure business continuity and to enable the organisation to meet its requirements.

Keeping in view the importance of Information Security, LCPL documented policies and procedures which enable to manage business risks through defined controls that provide appropriate measures to ensure confidentiality, integrity and security of data, and continued availability of business-critical systems and information. The policies and procedures are audited by internal and external auditors annually.

Operational Excellence through IT Learning Sessions 2019

Learning is a continuous process, the more we learn, the more it tends to enrich our knowledge and widen our mental horizon. Keeping in view the importance of learning, the IT department has arranged “IT Learning Sessions 2019” from 12th to 28th November 2019 at both the Plant site and City Office. These sessions were designed based on the philosophy of "Operational Excellence through IT" and aimed to increase employee skill set in relation to IT systems. The sessions were informative and created awareness among the participants regarding how IT is reshaping the world.

Value Addition and Future Investment

Our Company is committed to continuously improving its IT infrastructure, technologies, processes and procedures. This results in improved controls, enhanced reporting, optimized procedures and best overall performance.

We foster collaboration, innovation and creativity, trying our best to play a vital role in ensuring efficient and effective business processes, while thinking of innovative ways to help the business benefit from technological advances. We continue to demonstrate "out-of-the-box" thinking and our goal remains to be a model IT function, which plays a critical role for our business.

Manufacturing Excellence

LCPL, since its inception, has always been on the forefront of empowering its employees. We firmly believe our people are our main asset and their collective growth plays the most instrumental role in the company's overall success.

Our firm approach towards safety, process expertise, technical trainings and unparalleled performance standards have given us a distinguished name in the industrial set up of the country. They form the very basis of our philosophy behind Manufacturing Excellence.

For over 20 years now, we have endeavored to triumph over all barriers that come our way and present the best quality product to our clients which often go beyond their expectations. 2019 was a similar year in this regard.

Despite facing multiple challenges, we ended the year with a production figure of 483.5 KT PTA. Given the volatile condition of local market and external operational hindrances caused by rains and floods, these are excellent numbers by any standards which showcase our manufacturing team's unwavering dedication.
The key areas of Manufacturing Excellence, including various initiatives are highlighted below:

Plant Availability - LCPL has always believed in its ability to demonstrate excellent operational performance and maximize plant availability in any challenging condition. In 2019, despite facing numerous barriers to prolonged plant operation, mainly due to an imbalance in the PTA market growth, LCPL did not compromise on its operational standards and achieved a remarkable core plant availability target of 91.8%. Similarly, Cogen plant also delivered an availability of 91% despite various planned and un-planned outages.

ETP Smooth Operation - During 2019, ETP operation was relatively consistent and filtered COD results were maintained. Frozen bacteria consumption was optimized and preventive actions were taken on physical observations instead of corrective actions.

Plant Improvement

The OX Plant was operated with challenges of TA Dryer feed screw conveyor high amperes, DH Column top condensate cooler E1-611/1 plates leakage , Rovac A low throughput and power failures issues. The Oxidation plant operated with challenges of TA drier fouling followed with its feed screw conveyor P1-422/1 high amps, Rovac A head leakage , Stripper Still Pot F1-511 operation without its agitator G1-511 owing to its seal leakage, First Crystallizer D1-401 with ruptured bursting disc and its faulty level indication, TA drier exit bellow with compromise condition, reactor lute line leakages, PAC multiple tripping due to excitation modules and power breakdown issues. But a dedicated and full committed team never disheartened due to these obstructions and faced with new out of box ideas and continuous synergic efforts.

Improvement in the overall operational excellence was the main focus at Purification where smart adjustments in the procedures, tuning of process parameters and minimization of losses during plant shutdown and startup proved to be a healthy source of improvement and cost saving in operations.

Co-Gen plant has to shutdown every month due to water wash of gas turbine as it operates in harsh environmental surroundings. Water Wash of GTG has its pre-heated arrangements which has a drawback of external particles ingression to water wash filter and choked it which create an extra hurdle of its filter replacement resulting an increase of Cogen Plant outage for about an hour. A brainstorming was carried out to cope up this issue and modify an already available phosphate dosing tank of HRSG which was not-in use since commissioning. The modification of this phosphate tank is successfully completed and implemented in July-2019 for using it as a pre-heating tank for water wash. This modification has helped in reducing frequency of water wash filter replacement job during water wash activity. Further it also helped in saving additional Cogen plant outage time of ~1 hour against filter replacement job.

Control system of one of the ETP chillers was modified and shifted from local PLC to DCS which not only has improved its operation but is eased out its troubleshooting also. Boiler-A PLC has come obsolete and lacks features to troubleshoot tripping problems. A project is in progress to upgrade with new Siemens PLC which will be equipped with features to pinpoint problems instantly in case of any tripping.

Optimizing Variable Cost

ETP Buffer tanks cleaning contract was changed from weight basis to lump sum and two buffer tanks were cleaned in year 2019. Another initiative was taken to sale out reject water from RO plant and cooling towers blow down. Both of these waters are considered as waste but now these are sold to a neighboring industry, thus generating significant revenue for the company. Similarly consumption of minor chemicals, especially on ETP was optimized. RO membranes life was also extended, through better operation and improved chemical cleaning, from one year to two years.

Water Wash is the most important operational requirement of a gas turbine to achieve its best output and efficiency. Therefore, a well-timed analysis is required for shutdown of gas turbine operation in every month. In 2019, keeping in mind for the optimization of variable cost, frequency of water washes were wisely judged and performed 10 water washes versus agreed numbers of 12. Whereas, out of these 10 water washes, 4 were performed by availing the opportunity of core plant shutdowns that facilitate Cogen plant to play its role in further reducing plant variable cost. The sensible decisions of water washes were commendable as saving of these water washes reduced the burden of additional variable cost.

Off-spec production during plant startup and shutdown, being a major chunk of cost, was reduced in the year 2019 by reduction the amount of process slurry contained in the plant vessels just prior to shutdown, same was the practice during startup, volume of slurry was kept low as possible to lessen the amount of off-spec PTA produced initially.

During the year, OX team saved variable cost by some innovative ideas like, TA dryer caustic wash was carried out without dumping OX Reactor and crystallizers. Also another milestone of OX reactor ever best longest hold upto 31 hours was achieved. Second crystallizer operation

with reduced pressure , mother liquor low purge rate and improvement in mother liquor filter outages , conversion of FIL1-213 caustic flushing into hot water flush are some examples in which variable cost has reduced . The DH Column D1-601 solvent make-up spool replaced on-line during an opportunity without decontaminating the D1-601. The short shutdown in April accomplished as per timeline and also saved delay during startup. In addition to this once CTA drier de-caking done for one hour online, also once its exit end bellow replaced by short hold.

Challenges for Year 2020

05 new Projects (OX Reactor new agitator, Replacement of DH column condensate cooler from Plate & frame compo bloc to shell & tube type , critical process changes at CRU for An-aerobic Project, Emergency Shutdown system replacement project and replacement of PAC obsolete SFC & MCP systems) at Oxidation Plant will be completed in which 04 during overhaul and one in August.

Resources Management

Due to high caliber, skilled and energetic team, Resource management at OX Plant was applied and 01 DCS Boardman validation was completed at OX Plant who will replace an experienced and skilled Boardman who has retired.

This year another team of Production & Process Managers had visited Ulsan Plant, Korea for technical exchange. Many recommendations implemented of the team and savings in variable cost achieved.

Technical Training Centre (TTC)

Since 2009, our Technical Training Centre (TTC) has provided a systematic method of training to all plant personnel working in various departments. TTC serves as a training resource to enhance professional skills and competencies of all our manufacturing staff and those of neighboring industries, providing direction to incoming apprentices and graduates, in turn helping businesses achieve their objectives.

Our training centre is equipped with a variety of state-of-the-art facilities. There are number of training rooms of varied sizes, to cater to the requirement of individual training/trainer. The display area contains models of plant equipment to facilitate the trainers. Also a number of training manuals, modules, APIs and other forms of technical and safety literature such as videos are regularly updated by staff members at the TTC.

Training KPIs

In 2019, continued focus was maintained on TTC activities. A total of 83 Technical & HSE trainings were conducted at the Company. Similarly, training man-days (for both management and non-management staff as well as contractor staff) were 848.75.

Orientation and Basic Training Plan for Trainee Engineers

A four-week orientation programme has been formulated for fresh graduates who join the Company. The aim of the programme is to give graduates an overview of the basic operational and safety procedures of our plant before they start their formal training in their respective sections. In 2019, a batch of 08 Trainee Engineers (TEs) completed their orientation training at TTC, which was conducted by our Company staff.

Orientation and Basic Training Plan for Apprentices

An 8-week orientation program has been devised for apprentices, which provides basic training on different areas of the plant.

Internal Faculty Recognition Programme

In line with our strategy of talent localization, we developed a talented pool of in-house trainers through the Internal Faculty Recognition Programme (IFRP). Launched in August 2014 by the Sustainability department, the IFRP is driven by the TTC.

The pool of internal trainers conducts various learning and development programmes within the Company, which saves training costs and helps improve a learning-culture based on knowledge sharing.

Job Qualifying Programme (JQP)

Job Qualifying Programme is a structured training programme to enhance competency and skills of the manufacturing staff. JQP is a self-study programme that is followed by a written and practical examination - providing a great avenue for employees who want to sharpen and diversify their skills while working. Candidates are equipped with thorough knowledge throughout their training, be it in the form of quality reading material or regular guidance from line managers. JQP examinations are held twice a year - in April and September.

HSE Awareness Sessions for Neighboring Industries

TTC also organizes HSE awareness sessions for other industries and organizations. In 2019 we organized HSE Awareness sessions for FFBL Power Company Ltd.(FPCL).

Core Development Plan for Engineers (CDPE)

The CDPE was designed to enhance the technical skills and knowledge of engineers, and bring them in line with the Company's Standards and Practices. CDPE is geared for graduate engineers of all disciplines-ranging from chemical, mechanical and electrical - who have started their careers or have up to 5 years' work experience in the Company.

Total Productive Management (TPM)

TPM is a plant improvement methodology which enables continuous and rapid improvement through use of employee involvement, employee empowerment, and closed-loop measurement of results. It involves individuals working in small organized teams to create the most efficient working environment and mechanisms, while conforming to the highest safety parameters.

With the goal to achieve global competitiveness through operational excellence, Total Productive Management (TPM) was launched in October 2014.

5S Activities

The 5S process is one of the most fundamental and widely-applied methodologies around the world. It is the foundation of TPM. The guiding principles underlining the 5S system include: organization, cleanliness, and standardization.

The concept behind 5S is simple: minimize waste and improve efficiency by ensuring that workers spend time on productive tasks rather than looking for misplaced tools and sort through waste material. 5S implementation ultimately improves workplace environment and creates a self-sustaining culture within the organization.

TPM Autonomous Maintenance

The first pillar of TPM, Autonomous Maintenance (AM) is about maintaining one’s equipment by oneself through cross functional team efforts. This pillar was started in mid-2016, and is a collaborative activity involving Production, Technical, and Engineering teams working together to maintain basic conditions on shop floor, and optimal performance of machines. The intent is to keep plant operation effective and stable to achieve production targets.

The fourth Block of AM was started in January, and completed in November this year. This marked the completion of first cycle, of AM implementation at plant. The blocks have now been redistributed and implementation on new blocks will be started in the coming year. The winning teams of the last block were awarded at the start of the year.

TPM Quality Maintenance

The second pillar of TPM, Quality Maintenance (QM), was started in September 2017. This pillar is aimed towards customer satisfaction by maintaining highest quality through defect free manufacturing and on eliminating non-conformances in a systematic manner.

In 2019 the teams had worked on developing operation and maintenance manuals of laboratory equipment and on skill enhancement of team members.

TPM Planned Maintenance

Planned Maintenance (PM) is the third pillar of TPM that aims to achieve zero breakdowns. The objective of PM is to improve the effectiveness of operational equipment, in terms of increasing its reliability, maintainability, and performance and reducing maintenance costs and equipment failures. It is the deliberate methodical activity of building and continuously improving maintenance system. A detailed structure for implementation of this pillar has been developed and the implementation will be started in next year.

Suggestion & Reward System (SRS)

To improve manufacturing functions at the Company's plant site, a suggestion and Reward System (SRS) was initiated in December, 2014. With the help of the IT department, an SRS database was developed, allowing employees to input their suggestions related to plant or process improvement.

Since its launch, more than 1,250 suggestions have been logged in the SRS Database. This year a total of 35 suggestions were implemented, resulting in a significant cost saving for the business.

BEYOND CUSTOMER EXPECTATION

We do not aim to just satisfy customers' needs, but to create value beyond their expectations.

Sustainability

Health, Safety and Environment

Our performance of 60 million man-hours (as at 1st March 2020) without LTC is a landmark achievement by global standards. It places LCPL amongst the best Petrochemical companies and is a testament to our commitment towards world class safe systems & practices, commitment of management and active participation of our employees & contractors staff.

Health, Safety and Environment (HSE) management forms an integral part of our core values and we remain committed to instill these values among our employees and contractors. To achieve world class standards, the Company has developed HSE management systems which comply with international guidelines and local legislative requirements.

Through the years, we have maintained exceptional safety records. Currently, among the petrochemical industry, the Company is a leader in terms of retaining the highest standards in Health, Safety and Environmental performance in all aspects of its operations. In its twenty one years of operation, our Company has sustained an excellent safety record. The Company crossed a milestone of 59 million man-hours without Lost Time Case (LTC) in 2019. Our long-term objective of “zero accidents” remains unchanged because we believe that every occupational accident is one too many.

The continued success of our system and its implementation is indicative of the management's dedication, together with the support and commitment of team members at all levels, who work to ensure high safety standards are maintained. The management's focus on Health, Safety and Environment defines our standards and success criteria for the future.

We continue to instill the importance of safety within our staff members by conducting capacity building workshops and demonstrations to ensure staff members carry out tasks safely, correctly and promptly use first aid kits for emergencies, and follow proactive steps to receive medical care, if necessary. Additionally, we prepare health and hygiene monitoring plans at the beginning of the year, conduct regular medical examinations and focus on field monitoring so our workers remain free from occupational illnesses.

2019 HSE Highlights

- Completed 59 Million Man-Hours without Lost Time Case (LTC) for our employees and all contractor staff.
- Successfully attained re- certifications of IMS revised & upgraded standards (ISO 9001:2016, 14001:2016) & Certification of ISO 45001:2019 without any Non Compliance.
- Fully compliant in external audit of sealed radiation sources conducted by Pakistan Nuclear Regulatory Authority (PNRA).
- Fully compliant in external audit of “Fire Safety Insurance” conducted by external agency.
- Achieved First Position in 14th EFP Best Practice Award in the category of Occupational Health & Safety (OH &S).
- Received 16th Annual Environmental Excellence Award from NFEH.

Occupational Health and Safety Management System

In 2012, we embarked on aligning our comprehensive HSE&S Management System with the International OHSAS-18001(Now ISO 45001:2019) Health & Safety Management System and ISO-14001 Environment Management System. Since March 2012, we are ISO 45001:2019 and ISO-14001 certified Company. Independent auditors from our internal HSE department monitor our compliance with the systems.

ISO 45001:2019 systems provide the Company regular updates and benchmarking to Industry’s best practices. The ISO 45001:2019 Occupational Health and Safety Management System reduce harm to employees and other personnel, while reducing overall liability.

The Company's ISO 45001:2019 Safety Management Systems focus on the following best practices in safety management:

Incident Prevention - Work-related incidents are prevented through several layers of protection, including safe design, work practices, use of personal protective equipment, safe behavior and by using appropriate engineering, operating and administrative controls.

Management Leadership and Accountability - Management establishes clear safety expectations and goals, providing resources, establishing processes and monitoring overall progress.

Employee Involvement - Employees are involved in all aspects of the safety programme, and remain committed to working safely and protecting the safety of others.

Regulatory Compliance - Complying with applicable laws and regulations is an integral part of the Company's safety programme.

Inclusive Scope - Our safety objective is to prevent workplace incidents, injuries and illnesses for employees, contractors, visitors, suppliers and customers. Our ultimate goal is to provide our employees with the skills and attitude to ensure safety remains the number one priority even in their personal lives.

Safety Education - Employees are provided with the knowledge and skills necessary to work safely.

Assessment - Assessment and benchmarking against the world’s safety leaders drives continual improvement through adopting best practices.

Emergency Preparedness - Emergency response plans and capabilities are maintained and tested to manage emergencies related to the Company's facilities and operations.

Hazard Control - Hazard studies are a vital component of Company's engineering procedures which are carried out for new plants, processes, buildings, services and operations. We identify, assess, control and monitor various hazards in the workplace. In 2019, we carried out multiple hazard studies, including modifications & Periodic Hazards Reviews (PHR) related to process improvement, variable cost reduction, system upgrade and new initiatives. We included suggestions and preventive measures to comply with HSE policies, national and local legislations.

Accident Prevention

Industrial accidents not only cause suffering and distress among workers and their families, but also represent a significant material loss to society. Slips, trips and falls are leading causes of accidents within the workplace. Other hazards which can lead to accidents include falling objects, thermal and chemical burns, fires and explosions, dangerous substances and stress. To prevent accidents from occurring, your Company has a comprehensive HSE system that incorporates training, risk assessment and monitoring. We identify and prioritize key risks, strengthen control of contractors working on our sites, as well as extend our safety programme beyond our manufacturing sites - and into our sales and distribution networks.

Internal Audits

We have a thorough internal audit system which monitors possible wrongdoings during the day and identifies corrective measures. Safety officers conduct daily field audits ensuring workers are practicing in safe working conditions. The safety officers work towards identifying and eliminating immediate safety concerns that could otherwise lead to incidents, or eventually to much graver accidents.

The safe-unsafe act (SUSA) audit system on the other hand, is a more action-driven audit, involving a team of managers who visit the plant every week, and identify both safe and unsafe acts that employees may engage in, while performing their duties. We commend safe acts which are highlighted in weekly communication meetings. Acts which are deemed unsafe are corrected on the spot by counseling the concerned individual. Unsafe acts are also brought forward in weekly meetings so they serve as learning opportunities for others, in turn avoiding future wrongdoings within the plant vicinity.

Process Safety

Our commitment to protect the environment and our communities begins with operational safety. The Company has extensive processes and procedures to prevent incidents from occurring and, if they do occur, to reduce their impact.

Assessing risks and finding ways to reduce them is our prime responsibility towards the environment, our employees and communities. We engage in risk assessment and management – right from design and construction to start-up and operation, to maintenance and training. We measure performance, conduct audits, and improve conditions. This is an ongoing process, requiring advanced management systems and highly skilled manpower to continuously monitor and test equipment.

The Company maintains process safety programmes based on the principle that our facility is safe, designed and built according to effective engineering practices, and operated and maintained in accordance with the highest safety standards. Our comprehensive process safety programme includes the following:

Management of change: A documented process used at each chemical handling site to evaluate any potential hazards associated with process-related changes and incorporate controls in the design.

Root cause analysis: A structured approach to incident investigation allows us to learn from past incidents and prevent future incidents.

Chemical safety testing: A laboratory analysis of chemicals before use to identify potential hazardous properties.

Engineering standards: Using recognized engineering practices in designing and constructing facilities and equipment in accordance with global and local standards.

Management leadership and commitment: There is a Committee responsible for process safety which evaluates and controls hazards associated with reactive, flammable and toxic materials at the site.

Leading indicators: We collect data to ensure safety management systems are consistently updated so that they are effective.

Employee Training

Health and Safety training plays a pivotal role in ensuring our staff is equipped with the skills and knowledge to conduct daily tasks in a safe manner so the workplace environment is conducive to safety. Our entire workforce is trained, supported and regularly assessed.

Training needs of employees and contractors are identified in consultation with relevant departments. Training schedules and programmes are then developed including ongoing mandatory and refresher trainings. The objective of these trainings is to enhance the knowledge and skills of individuals - enabling them to perform their jobs with minimum risk. Daily, weekly and monthly audit cycles, continuous trainings, effective communications of HSE incidents (learning events), daily tool box talks, which encompass talks from supervisors to their staff on any safety topics or learning events from the previous week, all help improve behavior-based safety and system compliance.

Training involves external as well as internal training. We have developed our internal faculty who are experts in delivering HSE trainings. When required, external faculty members are invited to impart employee training.

HSE Induction Program

The Company has a system to provide HSE induction to employees, contractors and new visitors to the site. HSE induction involves awareness pertaining to Company policy, systems and procedures, relevant hazards present on site, emergency handling, risk assessment, control, as well as behavior-based safety.

Behavior Based Safety Training

Successfully implementing our sustainability strategy and HSE standards reflects our leadership behavior at the local level. This is why we are particularly concerned about training site managers to detect hazards early and avoid potential accidents.

The programme content ranges from risk assessment and warehousing procedures to emergency management and management systems. Additionally, we conduct training sessions for contractors' staff working at our sites. During 2019, we conducted various trainings for field staff and management staff.

Computerised HSE System

We have invested in a computerized HSE database system to report personal as well as process safety near misses, accidents, injuries, occupational diseases and environmental accidents. The system also helps us analyze data and determine the root cause of incidents facilitating taking necessary preventative measures. The statistics compiled with the help of this advanced system are analyzed and reported to senior management on pre-defined frequency.

Energy Conservation

We live in a Country which is suffering from an energy crisis, affecting the lives of millions of people. To conserve energy, we are actively trying to reduce our energy and resource consumption.

Our integrated manufacturing process results in highly-efficient operations, allowing waste heat from one chemical process to be used in a different process. Compared to other facilities which lack comprehensive integration of processes and energy systems, our integrated production process provides:

- Greater opportunities to beneficially use materials
- Better use of thermal energy which would otherwise be lost into the environment
- Significantly smaller emissions across the supply chain

Our Cogeneration power plant has reduced our carbon footprint by 40%. We also believe in continuously innovating - developing new manufacturing processes that reduce energy intensity and ensure our energy related emissions are clean.

We observe and monitor energy consumption on a daily basis and report results to higher management at an agreed frequency. We have also launched a company-wide energy saving plan by creating awareness among employees on switching off their office lights and electronic gadgets when out of office and give up the habit of keeping electronic items on standby mode when they go home. We are also gradually replacing fluorescent lights in our office buildings and plant site with energy efficient LED lights.

Environmental Protection

Protection of the environment remains a critical component of our sustainability vision. Our ongoing efforts to minimize our impact on the environment, whether it be through operational excellence or innovative plant optimization, remains crucial in minimizing environmental risks. Energy, water, waste and resource conservation; biodiversity enhancement; emissions management and regulatory compliance; are all essential areas of focus for us.

We are committed to ensuring that our operations remain environment friendly - taking an avid interest in reducing our carbon footprint. In line with this belief, we have invested in a state-of-the-art deep shaft technology Effluent Treatment Plant to treat liquid emissions. Additionally, we continue to invest in its operation, believing that it will yield long-term economic and environmental benefits. Our company has recently approved US$ 4.3 million capital project of Anaerobic Reactor on Effluent Treatment Plant for generation of bio gas and hence reduction of natural gas consumption on the Plant Site.

Being an ISO 14001 certified organization, and believing that long-term economic sustainability depends on ecological sustainability, we comply with the 3Rs of environment (reduce, recycle and reuse). Our focus remains on reducing waste generation, reusing generated waste within the processes, and lastly recycling so that waste output of our operation is minimized.

We have also made great strides in lowering our impact on the environment by reducing greenhouse and acid gases through various modification and process optimization which includes installing a co-generation plant, shutting down steam boiler, diesel generators, and an incinerator and installing a project for recovering metals.

Waste Handling

All types of wastes, be it liquid or solid are reported, controlled and monitored according to site procedures and are reported internally and to local authorities as per legal requirements. Organic waste produced in effluent treatment plant is passed to cement plants as a partial fuel replacement. Clinical waste, on the other hand, is incinerated in line with legal environmental standards.

Water Consumption

Due to a change in global climatic conditions, it is estimated that Pakistan will experience water scarcity in the coming years, making it imperative that water use be minimized, and water recycling initiatives implemented. Our water management practices are based on principles including, efficient usage, pollution prevention, and maximizing reusing and recycling.

We continuously monitor our water intake and control its use. We optimize water consumption through modern process optimization by recycling part of the waste water within the plant, as well as using it for horticultural purposes and landscaping - which substantially minimizes water intake.

The industrial process we have in place helps minimize our water usage by treating it to meet specific purposes within the manufacturing cycle, and recycling water where ever possible.

Our wastewater treatment plants at our manufacturing facilities are designed and operated to meet and exceed environmental standards, securing the health of our employees, communities and the local ecosystems in which we operate.

Our water efficiency related best practices help reduce:

• Cost of water and waste water treatment
• Capital equipment costs
• Handling and use of potentially hazardous chemicals
• Carbon footprint - by reducing energy consumption associated with water treatment and distribution

Biodiversity

We have systems and procedures in place for conserving biodiversity. To maintain a sustainable environment at our plant site and demonstrate best practices in environment management, we try to provide a conducive environment for fauna and flora in surrounding areas.

In the past, we were involved in a tree plantation plan within the site which was aimed at improving the number of flora and fauna in the area. Based on recommendations provided by WWF, we developed around 100,000 trees around the premises and within the vicinity to provide nesting grounds to local birds and enhance greenery. Our plantation was also carried out on a three-kilometer portion passing through the Eastern Industrial Zone in Port Qasim, where more than three hundred saplings were planted. Additionally, we have been involved in initiatives to establish organic farming by using waste water from our reverse osmosis plant.

Emissions Management

Our operational strategy, post power generation, has reduced thousands of tons of carbon, NO2 and SO2, resulting in a substantial reduction in greenhouse gases. We invested US$ 4 million for a capital project which helped shutdown a unit that used furnace oil as fuel. Additionally, we spent US$ 50 million in the co-generation power project, resulting in the shutdown of diesel generators and boilers. When it comes to discharge: our effluent quality meets NEQS limits which reflect our dedication to conform to the highest environmental standards.

Regulatory Compliance

We report our liquid and gaseous emissions to local authorities at SEPA defined frequency. Since commissioning the plant in 1998, we continue to comply with all regulatory requirements related to the environment.

Societal Responsibility

Taking care of the needs of our people is a vital aspect of our societal initiatives. We contribute towards healthcare, education and disaster relief - helping empower underprivileged individuals and paving the way for a more promising future for the most deserving sectors of society.

We strive to strengthen ties between industry and communities by promoting a favorable environment for business growth. We support projects and initiatives pertaining to education, health, disaster relief, youth engagement, environmental awareness, and other community programmes. We remain supportive towards promoting organisations and programmes, as well as collaborating with them to further augment and impact lives.

Our employees remain committed to establishing relationships with communities by volunteering to serve their time and effort so we can change lives and impact the society positively. Funding for our social impact activities stems from the Company's mission to serve others in need. Our volunteer activities include charity giving and other programs that enhance employee-giving.

Environment

We remain active in promoting initiatives that benefit the environment and enhance the importance of sustainability within our employees.

Go Green attributes at LCPL were started in 2008, and since then our team is busy in making efforts to maintain and spread the green culture not only at Lotte but to also promote it in other industries. During the year 2019, 100,000 new plants were growing and 9,000 plants has distributed among the employees and nearby industries. Earth day was celebrated with Beacon House School children on 22 Apr 2019 at Clifton branch.

The Company pioneered to team up with PQA and some other neighboring industries and involved them in planting new trees on their sites. A project was also done with PQA on beautifying the PQA vicinity.

LCPL also developed a clean water project for poor community of Kosa Goth of Ghagghar Phatak area.

Health

During 2019 LCPL organized free medical eye camps with the support of LRBT on a quarterly basis, these camps were held at Bin Qasim Town of Ghagghar Phatak. LCPL was also arranged a free screen of heart with the support of Tabba Heart Insititue at Mehmood Goth of Ghaggar Phatak. People from all age groups visited the medical camps for consultation and medicines. The aim was to serve people regardless of their caste, creed, color, religion or ability to pay. It was a Patients' Welfare Program to support the needy. LCPL also bore the cost of eye surgery at LRBT including transportation.

LCPL continue helps in the form of donation to the major hospital, this year we have donated the amount to the Memon Hospital Foundation.

First time LCPL has donated 5 (five) ambulances for support to the civil society and hospitals like Indus Hospital & SIUT Hospital and Chippa Welfare.

Education

Lotte Chemical Pakistan is support to the education sector and the company was provided the scholarship thought out the year to the Dar-Ul -Sukun children, TFC foundation, Hunar Foundation, FAST Univerisity students and NED University students for one year program.

LCPL also supported towards the computer lab of the Holy Mountain School - Tassra Town, Gulshan-e-Maymar.

Labour Relations, Freedom of Association and Collective Bargaining

Lotte Chemical Pakistan Limited's culture promotes that each of us is responsible for knowing and complying with all applicable statutory laws. Through the years, our practices have earned us a well-deserved reputation for honesty, integrity and fair dealing with our employees and concerned government bodies. Our company is committed to maintain a harmonious atmosphere with all employees to avoid misunderstandings and confusion.

The management always strives to maintain a good business relationship with non-management to break boundaries. Wage settlement 2019-20 was concluded after intensive discussions and negotiations among CBA and the management teams while maintaining an overall productive and peaceful environment.

This settlement has been a great example of how organization and employees can co-exist in harmony and emerge from the negotiating table with a win-win situation.

We give value to our outsourcing service providers as our business partners, and take care of their manpower as per company policy to avoid any conflict or discrimination because our vision is to create value over a life time.

Product Stewardship

Like our overall safety processes, we go above and beyond to ensure that we manufacture PTA that is safe for our employees to handle and for our customers to use. We believe Product stewardship forms an integral part of our sustainability strategy. While maintaining our efforts to offer our customers more value and better performance, we aim to reduce the environmental burden throughout the life cycle of our product including manufacturing, packaging, distribution, usage and eventual disposal.

In order to fulfill our Product Stewardship responsibilities we ensure that appropriate training and information is provided to all our staff, contractors, haulers and customers for handling of our products in a safe and responsible manner. Furthermore we ensure compliance with applicable laws, regulations and standards.

Product safety

Our product is safe when used as intended. All raw materials and finished product are subjected to numerous assessments and tests to ensure that safety is maintained during manufacturing, packaging distribution, usage and eventual disposal.

All customers and haulers are provided with MSDS (Material Safety Data Sheet) which consists of comprehensive information on the physical and chemical properties of the product, handling instructions, hazards, risks and precautionary measures in case of any mishaps during distribution and usage. This product literature is reviewed periodically and new information on adverse effects, types of use and circumstances of misuse are taken into account.

Customer Satisfaction and Complaint Management

Customer satisfaction plays an integral role in every business. The business sales team conducts regular meetings to maintain business relationships and gauge customer satisfaction. Any concerns and issues are addressed on a priority basis, and systems are in place to ensure that occurrences are not repeated. Moreover, a comprehensive system is in place to handle all complaints, within a defined time frame. Information and status of all complaints are circulated at the highest levels of the organization.

Economic Contribution

A sustainable business plays a pivotal role in delivering economic and social progress. A business which generates substantial revenue to sustain people's quality of life and safeguard the planet is important, but one that ensures that its employees, owners and members of the community remain financially secure, is also critically important.

We contribute economically in a number of ways: we provide employment, buy from local, regional and global suppliers, distribute our products, and contribute to the National exchequer via direct and indirect taxes.

Amounts in Rs '000

	2019	2018
Suppliers		
Cost of material, services and facilities	**50,854,531**	48,650,102
Employees		
Cost of employees' salaries and benefits	**868,186**	779,456
Government		
Tax paid, including remittance taxes and excise taxes	**9,772,115**	5,461,248
Shareholders		
Dividend	**2,271,311**	2,271,311
Community		
Voluntary contributions and investment of funds in the broader community	**22,516**	3,192
Retained within Company		
Depreciation, amortisation and retained earnings	**4,146,609**	3,005,668
Total Economic Contribution	**67,935,268**	60,170,977

Transparent Approach to Taxation

We recognise the growing interest in the level of taxes paid by multinational companies. We remain transparent in our dealings and pay appropriate amount of taxes according to country-specific laws and regulations.

In the year, total taxes borne and collected by the Company amounted to Rs 9,772.1 million (2018: Rs 5,461.2 million). This figure includes excise taxes, transactional taxes and taxes incurred by employees. We consider the wider tax footprint to be an appropriate indication of tax contribution from our operations. Our presence in Pakistan is beneficial to the Country as it provides employment to people - affecting income levels and subsequently tax revenues.

Understanding our Role and Responsibilities in our Value Chain

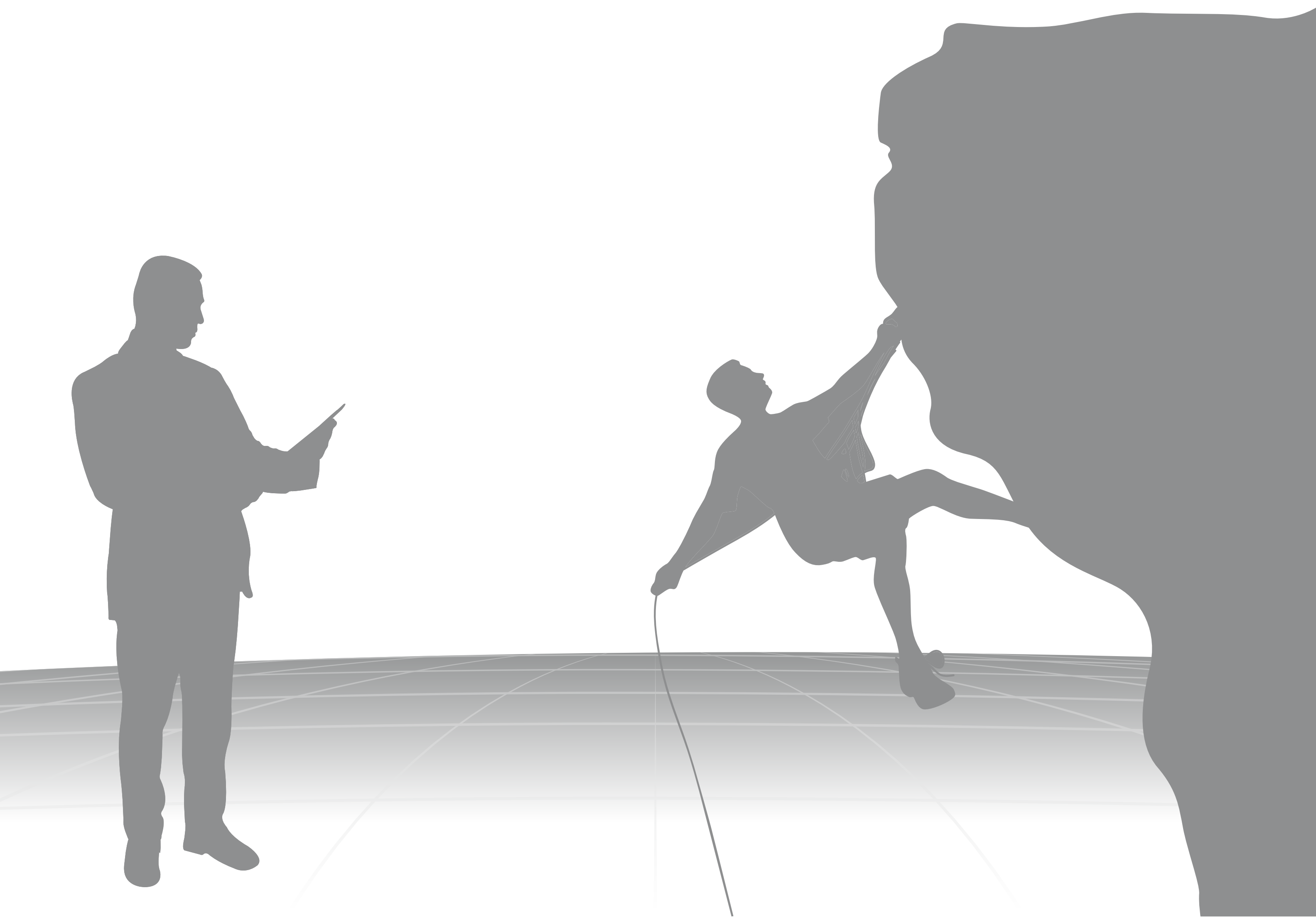
The reach and scale of our business result in us playing a pivotal role in the economic development of the Country.

We remain aware of our influence on our suppliers and the importance of developing long-term relationships with them. Our goal remains to pay fairly for their products, materials and services. In addition, we often work in collaboration with them, to help improve their working practices and conditions, as well as their overall efficiency, which in turn, impacts their income levels.

CHALLENGE

We focus on the
nature of our task
and continue to
challenge ourselves
to accomplish
higher goals.

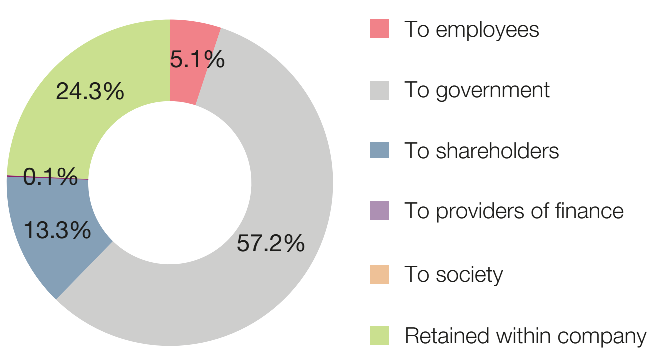
Financial Summary



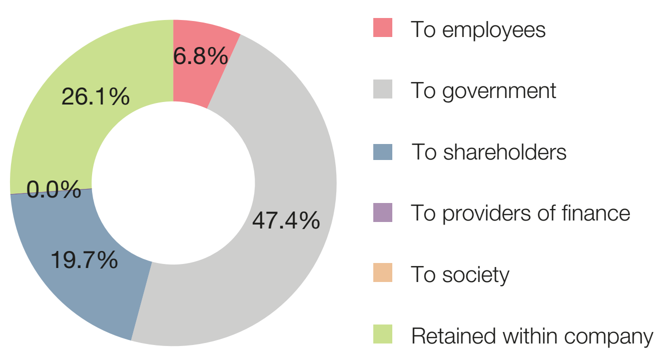
Statement of Value Addition and Its Distribution

	2019 Rs ('000)	2019 %	2018 Rs ('000)	2018 %
Wealth generated				
Total revenue (including other income)	**67,935,268**		60,170,977	
Bought-in material and services	**(50,854,531)**		(48,650,102)	
	17,080,737	**100.0%**	11,520,875	100.0%
Wealth distribution				
To employees				
Salaries, wages and other benefits	**868,186**	**5.1%**	779,456	6.8%
To government				
Income tax, sales tax, excise duty, WWF and WPPF	**9,772,115**	**57.2%**	5,461,248	47.4%
To shareholders				
Dividend	**2,271,311**	**13.3%**	2,271,311	19.7%
To providers of finance				
Finance costs	**-**	**0.0%**	-	0.0%
To society as donations				
Donations towards education,health and environment	**22,516**	**0.1%**	3,192	0.0%
Retained within company				
Depreciation, amortisation and retained earnings	**4,146,609**	**24.3%**	3,005,668	26.1%
	17,080,737	**100.0%**	11,520,875	100.0%

Wealth Distribution 2019



Wealth Distribution 2018



Statement of Charity Account

Amounts in Rs '000

Description	2019	2018
Education	**3,997**	435
Community Projects	**15,006**	1,607
Health & Environment	**3,513**	1,150
Total	**22,516**	3,192

Key Operational and Financial Data

Six Years at a Glance

		2019	2018	2017	2016	2015	2014
Statement of Financial Position Summary							
Issued, subscribed & paid-up capital	Rs m	**15,142**	15,142	15,142	15,142	15,142	15,142
Capital reserves	Rs m	**2**	2	2	2	2	2
Revenue reserves	Rs m	**648**	(2,625)	(4,467)	(4,869)	(5,188)	(4,439)
Current liabilities	Rs m	**11,600**	8,629	9,766	7,188	7,229	6,133
Fixed assets	Rs m	**4,777**	5,143	5,652	5,149	6,127	7,380
Current assets	Rs m	**22,006**	15,570	13,152	10,661	9,601	8,470
Statement of Profit or Loss Account Summary							
Revenue - net	Rs m	**60,540**	57,400	37,034	34,785	33,863	47,800
Cost of sales	Rs m	**(52,664)**	(50,019)	(35,837)	(34,080)	(34,119)	(49,769)
Gross profit / (loss)	Rs m	**7,876**	7,382	1,198	705	(257)	(1,969)
Distribution and selling expenses	Rs m	**(104)**	(102)	(93)	(78)	(81)	(180)
Administrative expenses	Rs m	**(423)**	(388)	(351)	(332)	(343)	(398)
Other expenses	Rs m	**(643)**	(555)	(55)	(28)	(20)	(14)
Other income	Rs m	**1,229**	515	249	214	99	118
Finance (costs) / income	Rs m	**(156)**	(505)	(52)	(10)	(26)	79
Profit / (loss) before taxation	Rs m	**7,779**	6,346	895	470	(628)	(2,364)
Taxation	Rs m	**(2,237)**	(1,914)	(483)	(147)	(119)	1,263
Profit / (loss) after taxation	Rs m	**5,542**	4,431	412	324	(748)	(1,100)
EBITDA	Rs m	**8,782**	7,697	1,597	1,695	807	(1,052)
Statement of Cash Flow Summary							
Net cash generated from operating activities	Rs m	**11,759**	237	2,878	1,764	918	(1,987)
Net cash used in investing activities	Rs m	**(3,854)**	(209)	(1,154)	(234)	(155)	(56)
Net cash used in financing activities	Rs m	**(4,068)**	(851)	(0)	(0)	(0)	(1)
Cash and cash equivalents at year end	Rs m	**8,058**	4,221	5,043	3,319	1,789	1,026
Key Ratios							
Gross profit ratio	%	**13.01**	12.86	3.23	2.03	(0.76)	(4.12)
EBITDA margin to sales	%	**14.55**	13.41	4.31	4.87	2.38	(2.20)
Net profit margin	%	**9.15**	7.72	1.11	0.93	(2.21)	(2.30)
ROE	%	**35.10**	35.39	3.86	3.15	(7.51)	(10.28)
ROCE	%	**35.10**	35.39	3.86	3.15	(7.51)	(10.28)
Inventory turnover	times	**10.84**	11.63	11.02	10.69	11.46	17.33
Inventory turnover in days	days	**33.69**	31.38	33.13	34.16	31.84	21.07
Debtors turnover	times	**17.70**	18.46	15.73	18.96	21.88	23.33
Average collection period	days	**20.62**	19.77	23.21	19.25	16.68	15.64
Creditors turnover	times	**19.17**	17.70	9.30	10.61	11.06	13.10
Payable turnover in days	days	**19.04**	20.62	39.25	34.39	33.00	27.87
Operating cycle	days	**35.27**	30.53	17.08	19.02	15.52	8.84
Total asset turnover	times	**2.48**	2.75	1.95	2.00	1.98	2.60
Fixed asset turnover	times	**12.21**	10.63	6.86	6.17	5.01	5.94
Current ratio	times	**1.90**	1.80	1.35	1.48	1.33	1.38
Quick ratio	times	**1.41**	1.10	0.92	0.92	0.76	0.75
Cash to current liabilities	times	**0.69**	0.49	0.52	0.46	0.25	0.17
Cash flow from operation to sales	times	**0.19**	0.00	0.08	0.05	0.03	(0.04)
Interest cover	times	**235.98**	225.63	16.88	22.81	(15.44)	(28.83)
Debt equity ratio	times	**1.00**	1.00	1.00	1.00	1.00	1.00
Price earnings ratio	times	**3.83**	5.77	26.33	38.90	(13.16)	(9.44)
EPS	Rs	**3.66**	2.93	0.27	0.21	(0.49)	(0.73)
Cash dividend per share	Rs	**1.50**	1.50	0.20	-	-	-
Dividend yield ratio	%	**10.70**	8.88	2.79	-	-	-
Dividend payout ratio	%	**40.98**	51.26	73.45	-	-	-
Dividend cover ratio	times	**2.44**	1.95	1.36	-	-	-
Breakup value per share	Rs	**10.43**	8.27	7.05	6.79	6.58	7.07
Market value per share - 31 December	Rs	**14.02**	16.89	7.17	8.32	6.50	6.86
Market value per share – High	Rs	**18.50**	20.67	12.89	9.49	9.43	8.40
Market value per share – Low	Rs	**12.90**	7.08	5.77	5.00	5.10	6.15
Market capitalization	Rs m	**21,229.19**	25,574.96	10,856.87	12,598.20	9,842.35	10,387.46

Vertical Analysis

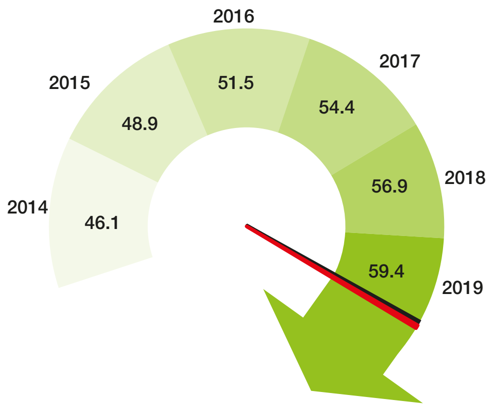
	2019	2018	2017	2016	2015	2014
	%					
Statement of Financial Position						
Fixed assets	**17.4**	24.2	27.5	29.4	35.5	43.7
Other non-current assets	**2.7**	2.6	8.5	9.9	8.8	6.2
Current assets	**79.9**	73.2	64.0	60.8	55.7	50.1
Total Assets	**100.0**	100.0	100.0	100.0	100.0	100.0
Shareholders equity	**57.4**	58.8	52.0	58.6	57.7	63.4
Non-current liabilities	**0.5**	0.6	0.5	0.4	0.4	0.3
Current liabilities	**42.1**	40.6	47.5	41.0	41.9	36.3
Total Equity and Liabilities	**100.0**	100.0	100.0	100.0	100.0	100.0
Statement of Profit or Loss						
Revenue - net	**100.0**	100.0	100.0	100.0	100.0	100.0
Cost of sales	**(87.0)**	(87.1)	(96.8)	(98.0)	(100.8)	(104.1)
Gross profit / (loss)	**13.0**	12.9	3.2	2.0	(0.8)	(4.1)
Distribution and selling expenses	**(0.2)**	(0.2)	(0.3)	(0.2)	(0.2)	(0.4)
Administrative expenses	**(0.7)**	(0.7)	(0.9)	(1.0)	(1.0)	(0.8)
Other expenses	**(1.1)**	(1.0)	(0.1)	(0.1)	(0.1)	(0.0)
Other income	**2.0**	0.9	0.7	0.6	0.3	0.2
Finance (costs) / income	**(0.3)**	(0.9)	(0.1)	(0.0)	(0.1)	0.2
Profit / (loss) before taxation	**12.8**	11.1	2.4	1.4	(1.9)	(4.9)
Taxation	**(3.7)**	(3.3)	(1.3)	(0.4)	(0.4)	2.6
Profit / (loss) after taxation	**9.2**	7.7	1.1	0.9	(2.2)	(2.3)

Horizontal Analysis
Year on Year

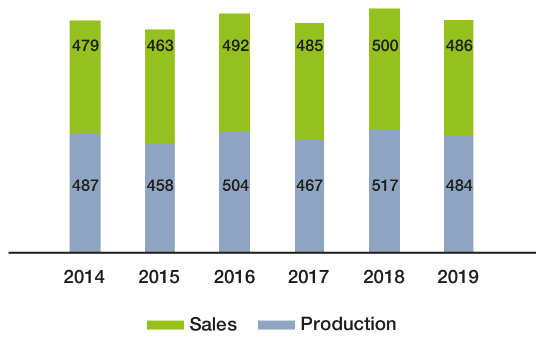
	2019 over 2018	2018 over 2017	2017 over 2016	2016 over 2015	2015 over 2014	2014 over 2013
			%			
Statement of Financial Position Analysis (%)						
Fixed assets	**(7.1)**	(9.0)	9.8	(16.0)	(17.0)	(15.3)
Other non-current assets	**32.6**	(67.7)	0.5	13.8	45.4	891.7
Current assets	**41.3**	18.4	23.4	11.0	13.4	(23.5)
Total Assets	**29.4**	3.6	17.1	1.7	2.1	(15.1)
Shareholders equity	**26.1**	17.3	3.9	3.2	(7.0)	(9.4)
Non-current liabilities	**6.5**	27.7	30.4	22.7	12.6	(87.5)
Current liabilities	**34.4**	(11.6)	35.9	(0.6)	17.9	(19.8)
Total Equity and Liabilities	**29.4**	3.6	17.1	1.7	2.1	(15.1)
Statement of Profit or Loss (%)						
Revenue - net	**5.5**	55.0	6.5	2.7	(29.2)	(16.2)
Cost of sales	**5.3**	39.6	5.2	(0.1)	(31.4)	(12.6)
Gross profit / (loss)	**6.7**	516.3	69.9	(374.5)	(87.0)	(1,420.5)
Distribution and selling expenses	**1.1**	9.6	19.8	(4.0)	(54.9)	50.1
Administrative expenses	**9.0**	10.5	5.7	(3.3)	(13.7)	19.8
Other expenses	**15.8**	917.4	92.0	40.7	49.3	(85.6)
Other income	**138.8**	107.0	16.4	115.3	(16.0)	(34.5)
Finance (costs) / income	**(69.0)**	864.0	449.3	(63.1)	(132.8)	(194.3)
Profit / (loss) before taxation	**22.6**	609.1	90.2	(174.9)	(73.4)	687.8
Taxation	**16.8**	296.7	229.2	22.9	(109.4)	(738.2)
Profit / (loss) after taxation	**25.1**	974.7	27.3	(143.3)	(32.1)	121.0

Graphical Presentation

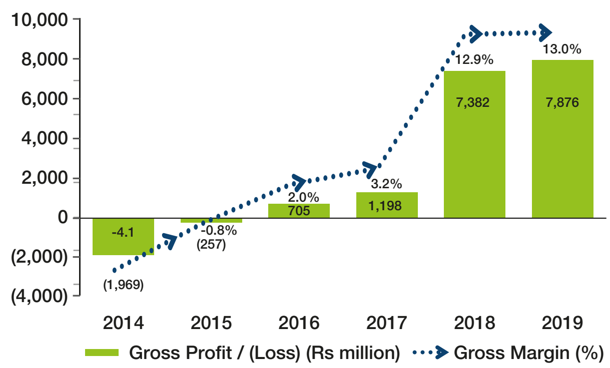
Million man-hours without Lost Time Case (employees + contractors)



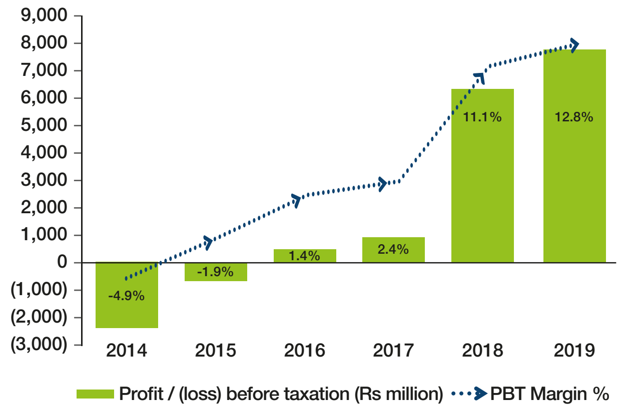
Production & Sales (000 tes)



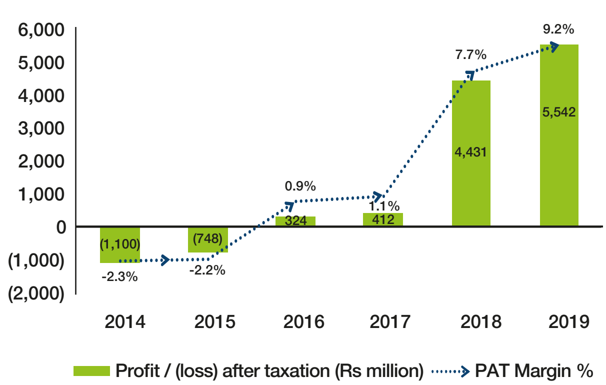
Gross Profit /(Loss) (Rs million) & Gross Margin (%)



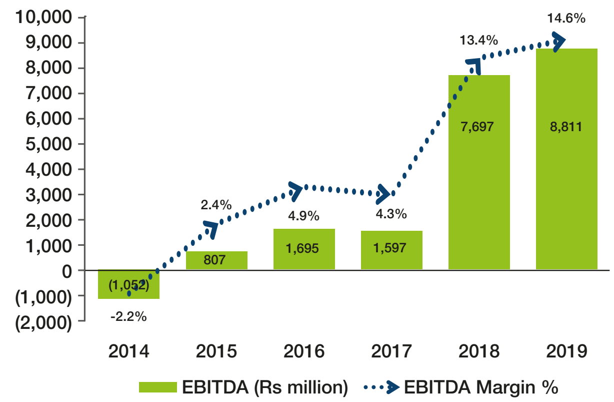
PBT (Rs million) & PBT Margin (%)



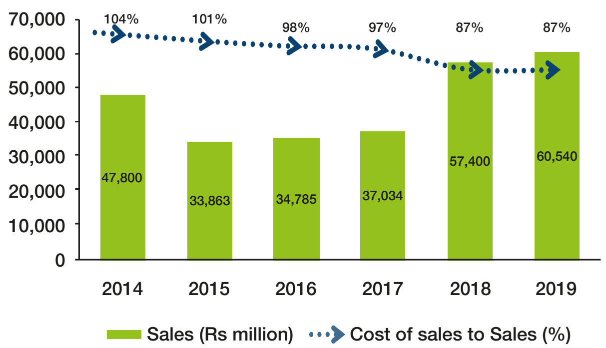
PAT (Rs million) & PAT Margin (%)



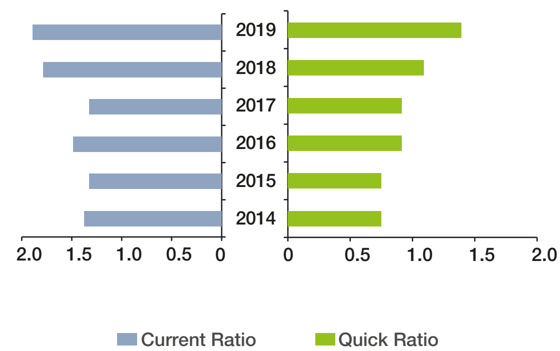
EBITDA (Rs million) & EBITDA Margin (%)



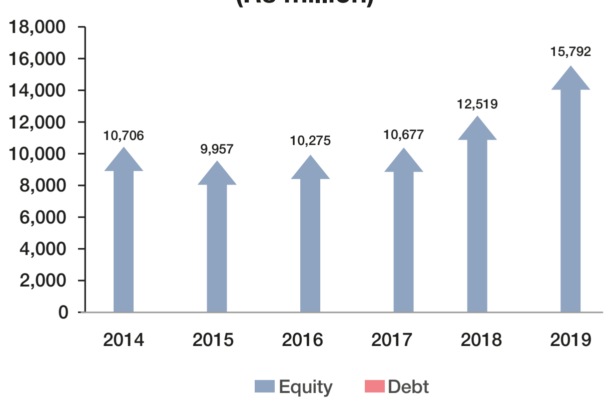
Sales (Rs million) & Cost of sales to Sales (%)



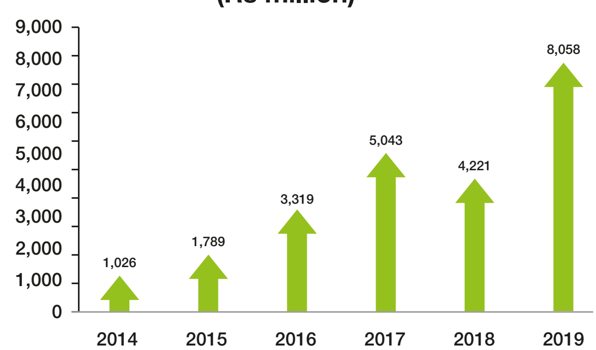
Liquidity Ratios (times)



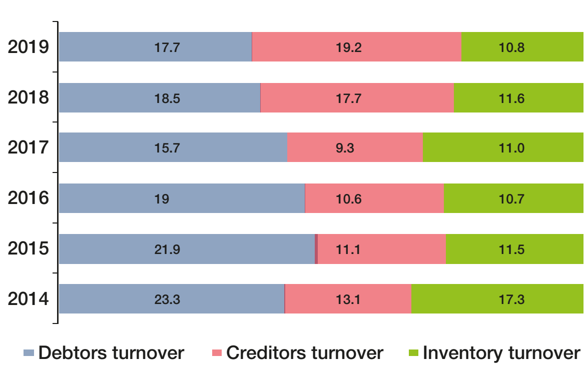
Debt Equity (Rs million)



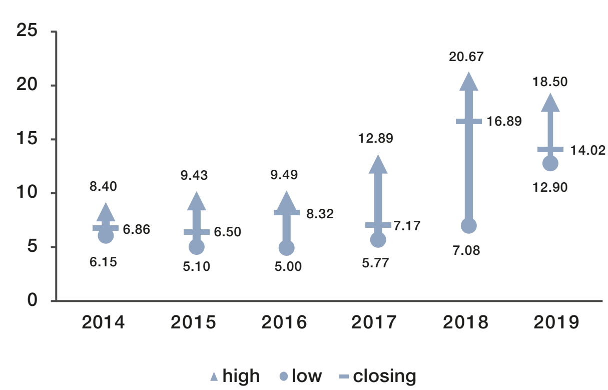
Cash & Cash Equivalents at Year End (Rs million)



Debtors, Creditors & Inventory Turnover (times)

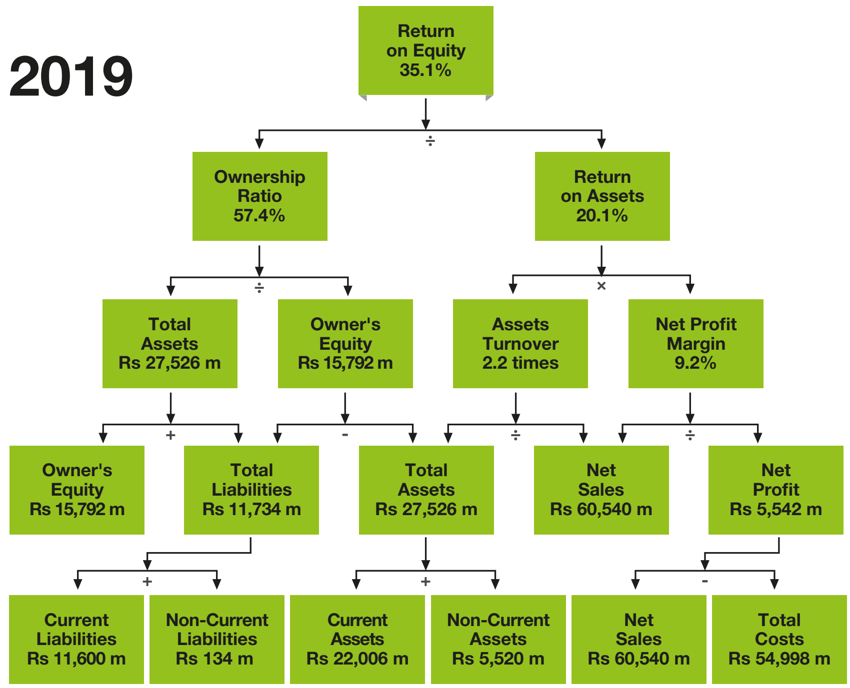


Market Value per Share (Rs)

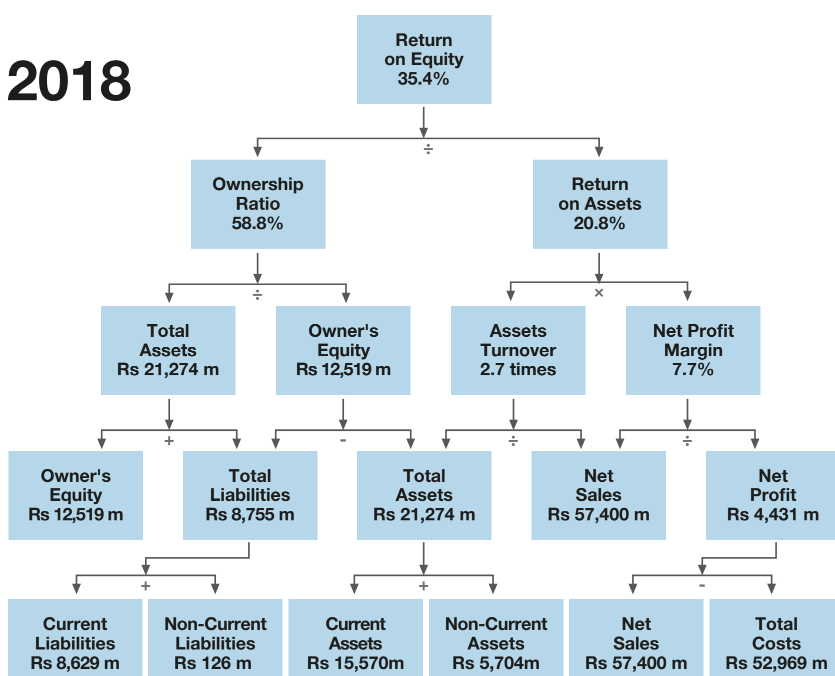


DuPont Chart Analysis

2019



2018



Analysis:

Net Sales increased by 5% due to higher average PTA price per tonne as well as the stable PTA margin over PX, which consequently increased the net margin from 7.7% to 9%. Total assets increased by 29% due to higher cash and bank balances, short-term investments and rebates receivable at year end, which consequently decreased the return on assets to 20% from 21%. This resulted in 35% retun on equity as compared to 35.4% in 2018.

Variation Analysis in Quarterly Results

Amounts in Rs '000

	Q1	Q2	Q3	Q4	2019
Revenue	16,123,287	17,066,375	14,427,608	12,922,484	**60,539,754**
Gross profit	1,879,830	2,599,936	2,375,365	1,020,964	**7,876,095**
Profit before taxation	1,748,505	2,472,285	2,412,851	1,145,564	**7,779,205**
Profit after taxation	1,286,351	1,764,134	1,682,360	809,485	**5,542,330**

Q1

- The Crude Oil market saw prices move upward due to the promised cuts of almost 1.2 million barrels per day by the OPEC Plus. The market continued to ascend due to supply reduction in the global market resulting from the sanctions on Iran and Venezuela. This upward movement was further supported by US Crude inventory reductions and the extension of the OPEC cuts till the second half of the year.
- The Paraxylene (PX) market showed bullishness, following the upstream Crude Oil market crossing US$ 1,100 per tonne in February. However, the upward trend slowed towards the end of the quarter owing to weak PTA futures and slow recovery in the downstream Polyester sales largely due to the Lunar Holidays and the lingering trade talks between US and China. New PX capacity additions in the region further weighed down on the PX market causing prices to trend downwards.
- The PTA market initially struggled to keep pace with the bullish upstream market owing to a build-up of Polyester inventory and slow recovery post Lunar Holidays. Nevertheless, higher upstream prices and imminent improvement in demand from the downstream PET and PSF sectors due to the peak season, helped PTA prices recover and trend higher.
- Domestic Polyester industry experienced a slowdown due to economic uncertainty and rising cost of production.
- Production during the quarter was 15.52% lower than corresponding period last year.
- The overall sales volume constituting of domestic sales alone, was 7.28% lower than the corresponding quarter last year.

Q2

- The Crude Oil market was unable to maintain its bullish trend as the continued increase in US Crude production and fears of an economic slowdown owing to the US-China trade war caused prices to falter. Nevertheless, the temporary trade truce between the two countries at the G-20 summit and the expectation of an extension to the OPEC Plus production cuts helped limit the downward trend in Crude.
- The Paraxylene market exhibited a bearish trend despite the peak seasonal demand, as prices fell by more than US$ 250 per tonne during the quarter. This was mainly due to fears of an oversupplied PX market owing to the start-up of a new mega ton PX unit in China. However, the PX market was able to gather support and limit the downside towards the end of the quarter as the upstream energy markets turned volatile.
- The PTA market showed some resistance at the start of the quarter due to ongoing shutdowns and the peak season. However, due to a short-lived peak season, downstream demand declined resulting in Polyester producers rationalizing operations to avoid inventory loss. Towards the end of the quarter, the temporary trade truce between US and Chinaenabled a slight recovery in PTA prices.
- Domestic Polyester industry performance showed some improvement as producers increased operating rates due to the ongoing peak seasonal demand. Additionally, demand improved as downstream textile players aimed to increase throughput before the Finance Bill 2019 came into effect at the end of the Quarter.
- Production during the quarter was higher by 3.48% than the corresponding quarter last year.
- Sales volume was 5.16% higher when compared to the corresponding quarter last year.

Q3

- The Crude Oil market trended lower on average as the trade war between US and China became more pronounced, with the later imposing retaliatory tariffs on US Crude. However, downside was limited due to the ongoing tensions in the Middle East and the reduction insupply from the OPEC Plus as well as sanctions on Iran and Venezuela. Towards the end of the quarter, US and China agreed to resume trade talks at the G7 summit which allowed some recovery in Crude. Crude prices saw a sharp spike as Saudi Oil assets came under attack affecting their production.
- The Paraxylene market trended downwards on average as demand from downstream PTA declined due to the end of the peak season. A temporary recovery in prices was observed towards the end of the quarter due to the attack on the Saudi oil assets. However, the PX market was unable to sustain and resumed its bearish trend on oversupply concerns due to new capacity additions in the region.
- The PTA market saw prices tumble by more than US$ 140 per tonne as weaker demand from downstream end consumers led to Polyester producers limiting operations to avoid inventory devaluation. The PTA market remained bearish owing to a weaker global demand outlook and fears of a recession led by the ongoing trade war.
- Domestic Polyester industry saw a steep decline in operations as local manufacturers struggled to maintain normal sales following the release of the Finance Bill of 2019 by the Government.
- Production during the quarter was 2.27% lower than the corresponding period last year.
- Sales volume, for Q3 2019 was 9.86% lower than the corresponding quarter last year.

Q4

- Crude prices trended slightly higher compared to the previous quarter on news of a possible trade deal between US and China. The deeper and extended OPEC Plus cuts added to this bullish sentiment,allowing Crude prices to cross US$ 60 per barrel.
- PX prices were relatively rangebound for most of the fourth quarter. PX producers attempted to maintain prices by reducing throughput and commencing shutdowns to offset the new capacity additions and their decreasing margins. Towards the end of the quarter, the PX market found support from the upstream energy market and new downstream PTA capacity additions allowing prices to recover and trend upwards.
- The PTA industry, while showing resilience due to near to break-even margins, trended downwards on oversupply concerns and a slowdown in the downstream Polyester market due to seasonal factors. PTA demand continued to decline throughout the quarter as Polyester producers lookedto reduce inventories to avoid a significant build-up before year end and the upcoming Lunar New Year Holidays in China.
- The Domestic Polyester industry saw a slight improvement as local businesses adjusted to the new regulations. However, overall operations remained slower than expected as producers dealt with accumulated inventories.
- Production during the quarter was 10.32% lower than the corresponding period last year.
- Sales volume for Q4 2019 was 1.64% higher than the corresponding period last year.

ORIGINALITY

We quickly respond to changes, cooperate with other fields without boundaries, and implement innovation to develop originality inimitable by anyone.

Financial Statements

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: + 9221 111 11 39 37 (EYFR)
Tel: + 9221 3565 0007-11
Fax: + 9221 3568 1965
e.y.khi@pk.ey.com
ey.com/pk

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INDEPENDENT AUDITORS' REPORT

To the members of Lotte Chemical Pakistan Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Lotte Chemical Pakistan Limited** (the Company), which comprise the statement of financial position as at **31 December 2019,** and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
First time adoption of IFRS 9, IFRS 15 and IFRS 16	
Note 3.1 to the financial statements The Company has changed its accounting policies due to the adoption of the following new accounting standards as of 01 January 2019: - IFRS 9 'Financial Instruments' (IFRS 9) addresses the classification, measurement, recognition and de-recognition of financial instruments and introduces a new impairment model for financial assets which requires the Company to make provision using expected credit loss (ECL) approach as against the incurred loss model	Our key audit procedures amongst others, includes obtaining an understanding of the analysis performed by management to identify all significant differences between previous accounting standards and the new accounting standards which can impact the financial statements. We further considered the key decisions made by the Company with respect to accounting policies, estimates and judgments in relation to adoption of new accounting standards and assessed their appropriateness based on our understanding of the Company's business and its operations.

Key audit matter	How the matter was addressed in our audit
previously applied by the Company. Determination of ECL requires significant judgement and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information. - IFRS 15 'Revenue Recognition' (IFRS 15) introduces a new five step model for recognition of revenue which is primarily based on the transfer of control to the customers along with detailed presentation and disclosure about contracts with customers, information about disaggregation of revenue, performance obligations, contract assets and contract liabilities. - IFRS 16 'Leases' (IFRS 16) sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model with corresponding recognition of right-of-use asset (ROU). Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17 'Leases' i.e. operating and finance leases. For lessees all leases will be classified as finance leases only. We have considered the first time application of IFRS 9, IFRS 15 and IFRS 16 as a key audit matter due to significance of the change in accounting methodology, involvement of significant estimates and judgments resulting in adjustments, presentation and incremental quantitative and qualitative disclosures.	Our procedures to review the application of IFRS 9, amongst others, included the following: - Reviewed the methodology developed and applied by the management to estimate the allowance for ECL against the financial assets. - Considered and evaluated the approach and assumptions used in applying the ECL model based on historical information and qualitative factors as relevant for such estimates. - Assessed the integrity and quality of the data used for allowance for ECL computation based on the accounting records and information system of the Company as well as the external sources used for this purpose. - Checked the mathematical accuracy of the ECL model by performing recalculation on test basis. Our procedures with respect to review the application of IFRS 15, amongst others, included review of managements' impact assessment of all contracts with customers in light of application of the new standard. Our assessment included: - Inspecting terms for a sample of contracts to determine whether each performance obligation in the contract has been classified and accounted for separately; - For each performance obligation identified, we assessed whether revenue should be recognized at point in time or over a period of time; and - Reviewed if the allocation of transaction price between each performance obligation is appropriate. Our audit procedures to review the application of IFRS 16, amongst others, included review of managements' impact assessment of all operating lease contracts with lessor in light of application of the new standard. Our assessment included: - Inspecting terms for a sample of operating lease contracts to determine whether the same are in scope of IFRS 16 and are also subject to recognition exemption under IFRS 16 for short-term and low value leases. We also reviewed contracts to identify whether it is a lease contract, and if so its various component, lease term, extended period, company historical experience, rental amount, payment terms, lease modifications terms, etc.

Key audit matter	How the matter was addressed in our audit
	- Reviewed discount rate used by the Company to determine the present value of lease obligation and right of use ROU. - Reviewed and checked the period considered for depreciating ROU. - Tested calculation of PV of liability and ROU and its related finance cost and depreciation charge for the period. We further tested the adjustments made in the financial statements from initial application of IFRS 16 as a part of the transition process based on the differences identified, if any. We also assessed the adequacy and appropriateness of financial statements presentation and disclosures in accordance with the applicable financial reporting framework.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

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

EY Ford Rhodes

Chartered Accountants

Place: Karachi
Date: 16 March 2020

Statement of Financial Position

As at 31 December 2019

Amounts in Rs '000

	Note	2019	2018
Assets			
Non-current assets			
Fixed assets	4	**4,699,873**	5,142,935
Right-of-use assets	5	**76,730**	-
Long-term loans and advances	6	**113,082**	82,912
Long-term deposits and prepayments	7	**41,358**	42,149
Deferred tax assets	8	**589,341**	435,938
		5,520,384	5,703,934
Current assets			
Stores and spare parts	9	**1,201,478**	866,638
Stock-in-trade	10	**4,482,468**	5,238,450
Trade debts	11	**3,440,258**	3,401,047
Loans and advances	12	**58,872**	27,150
Trade deposits and short-term prepayments	13	**39,040**	59,488
Interest accrued	14	**118,082**	7,061
Other receivables	15	**515,183**	756,689
Short-term investments	16	**3,452,081**	-
Tax refunds due from government - sales tax	17	**446,485**	189,950
Taxation - payments less provision	18	**194,299**	802,967
Cash and bank balances	19	**8,057,563**	4,220,756
		22,005,809	15,570,196
Total assets		**27,526,193**	21,274,130

Amounts in Rs '000

	Note	2019	2018
Equity and liabilities			
Share capital and reserves			
Share capital	20	**15,142,072**	15,142,072
Capital reserves	21	**2,345**	2,345
Revenue reserves		**647,634**	(2,625,192)
Total equities		**15,792,051**	12,519,225
Liabilities			
Non-current liabilities			
Retirement benefit obligations	22	**133,648**	125,482
Current liabilities			
Trade and other payables	23	**11,330,495**	6,682,630
Accrued interest	24	**235,076**	211,018
Unpaid dividend		**-**	1,703,790
Unclaimed dividend		**34,923**	31,985
		11,600,494	8,629,423
Total liabilities		**11,734,142**	8,754,905
Total equity and liabilities		**27,526,193**	21,274,130
Contingencies and commitments	25		

The annexed notes 1 to 45 form an integral part of these financial statements.

Min Jae Hwang
Chairman

Humair Ijaz
Chief Executive

Ashiq Ali
Chief Financial Officer

Statement of Profit or Loss
For the year ended 31 December 2019

Amounts in Rs '000

	Note	**2019**	2018
Revenue from contracts with customers - net	26	**60,539,754**	57,400,241
Cost of sales	27	**(52,663,659)**	(50,018,605)
Gross profit		**7,876,095**	7,381,636
Distribution and selling expenses	28	**(103,581)**	(102,444)
Administrative expenses	29	**(422,635)**	(387,655)
Other expenses	30	**(642,814)**	(555,343)
Other income	31	**1,228,637**	514,501
Finance costs	32	**(156,497)**	(505,129)
Profit before taxation		**7,779,205**	6,345,566
Taxation	33	**(2,236,875)**	(1,914,466)
Profit after taxation		**5,542,330**	4,431,100
		Rupees	
Earnings per share - basic and diluted	35	**3.66**	2.93

The annexed notes 1 to 45 form an integral part of these financial statements.

Min Jae Hwang
Chairman

Humair Ijaz
Chief Executive

Ashiq Ali
Chief Financial Officer

Statement of Other Comprehensive Income
For the year ended 31 December 2019

Amounts in Rs '000

	Note	2019	2018
Profit after taxation		**5,542,330**	4,431,100
Other comprehensive gain / (loss):			
Other comprehensive gain / (loss) not to be reclassified to profit or loss in the subsequent periods			
Remeasurement gain / (loss) on defined benefit plans	22	**2,545**	(20,278)
Impact of deferred tax		**(738)**	5,475
Net comprehensive gain / (loss) not to be reclassified to profit or loss in the subsequent periods		**1,807**	(14,803)
Total comprehensive income for the year		**5,544,137**	4,416,297

The annexed notes 1 to 45 form an integral part of these financial statements.

Min Jae Hwang
Chairman

Humair Ijaz
Chief Executive

Ashiq Ali
Chief Financial Officer

Statement of Changes in Equity
For the year ended 31 December 2019

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Reserves			Total equity
		Capital reserves	Revenue reserves - accumulated (losses) / profits	Sub-total	
Balance at 01 January 2018	15,142,072	2,345	(4,467,337)	(4,464,992)	10,677,080
Total comprehensive income for the year ended 31 December 2018					
- Profit for the year ended 31 December 2018	-	-	4,431,100	4,431,100	4,431,100
- Other comprehensive loss for the year ended 31 December 2018	-	-	(14,803)	(14,803)	(14,803)
	-	-	4,416,297	4,416,297	4,416,297
Final dividend for the year ended 31 December 2017 @ Rs 0.20 per share	-	-	(302,841)	(302,841)	(302,841)
Interim dividend for the year ended 31 December 2018 @ Rs 1.50 per share	-	-	(2,271,311)	(2,271,311)	(2,271,311)
Balance as at 31 December 2018	**15,142,072**	**2,345**	**(2,625,192)**	**(2,622,847)**	**12,519,225**
Total comprehensive income for the year ended 31 December 2019					
- Profit for the year ended 31 December 2019	**-**	**-**	**5,542,330**	**5,542,330**	**5,542,330**
- Other comprehensive income for the year ended 31 December 2019	**-**	**-**	**1,807**	**1,807**	**1,807**
	-	**-**	**5,544,137**	**5,544,137**	**5,544,137**
Interim dividend for the year ended 31 December 2019 @ Rs 1.50 per share	**-**	**-**	**(2,271,311)**	**(2,271,311)**	**(2,271,311)**
Balance as at 31 December 2019	**15,142,072**	**2,345**	**647,634**	**649,979**	**15,792,051**

The annexed notes 1 to 45 form an integral part of these financial statements.

Min Jae Hwang	**Humair Ijaz**	**Ashiq Ali**
Chairman	Chief Executive	Chief Financial Officer

Statement of Cash Flows
For the year ended 31 December 2019

Amounts in Rs '000

	Note	2019	2018
Cash flows from operating activities			
Cash generated from operations	34	**13,118,909**	1,137,180
Finance costs paid		**(34,072)**	(32,435)
Payments to retirement benefit obligations		**(25,750)**	(19,591)
Long-term loans and advances - net		**(30,170)**	(8,373)
Long-term deposits - net		**791**	20,396
Taxes paid		**(2,356,996)**	(1,331,202)
Interest received		**1,085,901**	470,983
Net cash generated from operating activities		**11,758,613**	236,958
Cash flows from investing activities			
Payments for capital expenditure		**(402,088)**	(222,812)
Proceeds from disposal of property, plant and equipment		**-**	13,945
Purchase of short-term investments (net of proceeds)		**(3,452,081)**	-
Net cash used in investing activities		**(3,854,169)**	(208,867)
Cash flows from financing activities			
Dividend paid		**(3,972,163)**	(850,523)
Payment of lease liability		**(95,474)**	-
Net cash used in financing activities		**(4,067,637)**	(850,523)
Net increase / (decrease) in cash and cash equivalents		**3,836,807**	(822,432)
Cash and cash equivalents at the beginning of the year	19	**4,220,756**	5,043,188
Cash and cash equivalents at the end of the year	19	**8,057,563**	4,220,756

* No non-cash items are included in investing and financing activities.

The annexed notes 1 to 45 form an integral part of these financial statements.

Min Jae Hwang	**Humair Ijaz**	**Ashiq Ali**
Chairman	Chief Executive	Chief Financial Officer

Notes to the Financial Statements
For the year ended 31 December 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. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs) issued by International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan (ICAP), as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for retirement benefit obligations, which have been measured at the present value.

3. Summary of accounting policies

3.1 Standards, amendments, interpretations and improvements adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as described below:

New / amended standards and interpretations

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 (Annual improvements 2015-2017 Cycle)

IFRS 3	Definition of Business (Amendments)
IFRS 11	Joint Arrangement previously held interest in a joint operation
IAS 12	Income Taxes - Income Taxes consequences of payment on financial instruments classified as equity
IAS 23	Borrowing costs - Borrowing costs eligible for capitalisation

The adoption of above standards, amendments, interpretations and improvement to standards did not have any material effect on the financial statements of the Company, except for the changes related to adoption of IFRS 9 ‘Financial Instruments’, IFRS 15 'Revenue From Contracts with Customers' and IFRS 16 'Leases' as explained in notes 3.1.1, 3.1.2 and 3.1.3 to these financial statements.

3.1.1 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 (FVTOCI); 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 revenue reserves as of 01 January 2019 have not been restated in these financial statements.

i) Classification and measurement

At transition date to IFRS 9, the Company has financial assets (i.e. deposits, trade and other receivables, accrued interest and cash at banks’) previously classified as ‘loans and receivables’ under IAS 39 that were measured at amortised cost continue to be classified and measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist of SPPI on the principal amount outstanding. Therefore, the classification and measurement requirements of IFRS 9 does not have any material impact on the Company’s financial position, profit or loss, other comprehensive income or total comprehensive income in the period of initial application.

ii) Impairment

The Company has calculated ECLs based on lifetime expected credit losses. The Company trade debts are secured against bank letter of credits (LCs) and its accrued interest, deposits, short-term investments and all bank balances are also held with reputable banking institutions and other third parties, therefore these are assessed to have low credit risk. For other receivables, the Company has established a provision matrix that is based on the Company’s historical credit loss experience, adjusted for forward-looking factors specific to those parties and the economic environment. However, in certain cases, the Company has also considered a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of the ECL requirements of IFRS 9 have an immaterial impact on the Company's existing financial assets as at 01 January 2019, accordingly, the opening revenue reserves on said date have not been restated in these financial statements.

Financial asset	Original category under IAS 39	New category under IFRS 9	Allowances for impairment under IAS 39 - 01 January 2019	Effect of adoption/ application of IFRS 9	Expected credit losses under IFRS 9 - 01 January 2019
			---------- Rupees in '000 ----------		
- Deposits	Loans and receivables	At amortised cost	-	-	-
- Trade debts	Loans and receivables	At amortised cost	-	-	-
- Interest accrued	Loans and receivables	At amortised cost	-	-	-
- Other receivables	Loans and receivables	At amortised cost	-	-	-
- Bank balances	Loans and receivables	At amortised cost	-	-	-

The accounting policy in respect of financial instruments and impairment of financial assets is stated in note 3.7 to these financial statements.

3.1.2 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 (i.e. discounts / rebates) 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 revenue 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.

The accounting policy in respect of revenue recognition is stated in note 3.14 to these financial statements.

3.1.3 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. Therefore, IFRS 16 does not have an impact for leases where the Company is lessor. Whereas, for lesses all leases will be classified as finance leases only.

The Company adopted IFRS 16 using the modified retrosepctive method 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 as of 01 January 2019. 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’).

The effect of adoption of IFRS 16 as at 01 January 2019 is as follows:

	Rupees in '000
Assets - increase / (decrease)	
Right-of-use assets	107,422
Short-term prepayments	(19,531)
Total assets	**87,891**
Liabilities - (increase)	
Lease liability	(87,891)
Total liabilities	**(87,891)**

The Company has a lease contract for its city office premises under the rental arrangement. Before the adoption of IFRS 16, the Company classified this lease arrangement (as lessee) at the inception date an operating lease, i.e. the leased property was not capitalised and the prepaid lease rental payments were recognised as rent expense in statement of profit or loss on a straight-line basis over the lease term. Prepaid rent was recognised as pre-payments under non-current / current assets accordingly. Further, vehicles obtained under ijarah arrangements were accounted for under Islamic Financial Accounting Standards (IFAS) - 2 as issued by ICAP. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company. However, vehicles under ijarah arrangement continues to be recorded under IFAS 2, as per local law requirements.

a) Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets, if any. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

b) Leases previously classified as finance leases

The Company does not have any assets/liabilities at the date of initial application IFRS 16 that were previously classified as finance leases under IAS 17.

c) The Company also applied the available practical expedients wherein it has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease. Based on the foregoing, as at 01 January 2019:

- Right-of-use assets and lease liability of Rs 107.422 million and Rs 87.891 million respectively, were recognised and presented separately in the statement of financial position.

- Short-term prepayments of Rs 19.530 million related to previous operating leases were derecognised.

d) The reconcilaition of lease liabilities as at 01 January 2019 to the operating lease commitments as of 31 December 2018 is not presented, as the Company had made payment in advance at the inception of contract. The effect of adoption of IFRS 16 and related adjustments does not have any impact on revenue reserves as of 01 January 2019 and accordingly, there is no effect on basic / diluted earning per share.

The accounting policy in respect of leases is stated in note 3.3 to these financial statements.

3.2 Fixed assets

3.2.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation charge is based on the straight-line method whereby the cost of an asset is written off to Statement of profit or loss over its estimated useful life, from the date the asset is available for use. When a particular class of asset under property, plant and equipment includes an item having different useful life and is required to be replaced at intervals, the Company depreciates it separately based on its specific useful life. Full month's depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal. The rates of depreciation are disclosed in note 4.1 to these financial statements. The cost of leasehold land is amortised in equal installments over the lease period.

Renewals and improvements are included in an asset's carrying amount and are recognised 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 expenses are charged to Statement of profit or loss during the financial period, in which they are incurred.

The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of assets are taken to the Statement of profit or loss.

Impairment reviews

Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Changes in the assumptions used by management, in particular the PTA-Px margins, discount rate and expected capacity utilizations may affect the Company's impairment evaluation and accordingly the amounts recognised in the financial statements.

3.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and consists of expenditure incurred in respect of operating fixed assets and intangible assets in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of operating fixed assets or intangible assets when they are available for use.

3.2.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Major computer software licences are capitalised on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years using the straight-line method. Full month's amortisation is charged in the month of acquisition and no amortisation is charged in the month of disposal.

Costs associated with maintaining computer software programmes are recognised as an expense as and when incurred.

3.3 Right-of-use assets and lease laibilities

The Company assess at contract inception whether a contract is, or contain a lease. That is, 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 acts as a lessee and applies a single recognition and measurement approach for all the leases except for short-term leases and leases of low value assets (if any). The Company recognises lease liability to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets (ROU assets) at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, if any. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, if any, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, on the rates as disclosed in the note 5.1 to the financial statements. ROU assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option (if any) reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under its lease arrangements to lease the assets for additional terms of one to two years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). Any change is accounted for change in estimate and applied prospectively with corresponding change in ROU assets and lease liabilities.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.4 Stores and spare parts

Stores and spare parts are valued at lower of weighted average cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the stores and spares to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

3.5 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value. Cost is determined using the weighted average method, except for in transit which comprises invoice value and the direct charges in respect thereof. Cost of raw material and finished trading goods comprises purchase cost and other incidental charges incurred in bringing the inventories to their present location and condition. Manufactured finished goods and work in progress include prime cost and an appropriate portion of production overheads based on the normal operating capacity but excluding borrowing costs.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, short-term fixed deposits having maturity upto three months and current accounts held with commercial banks. Running finance and short-term finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.7 Financial instruments

3.7.1 Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade debts, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debts are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into following categories:

a) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in Statement of profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets designated at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to Statement of profit or loss. Dividends are recognised as dividend income in the Statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any equity investments during the current and last year and as of reporting date.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the Statement of profit or loss. This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as dividend income in the Statement of profit or loss when the right of payment has been established.

The Company does not have any listed equity investments during the current and last year and as of reporting date.

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

iv) Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Company applies a simplified approach in calculating ECLs for its trade debts and other receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For trade debts (secured by LCs), deposits, accrued interest, short-term investments and bank balances that are held with reputational banks and other third parties, the Company applies low credit risk simplifications. At each reporting date, the Company evaluates whether these assets are considered to have low credit risk using all reasonable and supportable information that is available without un-due cost or effort including their credit ratings assessed by reputable agencies and therefore assessed to have immaterial impact of allowances for ECL. For other receivables, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the third parties and the economic environment.

The Company considers a financial asset in default when contractual payments are past due over the agreed terms. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.7.2 Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

ii) Subsequent measurement

The measurement of financial liablities depends on their classificaiton, as described below:

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through Statement of profit or loss. Gains or losses on liabilities held for trading are recognised in the Statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

b) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of profit or loss.

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.8 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then an asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as an expense in the Statement of profit or loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is ascertained through discounting of the estimated future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. The fair value less costs to sell calculation is based on the available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.9 Provisions

A provision is recognised when the Company has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of that can be made. Provisions are reviewed at each reporting date and accordingly adjusted to reflect current best estimate.

3.10 Staff retirement benefits

3.10.1 Defined benefit plans

The Company operates an approved funded defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company.

The Company also has an unfunded medical scheme to provide post retirement medical benefits for all of its full-time management staff, who joined the Company on or before 01 October 2012 and are also the members of defined contribution superannuation fund.

Contributions to all schemes are made periodically on the basis of recommendations of the actuary and in line with the provisions of the Income Tax Ordinance, 2001.

The liability recognised in the Statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to Statement of other comprehensive income in the period in which they arise and are not reclassified to Statement of profit or loss in the subsequent periods.

Past-service costs are recognised immediately in Statement of profit or loss.

3.10.2 Defined contribution plans

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions are made to the fund, both by the Company and the employees at the rate of 10 percent of basic salary and cost of living allowance wherever applicable. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company also operates a defined contribution superannuation fund for its management staff who joined the Company on or before 01 October 2012. Contributions are made at the rate of 10.6 percent of basic salary of the members of the fund.

3.11 Dividend

Dividend distribution to the Company's shareholders and appropriation to reserve is recognised in the financial statements as a liability in the period in which these dividend are approved i.e. interim dividend by the board of directors and final dividend by shareholders in the Annual General Meeting. However, if these are approved after the reporting period but before the financial statements are authorised for issue, they are disclosed in the notes to the financial statements.

3.12 Taxation

Income tax expense is recognised in the Statement of profit or loss, except to the extent that it relates to items recognised in Statement of profit or loss and other comprehensive income or directly in equity. In this case, the tax is also recognised in Statement of other comprehensive income or directly in equity.

3.12.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account the available tax credits and rebates, if any, in accordance with the Income Tax Ordinance, 2001. The charge for current tax includes adjustments to charge for prior years, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

3.12.2 Deferred

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit at the time of the transaction. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differeneces, while deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pakistani Rupees using the exchange rate prevailing at the dates of transactions.

Monetary assets and liabilities in foreign currencies at reporting date are translated into Pakistani Rupees at the exchange rates prevailing on that date. 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 recognised in the Statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.14 Revenue recognition

i) Revenue from contracts with customers

a) Sale of goods

The Company is in the business of sale of goods to customers under the contractual arrangement. Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer i.e. when goods are despatched. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (i.e. discounts and volume rebates). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration is recognised when it is highly probable that significant reversal of revenue will not occur. The Company provides retrospective discounts and volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Company applies the most likely amount method for these contracts with a single volume threshold to estimate variable consideration for the expected future discounts and volume rebates.

b) **Contract balances**

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets as detailed in note 3.7.1 to these financial statements.

Contract liabilities

"A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods to the customer).

ii) **Other revenue**

Income on funds invested is recognised as it accrues using the effective interest method.

3.15 Borrowings and their cost

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowing costs are calculated using effective interest rate method and are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

3.16 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the functional currency of the Company and figures are rounded off to the nearest thousands of Rupees.

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

3.18 Earning per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.19 Critical accounting estimates, assumptions and judgments

Estimates, assumptions 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. The estimates, assumptions and judgments that may cause a material adjustment to the carrying amounts of assets and liabilities are addressed below and other areas where estimates, assumptions and judgments are involved is disclosed in the respective notes to these financial statements.

a) Property, plant and equipment and intangible assets

The Company reviews the useful lives, method of depreciation / amortisation and residual values of property, plant and equipment and intangible assets on the reporting date. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment and intangible assets with a corresponding effect on the depreciation / amortisation charge and impairment.

b) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

c) Defined benefit plans

The Company has adopted certain actuarial assumptions as disclosed in note 22 to these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice.

3.20 Accounting policies applicable to the Company on and before year ended 31 December 2018

3.20.1 Trade debts and other receivables

Trade debts are recognised initially at original invoice amount and subsequently measured at amortised cost less provision for impairment, if any. Other receivables are stated at amortised cost less provision for impairment.

3.20.2 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to Statement of profit or loss.

3.20.3 Trade and other payables

Trade and other payables, excluding provisions are carried at the fair value of the consideration to be paid for goods and services received, whether or not billed to the Company.

3.20.4 Offsetting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

3.20.5 Lease payments

Payments made under operating leases / Ijarah contracts are recognised in the Statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At the inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

3.20.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The following are the specific recognition criteria that must be met before revenue is recognised:

a) Revenue from the sale of goods is recognised on despatch of goods i.e. when the significant risks and rewards of ownership are transferred to the customer.

b) Income on funds invested is recognised as it accrues in the Statement of profit or loss, using the effective interest method.

3.21 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards		**Effective date (annual periods beginning on or after)**
IFRS 3	Definition of a Business (Amendments)	01 January 2020
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IFRS 14	Regulatory Deferral Accounts	01 July 2019
IAS 1/ IAS 8	Definition of Material (Amendments)	01 January 2020

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition, IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standard have been issued by IASB which is yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	**IASB Effective date (annual periods beginning on or after)**
IFRS 17 – Insurance Contracts	01 January 2021

The Company expects that above new standard will not have any material impact on the Company's financial statements in the period of initial application.

Amounts in Rs '000

	Note	2019	2018
4. Fixed assets			
Property, plant and equipment			
Operating fixed assets	4.1	**4,324,579**	5,008,430
Capital work-in-progress	4.2	**374,920**	133,746
		4,699,499	5,142,176
Intangible assets	4.3	**374**	759
		4,699,873	5,142,935

4.1 Operating fixed assets

The following is a statement of operating fixed assets:

	Leasehold land	Buildings on leasehold land	Plant and machinery	Motor vehicles	Furniture and equipment	Total
Net carrying value basis						
Year ended 31 December 2019						
Opening net book value (NBV)	41,962	58,517	4,868,362	82	39,507	5,008,430
Additions* (at cost)	-	-	147,724	-	13,190	160,914
Written off (at NBV)	-	-	(252)	-	-	(252)
Depreciation charge - note 27	(1,421)	(4,026)	(825,305)	(82)	(13,679)	(844,513)
Closing net book value (NBV)	**40,541**	**54,491**	**4,190,529**	**-**	**39,018**	**4,324,579**
Gross carrying value basis						
at 31 December 2019						
Cost	90,278	1,004,901	32,572,860	53,773	222,599	33,944,411
Accumulated depreciation	(49,737)	(748,699)	(27,124,217)	(53,773)	(183,581)	(28,160,007)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	(1,459,825)
Net book value (NBV)	**40,541**	**54,491**	**4,190,529**	**-**	**39,018**	**4,324,579**
Net carrying value basis -						
Year ended 31 December 2018						
Opening net book value (NBV)	43,384	61,633	5,125,574	177	46,613	5,277,381
Additions (at cost)	-	6,394	563,373	-	6,823	576,590
Disposals (at NBV)	-	-	-	-	(57)	(57)
Depreciation charge - note 27	(1,422)	(9,510)	(820,585)	(95)	(13,872)	(845,484)
Closing net book value (NBV)	41,962	58,517	4,868,362	82	39,507	5,008,430
Gross carrying value basis						
at 31 December 2018						
Cost	90,278	1,004,901	32,430,052	53,773	231,589	33,810,593
Accumulated depreciation	(48,316)	(744,673)	(26,303,576)	(53,691)	(192,082)	(27,342,338)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	(1,459,825)
Net book value (NBV)	41,962	58,517	4,868,362	82	39,507	5,008,430
Depreciation % per annum	2	3 - 25	4 - 50	25	10 - 50	

* Included herein assets of Rs 150.10 million (2018: Rs 567.99 million) transferred from capital work-in-progress (note 4.2.2).

Amounts in Rs '000

4.1.1 The details of immovable operating fixed assets i.e. leasehold land and buildings on leasehold land of the Company is as follows:

Location and Address	**Usage**	**Total area in acres**
EZ/I/P-4, Eastern Industrial Zone, Port Qasim, Karachi.	Manufacturing Plant	150.975

4.1.2 The cost of fully depreciated assets of the Company amounted to Rs. 5,984.903 million (2018: Rs. 5,685.452 million).

4.1.3 The operating fixed assets disposed off during the year does not include items having book value exceeding Rs 5 million each.

	2019	2018
4.2 Capital work-in-progress		
Civil works and buildings	**3,644**	1,038
Plant and machinery	**358,950**	131,608
Other equipments	**12,326**	1,100
	374,920	133,746
4.2.1 Capital work-in-progress - movement		
Opening balance	**133,746**	373,677
Capital expenditure	**391,277**	328,056
Transferred to operating fixed assets - notes 4.1 & 4.2.2	**(150,103)**	(567,987)
Closing balance	**374,920**	133,746

4.2.2 These include capital stores as at 31 December amounting to Rs. 40.8 million (2018: Rs Nil).

	2019	2018
4.3 Intangible assets		
4.3.1 Net carrying value basis		
Opening net book value	**759**	1,154
Amortisation charge - note 27	**(385)**	(395)
Closing net book value	**374**	759
4.3.2 Gross carrying value basis		
Cost	**216,049**	216,049
Accumulated amortisation	**(215,675)**	(215,290)
Net book value	**374**	759
Amortisation % per annum	**20**	20

Amounts in Rs '000

4.3.3 The cost of fully depreciated assets of the Company amounted to Rs. 214.127 million (2018: Rs. 214.127 million).

5. Right-of-use assets

The carrying amounts of right-of-use assets (city office premise) is as under:

5.1 Net carrying value basis

	2019	2018
Right-of-use assets recognised on transition to IFRS 16 - note 3.1.3	**107,422**	-
Depreciation charge - note 29	**(30,692)**	-
Closing net book value	**76,730**	-

5.2 Gross carrying value basis

	2019	2018
Cost	**107,422**	-
Accumulated depreciation	**(30,692)**	-
Net book value	**76,730**	-
Depreciation % per annum	**28**	-

6. Long-term loans and advances - considered good

	2019				2018
	Motor car	**House building assistance**	**Others**	**Total**	Total
Due from executives - note 6.1	**29,436**	**41,922**	**-**	**71,358**	36,762
Less: receivable within one year - note 12	**(4,429)**	**(11,912)**	**-**	**(16,341)**	(8,850)
	25,007	**30,010**	**-**	**55,017**	27,912
Due from employees	**65,367**	**2,524**	**457**	**68,348**	65,438
Less: receivable within one year - note 12	**(8,948)**	**(1,137)**	**(198)**	**(10,283)**	(10,438)
	56,419	**1,387**	**259**	**58,065**	55,000
	81,426	**31,397**	**259**	**113,082**	82,912

6.1 Reconciliation of carrying amount of loans and advances to executives

	2019	2018
Balance at 1 January	**36,762**	35,115
Disbursement - note 6.3	**45,437**	16,758
Repayments - note 6.3	**(10,841)**	(15,111)
Balance at 31 December - note 6.3	**71,358**	36,762

Amounts in Rs '000

6.2 Loans for purchase of motor cars and house building assistance are repayable between two to ten years. All the loans are interest free and are secured, where applicable, against respective assets granted to the employees of the Company in accordance with their terms of employment.

6.3 During the year, the Company has given house building assistance loan of Rs 21 million to Chief Executive under the terms of employment after obtaining required approval under Section 182 of the Companies Act, 2017. Out of the said loan Rs 2.8 million has been repaid during the year and Rs 18.2 million is outstanding as of reporting date.

6.4 The maximum aggregate amount of loans and advances due from executives at the end of any month during the year was Rs 53.16 million (2018: Rs 41.43 million).

7. Long-term deposits and prepayments	**2019**	2018
Deposits - unsecured and considered good - note 7.1	**40,357**	40,357
Prepayments	**1,001**	1,792
	41,358	42,149

7.1 These include Rs 14.42 million (2018: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2018: Rs 24.27 million) paid to K-Electric Limited.

8. Deferred tax assets	**2019**	2018
(Credit) balance arising in respect of property, plant and equipment	**(531,520)**	(594,241)
Debit balances arising in respect of:		
- Right-of-use assets (net)	**2,713**	-
- Provisions for:		
- sales tax refundable	**42,993**	33,368
- retirement benefit obligations	**26,739**	22,051
- slow moving, obsolete and rejected items of stores and spare parts	**1,452**	-
- Gas Infrastructure Development Cess and Sindh Infrastructure Development Cess	**1,046,964**	974,760
	1,120,861	1,030,179
	589,341	435,938

9. Stores and spare parts		
Stores	**106,750**	91,024
Spare parts	**1,099,997**	775,614
	1,206,747	866,638
Provision for slow moving, obsolete, and rejected items - note 9.1	**(5,269)**	-
	1,201,478	866,638

Amounts in Rs '000

9.1	Provision for slow moving, obsolete and rejected items	2019	2018
	Provision at 1 January	-	12,041
	Charge for the year	5,269	4,482
		5,269	16,523
	Write-offs	-	(16,523)
	Provision at 31 December	5,269	-

10. Stock-in-trade

	2019	2018
Raw and packing materials [including in-transit Rs 78.7 million (2018: Rs 184.0 million)]	2,411,469	2,779,589
Finished goods		
- Manufactured goods	1,912,025	2,371,381
- Trading goods [including in-transit Rs 133.1 million (2018: Rs 25.1 million)]	158,974	87,480
	2,070,999	2,458,861
	4,482,468	5,238,450

10.1 Cost of stock-in-trade held with the third parties include the following:

	2019	2018
Paraxylene and Acetic acid held for consumption		
- Engro Vopak Terminal Limited	1,244,712	1,665,478
Acetic acid held for trading		
- Chempro Pakistan (Private) Limited	4,214	2,798
- Engro Vopak Terminal Limited	21,624	59,588
	25,838	62,386
Cobalt held for consumption		
- Chempro Pakistan (Private) Limited	53,466	123,046
	1,324,016	1,850,910

11. Trade debts

11.1 All of the Company's trade debts are secured by letters of credit of 30 to 90 days issued by various banks.

11.2 These balances are neither past due nor impaired and are considered good.

Amounts in Rs '000

12. Loans and advances - considered good	2019	2018
Loans due from:		
- Executives - note 6	**16,341**	8,850
- Employees - note 6	**10,283**	10,438
	26,624	19,288
Advances to:		
- Executives	**7,149**	4,562
- Employees	**4,044**	3,300
- Contractors and suppliers	**21,055**	-
	32,248	7,862
	58,872	27,150

12.1 The maximum aggregate amount of loans and advances due from executives at the end of any month during the year was Rs 43.59 million (2018: Rs 5.14 million).

12.2 The details of advances paid to the foreign companies are as follows:

Name of the Company	Address of the Company with jurisdiction	2019	Terms, conditions and period
Lufkin Industries	407 Kiln Lufkin TX 75904-3854 United States of America.	**7,460**	For purchase of goods to be settled within 30 days
Hangzhou Xingyuan Environmental Protection Co., Ltd.	No. 1588 Wangmei Rd, Hangzhou Yuyhang Economic and Technological Development Area, Zhejiang, China	**395**	For purchase of goods to be settled within 30 days
CDR Pompe S.R.L	Via. Sanzio 57, Bollate, Milano, 20021 Italy.	**2,140**	For purchase of goods to be settled within 30
Avanceon FZE	PO Box # 18590 Office # FZS 1B04, Jabel Ali Dubai United Arab Emirates.	**11,060**	For purchase of goods to be settled within 30 days
		21,055	

12.3 All of the above loans and advances are secured except for advances to contractors and suppliers.

13. Trade deposits and short-term prepayments	2019	2018
Trade deposits		
Deposits - secured and considered good	**1,709**	2,009
Margin on import letters of credit	**1,673**	4,630
	3,382	6,639
Short-term prepayments	**35,658**	52,849
	39,040	59,488

Amounts in Rs '000

14. Interest accrued	2019	2018
T-Bills - note 16.1	**53,046**	-
Term deposits receipts - note 19.1	**65,036**	7,061
	118,082	7,061

15. Other receivables - considered good

Rebates receivable - note 15.1	**451,573**	735,247
Insurance claims	**57,894**	20,842
Others	**5,716**	600
	515,183	756,689

15.1 This represents amounts receivable from suppliers on account of price and exchange rate differentials in respect of paraxylene and acetic acid settlements and is neither past due nor impaired.

16. Short-term investments

16.1 Represents the Company's investment in T-Bills having face value of Rs. 3,785.0 million (2018: Nil) for the period of 6 to 12 months with latest maturity by 05 November 2020. These carries interest rate ranging from 13.20% to 13.26% (2018: Nil) as of reporting date.

17. Tax refunds due from government - sales tax	2019	2018
Sales tax refundable - note 17.1	**602,538**	320,040
Provision for impairment - note 17.2	**(156,053)**	(130,090)
	446,485	189,950

17.1 This includes Rs 73.69 million (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. During the year, the Company has received a refund of Rs 40.40 million from FBR.

17.2 Reconciliation of provision for impairment	2019	2018
Balance as at 1 January	**130,090**	90,004
Provision against sales tax refundable - note 30	**25,963**	42,000
Reversal of provision against receipt of sales tax refunds - note 31	**-**	(1,914)
Balance as at 31 December	**156,053**	130,090

Amounts in Rs '000

18.	Taxation - payments less provision	2019	2018
	Advance income tax	**2,906,446**	1,926,673
	Corporate taxes payable	**(2,712,147)**	(1,123,706)
		194,299	802,967

19.	Cash and bank balances		
	Short-term fixed deposits - note 19.1	**8,016,250**	2,652,300
	With banks in current accounts	**39,008**	1,566,900
	Cash in hand	**2,305**	1,556
		8,057,563	4,220,756

19.1 During the year, the interest rates on term deposits ranged from 9.00% to 14.20% (2018: 5.50% to 10.75%) per annum and had maturities of less than three months.

20.	Share capital	2019	2018
20.1	Authorised capital 2,000,000,000 ordinary shares of Rs 10 each	**20,000,000**	20,000,000
20.2	504,735,636 ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 20.3	**5,047,356**	5,047,356
	1,009,471,572 ordinary shares of Rs 10 each fully paid-up in cash	**10,094,716**	10,094,716
		15,142,072	15,142,072

20.3 With effect from 1 October 2000, the PTA Business of ICI Pakistan Limited was demerged under a Scheme of Arrangement (Scheme), dated 12 December 2000, as approved by the shareholders and sanctioned by the Honourable High Court of Sindh, in consideration for ordinary shares of the Company.

20.4 At 31 December 2019 and 2018, Lotte Chemical Corporation, South Korea held 1,135,860,105 ordinary shares of Rs 10 each representing 75.01% shareholding of the Company.

20.5 These fully paid ordinary shares carry one vote per share and right to dividend.

21. Capital reserves

Capital reserves represent the amount received from various overseas companies of AkzoNobel Group (then group companies), for purchase of fixed assets. The remitting companies have no claim to their repayments.

Amounts in Rs '000

22. Retirement benefit obligations

22.1 Staff retirement benefits

22.1.1 As stated in note 3.10.1 to these financial statements, the Company operates two retirement benefit plans (the Plans) namely approved funded gratuity scheme for all its permanent employees and unfunded medical scheme to provide post retirement medical benefits to all full-time management staff employees who are also the members of defined contribution superannuation fund. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at 31 December 2019.

22.1.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Act, 2017, Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment and funding decisions and contribution schedules lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

22.1.3 The latest actuarial valuations of the Fund as at 31 December 2019 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

	2019			2018		
	Funded Gratuity	**Unfunded Medical**	**Total**	Funded Gratuity	Unfunded Medical	Total
22.1.4 Statement of financial position						
Present value of defined benefit obligation at 31 December - note 22.1.5	**(344,734)**	**(97,055)**	**(441,789)**	(288,710)	(85,969)	(374,679)
Fair value of plan assets at 31 December note 22.1.6	**308,141**	**-**	**308,141**	249,197	-	249,197
	(36,593)	**(97,055)**	**(133,648)**	(39,513)	(85,969)	(125,482)
22.1.5 Movement in the present value of defined benefit obligations						
Balances as at 1 January	**288,710**	**85,969**	**374,679**	248,758	76,275	325,033
Benefits paid by the plan	**(636)**	**(1,623)**	**(2,259)**	(8,332)	(1,459)	(9,791)
Current service costs	**18,373**	**3,168**	**21,541**	15,717	2,813	18,530
Interest cost	**38,212**	**11,283**	**49,495**	22,013	6,821	28,834
Remeasurement (gain) / loss	**75**	**(1,742)**	**(1,667)**	10,554	1,519	12,073
Balance as at 31 December	**344,734**	**97,055**	**441,789**	288,710	85,969	374,679
22.1.6 Movement in the fair value of plan assets						
Fair value of plan assets at 1 January	**249,197**	**-**	**249,197**	226,753	-	226,753
Contributions paid into the plan	**24,127**	**-**	**24,127**	18,132	-	18,132
Benefits paid by the plan	**(636)**	**-**	**(636)**	(8,332)	-	(8,332)
Interest income	**34,575**	**-**	**34,575**	20,849	-	20,849
Remeasurement gain / (loss)	**878**	**-**	**878**	(8,205)	-	(8,205)
Fair value of plan assets at 31 December	**308,141**	**-**	**308,141**	249,197	-	249,197

Amounts in Rs '000

	2019			2018		
	Funded Gratuity	**Unfunded Medical**	**Total**	Funded Gratuity	Unfunded Medical	Total
22.1.7 Expense recognised in Statement of profit or loss						
Current service costs	**18,373**	**3,168**	**21,541**	15,717	2,813	18,530
Net interest cost	**3,637**	**11,283**	**14,920**	1,164	6,821	7,985
Expense recognised in Statement of profit or loss	**22,010**	**14,451**	**36,461**	16,881	9,634	26,515
22.1.8 Remeasurement (gain) / loss recognised in Statement of profit or loss and other comprehensive income						
Experience (gain) / losses	**75**	**(1,742)**	**(1,667)**	10,554	1,519	12,073
Remeasurement of fair value of plan assets	**(878)**	**-**	**(878)**	8,205	-	8,205
Remeasurement (gain) / losses	**(803)**	**(1,742)**	**(2,545)**	18,759	1,519	20,278
22.1.9 Net recognised liability / (asset)						
Net liability at beginning of the year	**39,513**	**85,969**	**125,482**	22,005	76,275	98,280
Charge for the year	**22,010**	**14,451**	**36,461**	16,881	9,634	26,515
Contribution made during the year to the fund	**(24,127)**	**(1,623)**	**(25,750)**	(18,132)	(1,459)	(19,591)
Remeasurement (gain) / loss recognised in statement of profit or loss and other comprehensive income	**(803)**	**(1,742)**	**(2,545)**	18,759	1,519	20,278
Recognised liability / (asset) as at 31 December	**36,593**	**97,055**	**133,648**	39,513	85,969	125,482
22.1.10 Actuarial assumptions						
Discount rate at 31 December	**12.25%**	**12.25%**		13.25%	13.25%	
Future salary increases	**10.25%**	**-**		11.25%	-	
Medical cost trend rate	**-**	**6.75%**		-	7.75%	

22.1.11 Plan assets comprise of following	**2019 (Un-audited)**	2018 (Audited)
31 December		
Government bonds	**96,603**	112,238
Other bonds (TFCs)	**141,772**	90,241
Shares	**58,084**	44,615
Term deposits	**11,682**	2,103
Total as at 31 December	**308,141**	249,197

22.1.12 Mortality was assumed to be 70% of the EFU (61-66) Table.

Amounts in Rs '000

22.1.13 In case of the funded plans, the Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2018 consist of government bonds and national savings deposits. The Company believes that government bond offer the best returns over the long term with an acceptable level of risk.

22.1.14 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date.

The Company's contribution to the gratuity funds in 2020 is expected to be Rs 25.20 million.

The actuary conducts valuations for calculating contribution rate and the Company contributes to the gratuity fund according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

22.1.15 The defined benefit plans expose the Company to the actuarial risks such as:

Withdrawal and mortality risks - Withdrawal risk is the risk of higher or lower withdrawal experience than assumed. Mortality risk is the risk that the actual mortality experience is different. Both risks depend on the beneficiaries' service / age distribution and the benefit.

Investment risk - The risk arises when the actual performance of the investment is lower than expectation and thus creating a shortfall in the funding objectives.

Salary increase risk - The risk arise when the actual salary increases are higher than expectations and impacts the liability accordingly.

Medical cost escalation risk - The risk that the cost of post-retirement medical benefits could be higher than what we assumed.

Longevity risk - The risk arises when the actual lifetime of retirees is longer than expectation. The risk is measured at the plan level over the entire retiree population.

22.2 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on retirement benefit obligations		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
Discount rate at 31 December	1%	(36,618)	42,341
Future salary increases	1%	27,187	(24,682)
Medical cost trend	1%	16,128	(13,254)

If longevity increases by 1 year, obligation increases by Rs 0.57 million.

Amounts in Rs '000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

A sensitivity analysis was conducted to determine the impact of a 1% change in the medical cost trend, which was not material.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

22.3 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Fund, at the beginning of the period, for returns over the entire life of related obligation.

22.4 The Company's contributions towards the provident fund and defined contribution superannuation fund for the year ended 31 December 2019 amounted to Rs 28.08 million (2018: Rs 25.31 million) and Rs 23.69 million (2018: Rs 21.32 million).

22.5 The weighted average duration of the defined benefit obligations is 10.2 years.

Expected maturity analysis of undiscounted retirement benefit plans.

At 31 December 2019	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Retirement benefit plans	**12,099**	**17,835**	**123,765**	**508,952**	**662,651**

23. Trade and other payables

	2019	2018
Trade creditors including bills payable	**4,618,261**	876,202
Accrued expenses	**723,775**	670,360
Contract liabilities - advances from customers	**6,171**	7,102
Witholding tax payable	**3,001**	2,309
Infrastructure Cess - note 23.1	**2,708,976**	2,418,030
Gas Infrastructure Development Cess - note 23.2	**2,904,230**	2,410,863
Workers' Profit Participation Fund - note 23.3	**18,290**	42,372
Workers' Welfare Fund	**183,067**	149,583
Retention money	**15,821**	-
Others - note 23.4	**148,903**	105,809
	11,330,495	6,682,630

23.1 The Company (along with a number of other parties) had challenged the levy of infrastructure cess on cost and freight value of goods entering the province of Sindh. According to a decision of the Honourable Sindh High Court (SHC), levy of the fee / cess upto December 2006 was declared to be illegal while amounts charged after that date were decreed to be within the law. Appeals were filed in the Honourable Supreme Court of Pakistan (SCP) both by the companies and the Government of Sindh in respect of the aforesaid judgement of the SHC. During the year 2011, the SCP referred the case back to the SHC.

Amounts in Rs '000

The SHC vide its order dated 02 June 2011 provided for an interim arrangement reached through a joint statement filed with the SHC by the counsels of the petitioners and respondent of the case. As per the said order, bank guarantees / securities furnished in respect of consignments cleared after 27 December 2006 would be encashed to the extent of 50% and guarantees for the remaining balance would be kept till final disposal of the petitions. Consequently, bank guarantees relating to the period upto 27 December 2006 have been cancelled and returned to the Company.

During the last year, the Company (along with a number of other parties) had challenged the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The cases were taken up for hearing at SHC and the matter adjourned for hearing. The Honourable SHC grant interim arrangement in line with its order dated 02 June 2011 in this case as well.

As per legal advice sought by the Company in respect of the aforementioned case, the SHC may uphold the validity of the law against the Company upon its re-filing since the matter has been referred back to the SHC by the SCP, thereby making the Company liable to pay the levy for all consignments cleared till date. As a matter of abundant caution, full amount of provision has been made in these financial statements in this respect.

	2019	2018
Balance as at 1 January	**2,418,030**	2,144,434
Charge for the year	**290,946**	273,596
Balance as at 31 December	**2,708,976**	2,418,030

23.2 In accordance with the Gas Infrastructure Development Cess Act, 2011 (GIDC Act, 2011), the Company was required to pay GIDC to applicable supplier of Gas, as specified in the First Schedule and at rates specified in the Second Schedule to the GIDC Act, 2011. The provisions of the GIDC Act 2011 were amended through subsequent notifications. The Honourable Sindh High Court (SHC) restrained Sui Southern Gas Company Limited (SSGCL) from charging GIDC above Rs 13 per MMBTU and accordingly the Company paid GIDC at the reduced rate. On 22 August 2014, the Honorable Supreme Court of Pakistan (SCP) struck down the GIDC Act, 2011 on the grounds of it being unconstitutional. In response, the President of Pakistan promulgated the GIDC Ordinance, 2014 on 25 September 2014 with retrospective effect. On 29 September 2014, the SHC issued an interim order restraining the defendants such as SSGCL from raising demand or issuing gas bills in pursuance of the GIDC Ordinance, 2014. Accordingly, SSGCL has not levied GIDC since August 2014. The approval of the GIDC Ordinance, 2014 was awaited from the National Assembly and on 22 May 2015, the Gas Infrastructure Development Cess Act, 2015 (GIDC Act 2015) was promulgated and was made applicable with immediate effect superseding GIDC Act, 2011. The Company, on 23 July 2015 has obtained a ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh.

Later in the year 2016, the High Court of Sindh vide its order dated 26 October 2016, has decided the case in the favor of plaintiffs. Accordingly, GIDC Act 2015 declared ultra vires to constitution along with GIDC Act 2011 and GIDC Ordinance 2014. However, on prudent basis, the Company has recognised a provision in these financial statements due to inherent uncertainties involved in such matters.

	2019	2018
Balance as at 1 January	**2,410,863**	1,895,783
Charge for the year	**493,367**	515,080
Balance as at 31 December	**2,904,230**	2,410,863

Amounts in Rs '000

		2019	2018
23.3	**Reconciliation of Workers' Profit Participation Fund**		
	Balance as at 1 January	**42,372**	46,359
	Allocation for the year - note 30	**418,290**	342,372
	Interest on funds utilised - note 32	**43**	23
	Amount paid to the Fund	**(442,415)**	(346,382)
	Balance as at 31 December	**18,290**	42,372

23.4 Includes stale cheques amounting to Rs 140.46 million (2018: Rs 97.97 million).

		2019	2018
24.	**Accrued interest**		
	Long-term loans - note 24.1	**235,076**	211,018

24.1 This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (2018: USD 1.52 million) on long-term loans previously repaid by the Company. The amount is still unpaid due to certain legal and procedural complexities with respect to foreign remittance.

25. Contingencies and commitments

25.1 Contingencies

25.1.1 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 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 on 31 August 2017 to the Company and the matter was fixed for hearing on 22 September 2017. However, the matter could not proceed further for want of Court's time. Accordingly, no provision has been made for the potential liability amounting to Rs 97.37 million (2018: Rs 97.37 million) in these financial statements.

25.1.2 Outstanding guarantees of the Company as at 31 December 2019 were Rs 2,864.8 million (2018: Rs 2,594.8 million).

Amounts in Rs '000

25.2 Commitments

25.2.1 Commitments in respect of capital expenditure as at 31 December 2019 amounts to Rs 117.65 million (2018: Rs 19.94 million).

25.2.2 Commitments for rentals under Ijarah contracts in respect of vehicles as at 31 December are as follows:

Year	2019	2018
2019	-	22,695
2020	28,640	21,967
2021	23,438	16,835
2022	16,474	10,304
2023	10,116	4,598
2024	1,966	-
	80,634	76,399

25.2.3 Commitments for rentals under service agreements for certain supplies in respect of goods and services as at 31 December are as follows:

Year	2019	2018
2019	-	827,742
2020	922,113	844,297
2021	940,555	861,183
2022	959,366	878,407
2023	163,092	149,329
	2,985,126	3,560,958

25.2.4 Commitments for rentals under service agreements in respect of goods and services are priced in foreign currency and payable in Pakistani Rupees, converted at exchange rates applicable on the date of payment.

25.2.5 Letters of credit issued on behalf of the Company as at 31 December 2019 were Rs 3,036.2 million (2018: Rs 20 million).

26. Revenue from contracts with customers - net

	2019			2018		
	Manufactured goods	Trading goods	Total	Manufactured goods	Trading goods	Total
Local sales	66,925,516	1,073,339	67,998,855	60,046,868	1,158,202	61,205,070
Less: Sales tax and excise duty	(6,063,547)	(103,330)	(6,166,877)	(2,221,651)	(34,584)	(2,256,235)
Price settlements and discounts / rebates	(1,276,280)	(15,944)	(1,292,224)	(1,534,226)	(14,368)	(1,548,594)
	59,585,689	954,065	60,539,754	56,290,991	1,109,250	57,400,241

Amounts in Rs '000

26.1 Four (2018: four) of the Company's customers contributed towards 90% (2018: 89%) of the revenue during the year amounting to Rs 54,524.73 million (2018: Rs 51,747.61 million) and each customer individually exceeded 10% of the revenue.

26.2 The Company has not entered into any export sales contract during the year.

26.3 Included herein revenue recognized of Rs 6.5 million (2018: Rs 2.9 million) from amounts included in contract liabilities (advance from customers).

27. Cost of sales

Cost of sales	**2019**	2018
Raw and packing materials consumed:		
Opening stock - note 10	**2,779,589**	2,843,041
Purchases	**46,199,437**	46,529,304
Closing stock - note 10	**(2,411,469)**	(2,779,589)
	46,567,557	46,592,756
Salaries, wages and benefits - note 27.1	**587,237**	524,795
Stores and spares consumed	**241,023**	216,843
Rentals under ijarah arrangements	**10,707**	8,427
Insurance	**49,235**	35,459
Oil, gas and electricity	**2,638,856**	2,528,450
Travelling	**62,919**	62,576
Depreciation and amortisation - notes 4.1 and 4.3.1	**844,898**	845,879
Repairs and maintenance	**351,338**	265,983
Others	**58,348**	57,488
Cost of goods manufactured	**51,412,118**	51,138,656
Opening stock of manufactured goods - note 10	**2,371,381**	322,157
	53,783,499	51,460,813
Closing stock of manufactured goods - note 10	**(1,912,025)**	(2,371,381)
Cost of goods manufactured sold	**51,871,474**	49,089,432
Trading goods		
Opening stock - note 10	**87,480**	196,776
Purchases	**863,679**	819,877
Closing stock - note 10	**(158,974)**	(87,480)
Cost of trading goods sold	**792,185**	929,173
	52,663,659	50,018,605

27.1 Salaries, wages and benefits include Rs 20.11 million (2018: Rs 15.28 million) and Rs 33.93 million (2018: Rs 30.41 million) in respect of defined benefit and defined contribution plans respectively.

Amounts in Rs '000

28.	**Distribution and selling expenses**	**2019**	2018
	Salaries and benefits - note 28.1	**70,845**	62,392
	Outward freight and handling	**11,072**	11,233
	Rentals under ijarah arrangements	**2,110**	1,417
	Repairs and maintenance	**4,064**	3,817
	Travelling	**3,373**	3,016
	Postage and telephone	**1,307**	1,197
	Advertising and sales promotion	**1,310**	11,212
	Others	**9,500**	8,160
		103,581	102,444

28.1 Salaries and benefits include Rs 3.28 million (2018: Rs 3.09 million) and Rs 5.21 million (2018: Rs 4.67 million) in respect of defined benefit plans and defined contribution plans respectively.

29.	**Administrative expenses**	**2019**	2018
	Salaries and benefits - note 29.1	**210,104**	192,269
	Legal, professional and consultancy	**8,670**	12,204
	Rentals under ijarah arrangements	**6,819**	5,459
	Travelling	**14,931**	11,204
	Depreciation - note 5.2	**30,692**	-
	Repairs and maintenance	**27,026**	29,083
	IT related expenses	**16,137**	14,751
	Security	**22,764**	21,436
	Rent, rates and taxes	**13,587**	37,413
	Publication and subscriptions	**3,163**	3,241
	Postage and telephone	**6,607**	7,635
	Printing and stationary	**3,481**	2,769
	Others	**58,654**	50,191
		422,635	387,655

29.1 Salaries and benefits include Rs 7.99 million (2018: Rs 8.15 million) and Rs 12.63 million (2018: Rs 11.55 million) in respect of defined benefit plans and defined contribution plans respectively.

30.	**Other expenses**	**2019**	2018
	Auditors' remuneration - note 30.1	**3,716**	3,351
	Donations - note 30.2	**22,516**	3,192
	Property, plant and equipment written off	**252**	-
	Provision against sales tax refundable - note 17.2	**25,963**	42,000
	Obsolete stores and spare parts		
	- provision	**5,269**	-
	- write off	**-**	4,482
	Workers' Profit Participation Fund	**418,290**	342,372
	Workers' Welfare Fund	**165,760**	159,499
	Others	**1,048**	447
		642,814	555,343

Amounts in Rs '000

30.1 Auditors' remuneration

	2019	2018
Audit fee	**2,150**	2,000
Limited scope review, code of corporate governance, certifications etc	**1,190**	1,114
Out of pocket expenses	**376**	237
	3,716	3,351

30.2 Donations include payments in respect of the following:

	2019	2018
Community services	**18,519**	2,757
Education	**3,997**	435

30.2.1 Donations to a single party exceeding 10% of total donation and Rs 1 million, whichever is higher are as follows (note 30.2.2):

	2019	2018
Memon Health & Education Foundation	**-**	1,000
Sindh Institute of Urology and Transplant	**2,513**	-
Chipa Welfare Association	**2,500**	-
Lotte Pakistan Foundation - note 30.2.3	**7,500**	-
	12,513	1,000

30.2.2 Corresponding figures has been restated in line with revision in threshold for donations under Fourth Schedule of Companies Act, 2017.

30.2.3 Represents payment to Lotte Pakistan Foundation (Head Office, Karachi). The Chief Executive, Executive Director and two employees of the Company are amongst the Trustees of the Foundation.

30.2.4 None of the directors or their spouse had any interest in the donee(s).

31. Other income

	2019	2018
Income from financial assets:		
Interest income	**1,196,922**	462,808
Liabilities no longer payable written back	**279**	5
	1,197,201	462,813
Income from non-financial assets:		
Scrap sales	**19,658**	29,500
Gain on disposal of property, plant and equipment	**-**	13,888
Reversal of provision against receipt of sales tax refunds - note 17.2	**-**	1,914
Indenting commission	**10,918**	4,831
Rental income from tower on leasehold land	**828**	1,555
Others	**32**	-
	31,436	51,688
	1,228,637	514,501

Amounts in Rs '000

		2019	2018
32.	**Finance costs**	**2019**	2018
	Interest on Workers' Profit Participation Fund	**43**	23
	Interest on ROU asset lease liability	**7,582**	-
	Exchange loss / (gain) - net	**114,800**	472,671
	Bank, LCs and other charges	**34,072**	32,435
		156,497	505,129

33.	**Taxation**		
	Current - for the year	**2,386,612**	1,994,958
	- for prior year - note 33.2	**4,404**	160,413
		2,391,016	2,155,371
	Deferred - for the year	**(154,141)**	1,169,097
	- for prior year	**-**	(1,410,002)
		(154,141)	(240,905)
		2,236,875	1,914,466

33.1	**Reconciliation of income tax expense for the year**		
	Profit before taxation	**7,779,205**	6,345,566
	Applicable tax rate (as per tax laws)	**29%**	29%
	Tax calculated at the applicable tax rate	**2,255,969**	1,840,214
	Tax effect of :		
	- permanent differences	**60**	(3,066)
	- tax rate difference	**-**	(16,606)
	- super tax for the current year	**-**	132,401
	- income chargeable to tax under FTR basis	**2,576**	1,067
	- prior year tax charge - note 33.2	**4,404**	160,413
	- adjustment of minimum tax pertaining to prior year	**-**	(157,966)
	- others	**(26,134)**	(41,991)
		2,236,875	1,914,466

33.2 Included herein tax charge of Rs 28.2 million (2018: Rs Nil) due to reduction in tax credit rate from 10% to 5% under Section 65B of Income Tax Ordinance, 2001 and tax benefit of of Rs 23.8 million (2018: Rs Nil) on commercial sale of Acetic Acid which was changed to final tax regime from normal tax regime for TY 2019 as amended through Finance 2nd Supplementary Bill 2019.

Notes to the Financial Statements
For the year ended 31 December 2019

Amounts in Rs '000

		2019	2018
34.	**Cash generated from operations**		
	Profit before taxation	**7,779,205**	6,345,566
	Adjustments for non cash charges and other items:		
	Depreciation and amortisation	**875,590**	845,879
	Obsolete stores and spare parts		
	- provision	**5,269**	-
	- write off	**-**	4,482
	Provision against sales tax refundable	**25,963**	42,000
	Property, plant and equipment - write off	**252**	-
	Gain on disposal of property, plant and equipment	**-**	(13,888)
	Provision for retirement benefit obligations	**36,461**	26,515
	Finance costs	**65,712**	75,294
	Interest accrued	**(1,196,922)**	(462,808)
	Infrastructure Cess	**290,946**	273,596
	Gas Infrastructure Development Cess	**493,367**	515,080
		596,638	1,306,150
		8,375,843	7,651,716
	Effect on cashflows due to working capital changes		
	Decrease / (increase) in current assets		
	Stores and spare parts	**(340,109)**	(136,139)
	Stock-in-trade	**755,982**	(1,876,476)
	Trade debts	**(39,211)**	(583,447)
	Loans and advances	**(31,722)**	142
	Trade deposits and short-term prepayments	**918**	(12,254)
	Other receivables	**241,506**	(736,635)
	Tax refunds due from government - sales tax	**(282,498)**	141,703
		304,866	(3,203,106)
	Increase / (decrease) in trade and other payables	**4,438,200**	(3,311,430)
	Cash generated from operations	**13,118,909**	1,137,180

		2019	2018
35.	**Earnings per share - basic and diluted**		
	Profit after taxation	**5,542,330**	4,431,100
		Number of shares	
	Weighted average ordinary shares in issue during the year	**1,514,207,208**	1,514,207,208
		Rupees	
	Earnings / (loss) per share	**3.66**	2.93

There is no dilutive effect on the basic earnings per share of the Company.

Amounts in Rs '000

36. Remuneration of chief executive, directors and executives

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company were as follows:

	Chief Executive		Executive Director		Executives	
	2019	2018	**2019**	2018	**2019**	2018
Managerial remuneration	**19,835**	17,602	**11,392**	9,538	**210,296**	175,891
Retirement benefits	**3,332**	3,619	**-**	-	**49,393**	53,276
Group insurance	**7**	6	**7**	7	**612**	474
House rent and maintenance	**68**	122	**2,602**	2,410	**79,702**	69,741
Utilities	**-**	-	**-**	-	**17,595**	15,193
Medical	**134**	85	**226**	87	**16,299**	11,376
	23,376	21,434	**14,227**	12,042	**373,897**	325,951
Number of persons	**1**	1	**1**	1	**83**	78

36.1 In addition to the above, amount charged in these financial statements for remuneration and meeting attendance fee to the non-executive directors, were Rs Nil (2018: Rs Nil) and Rs 0.950 million (2018: Rs 0.553 million) respectively.

36.2 An amount of Rs 139.73 million (2018: Rs 122.28 million) on account of variable pay (i.e bonus) has been recognised in these financial statements. This amount is payable in 2020 after verification of target achievements.

Out of variable pay recognised for 2018 and 2017, following payments were made:

	Paid in 2019 relating to 2018	Paid in 2018 relating to 2017
Chief Executive	**8,431**	5,038
Executives	**76,350**	53,314
Other employees	**25,860**	27,631
	110,641	85,983

36.3 The Chief Executive, Executive Director and certain Executives are provided with free use of Company maintained cars in accordance with their entitlements.

37. 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 financial statements are as follows:

Amounts in Rs '000

Relationship	Nature of Transactions	**2019**	2018
Parent company	Dividend paid	**3,407,580**	227,172
Associates	Purchase of services from Lotte Academy	**1,004**	-
	Purchase of goods from Lotte Kolson (Private) Limited	**732**	557
	Amount payable to Lotte Kolson (Private) Limited	**-**	557
Key management personnel	Salaries and other short term benefits	**61,487**	53,488
	Retirement benefits	**6,401**	6,700
		67,888	60,188
	Loans		
	- given	**21,000**	21,346
	- received	**2,800**	21,346
Others	Payment to retirement benefit funds	**72,974**	82,274
	Donation paid to Lotte Pakistan Foundation	**7,500**	-

37.1 The following are the related parties with whom the Company had entered into transaction or have arrangement / agreement in place:

Name of the Related Party:	Lotte Chemical Corporation
Basis of association:	Parent Company
Country of incorporation:	South Korea
Shareholding in the Company:	75.01% (2018: 75.01%)
Name of the Related Party:	Lotte Academy
Basis of association:	Group Company
Country of incorporation:	South Korea
Associate shareholding in the Company:	Nil (2018: Nil)
Name of the Related Party:	Lotte Kolson (Private) Limited
Basis of association:	Group Company
Country of incorporation:	Pakistan
Associate shareholding in the Company:	Nil (2018: Nil)
Name of the Related Party:	Lotte Pakistan Foundation
Basis of association:	Trust controlled by the Company
Country of incorporation:	Pakistan
Associate shareholding in the Company:	Nil (2018: Nil)
Names of the Key management personnel (as defined in Related Party Transactions and Maintenance of Related Records Regulations, 2018)	Mr. Humair Ijaz (Chief Executive) Mr. Sang Hyeon Lee (Executive Director) Mr. Ashiq Ali (Chief Financial Officer) Mr. Faisal Abid (Company Secretary)

Amounts in Rs '000

38. Capacity and production / generation

	Annual name plate capacity		Actual production / generation	
	2019	2018	**2019**	2018
Pure Terephthalic Acid - in metric tonnes - note 38.1	**506,750**	506,750	**483,500**	516,688
Electricity - in thousands of Kw - note 38.2	**421,356**	421,356	**217,163**	229,485

38.1 The current production is based on 91% plant availability.

38.2 Actual generation of electricity is as per the requirements / demand of the Company.

39. Financial instruments and related disclosures

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency, interest rate and other price risks). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. No changes were made in the risk management framework and capital management of the Company during the year ended 31 December 2019.

39.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and over sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company’s risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Financial assets and liabilities by category and their respective maturities:

Amounts in Rs '000

	Interest bearing			Non-Interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
Financial assets							
Trade debts	-	-	-	**3,440,258**	-	**3,440,258**	**3,440,258**
Deposits	-	**24,272**	**24,272**	**3,382**	**16,085**	**19,467**	**43,739**
Interest accrued	-	-	-	**118,082**	-	**118,082**	**118,082**
Other receivables	-	-	-	**515,183**	-	**515,183**	**515,183**
Short-term investments	**3,452,081**	-	**3,452,081**	-	-	-	**3,452,081**
Cash and bank balances	**8,016,250**	-	**8,016,250**	**41,313**	-	**41,313**	**8,057,563**
December 31, 2019	**11,468,331**	**24,272**	**11,492,603**	**4,118,218**	**16,085**	**4,134,303**	**15,626,906**
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	**5,512,931**	-	**5,512,931**	**5,512,931**
Accrued interest	-	-	-	**235,076**	-	**235,076**	**235,076**
December 31, 2019	-	-	-	**5,748,007**	-	**5,748,007**	**5,748,007**
Financial assets							
Trade debts	-	-	-	3,401,047	-	3,401,047	3,401,047
Deposits	-	24,272	24,272	6,639	16,085	22,724	46,996
Interest accrued	-	-	-	7,061	-	7,061	7,061
Other receivables	-	-	-	756,689	-	756,689	756,689
Cash and bank balances	2,652,300	-	2,652,300	1,568,456	-	1,568,456	4,220,756
December 31, 2018	2,652,300	24,272	2,676,572	5,739,892	16,085	5,755,977	8,432,549
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	1,659,473	-	1,659,473	1,659,473
Accrued interest	-	-	-	211,018	-	211,018	211,018
December 31, 2018	-	-	-	1,870,491	-	1,870,491	1,870,491
On Statement of Financial position date gap							
December 31, 2019	**11,468,331**	**24,272**	**11,492,603**	**(1,629,789)**	**16,085**	**(1,613,704)**	**9,878,899**
December 31, 2018	2,652,300	24,272	2,676,572	3,869,401	16,085	3,885,486	6,562,058

Off Statement of Financial position date gap	**2019**	2018
Letter of credits / guarantees - notes 25.1.2 & 25.2.5	**3,641,468**	625,235
Ijarah and service contracts - notes 25.2.2 & 25.2.3	**3,065,760**	3,637,357

The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

39.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers, short-term investments and deposits with banks.

Amounts in Rs '000

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To reduce exposure to credit risk, substantially all the sales are made against letters of credit. Approximately 30 percent (2018: 38 percent) of the Company's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The Board has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available.

The maximum exposure to credit risk as at 31 December was:

	2019	2018
Financial assets		
Trade debts	**3,440,258**	3,401,047
Deposits - notes 7 and 13	**43,739**	46,996
Interest accrued	**118,082**	7,061
Other receivables - note 15	**515,183**	756,689
Short-term investments	**3,452,081**	-
Bank balances - note 19	**8,055,258**	4,219,200
	15,624,601	8,430,993
Secured	**3,440,258**	3,401,047
Unsecured	**12,184,343**	5,029,946
	15,624,601	8,430,993
Not past due	**15,624,601**	8,430,993

The maximum exposure to credit risk for trade debts as at 31 December by geographic region was:

	2019	2018
Domestic	**3,440,258**	3,401,047

The Company has placed its funds (i.e. T-bills, term deposits receipts and bank balances) with banks which are rated AA or above by PACRA / JCR VIS.

39.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the maturity date.

Amounts in Rs '000

	2019					
	Carrying amount	**Contractual cash flows**	**Less than one year**	**1-2 years**	**2-3 years**	**3-5 years**
Financial liabilities						
Trade and other payables	**5,512,931**	**5,512,931**	**5,512,931**	**-**	**-**	**-**
Accrued interest	**235,076**	**235,076**	**235,076**	**-**	**-**	**-**
	5,748,007	**5,748,007**	**5,748,007**	**-**	**-**	**-**
Off balance sheet						
Ijarah / service contracts	**-**	**3,065,760**	**950,753**	**963,993**	**1,149,048**	**1,966**

	2018					
	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-3 years	3-5 years
Financial liabilities						
Trade and other payables	1,659,473	1,659,473	1,659,473	-	-	-
Accrued interest	211,018	211,018	211,018	-	-	-
	1,870,491	1,870,491	1,870,491	-	-	-
Off balance sheet						
Ijarah / service contracts	-	3,637,357	850,437	866,264	1,766,729	153,927

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Company manages liquidity risk by maintaining sufficient cash in bank accounts. At 31 December 2019, the Company had financial assets of Rs 15,626.9 million (2018: Rs 8,432.5 million), which include Rs 8,055.3 million (2018: Rs 4,219.2 million) of cash placed in bank accounts.

As at reporting date, the facilities amounting to Rs 2,280 million (2018: Rs 2,280 million) for running finance available from various banks remain unutilised. These facilities carry mark-up at rates ranging from 1 month KIBOR plus 1.0 percent per annum to 3 months KIBOR plus 1.75 percent per annum and are secured by joint pari-passu hypothecation charge over all the present and future stock and book debts of the Company.

As at reporting date, the foreign currency import and export finance facilities available from a local bank amounting to USD 19.38 million (2018: USD 21.59 million) remain unutilised. These facilities are available at interest rates to be negotiated at the time of booking and are secured against trust receipts and / or joint pari-passu hypothecation charge over all the present and future stock and book debts of the Company.

39.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price. Market risk comprise of three types of risks: currency risk, interest rate risk and other price risk.

39.4.1 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions based on currencies other than Pakistani Rupees. The Company is exposed to currency risk on receivables and payables that are in a currency other than Pakistani Rupees.

Amounts in Rs '000

The currency exposure at the year end was as follows:

	2019			2018		
	GBP	**Euro**	**US$**	GBP	Euro	US$
Financial liabilities						
Trade payables	**(19,198)**	**(1,097,636)**	**(25,724,890)**	(7,885)	(25,461)	(2,044,474)
Service contract (off balance sheet)	**-**	**-**	**(19,283,760)**	-	-	(2,044,474)
	Equivalent Rs '000					
Financial liabilities						
Trade payables	**(3,898)**	**(190,413)**	**(3,982,213)**	(1,390)	(4,043)	(284,095)
Service contract (off balance sheet)	**-**	**-**	**(2,985,126)**	-	-	(3,560,958)

Significant exchange rates applied during the year were as follows:

	Average rate for the year		**Spot rate as at 31 December**	
	2019	2018	**2019**	2018
	Rupees		**Rupees**	
US Dollar	**150.1**	121.8	**154.8**	139.0
Great Britain Pound Sterling	**192.5**	163.3	**203.0**	176.3
Euro	**168.8**	144.9	**173.5**	158.8

Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will decrease or increase profit before tax for the year by Rs 41.77 million (2018: Rs 20.78 million).

39.4.2 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at the reporting date, the Company is not exposed to change in floating interest rate on any of its assets and liabilities.

39.4.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments securities. As at reporting date, the Company is not exposed to other price risk.

40. Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal structure to reduce the cost of capital. Capital includes issued capital and reserves. The Company has no debt as at 31 December 2019 and is also not subject to any regulatory capital requirements.

Notes to the Financial Statements
For the year ended 31 December 2019

Amounts in Rs '000

41. Information about operating segment

For management purposes, the activities of the Company are organised into one operating segment i.e. manufacture and sale of chemicals. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. The operating interests of the Company are confined to Pakistan in terms of production/generation capacity. Accordingly, the information and figures reported in these financial statements are related to the Company's only reportable segment in Pakistan.

The geographical breakup of the Company's gross turnover is disclosed in note 26 to these financial statements.

The revenue information is based on the location of the customer. The details of customers with whom the revenue from sales transactions amount to 10% or more of the Company's overall revenue related to manufactured and sale of chemicals are disclosed in note 26 to these financial statements.

Non-current assets of the Company are confined within Pakistan and consist of property, plant and equipment, intangible asset, right-of-use assets, long-term loans, advances and deposits.

42. Provident and other contributory funds related disclosures

The investments out of provident fund and contributory fund (Gratuity) have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

	2019	2018
43. Number of employees		
Number of employees at 31 December	**235**	232
Average number of employees during the year	**230**	232

44. General

44.1 Figures have been rounded-off to the nearest thousand rupees except as stated otherwise.

44.2 Certain prior year figures have been reclassified. However, there are no material reclassifications to report.

45. Date of authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on 14 February 2020.

Min Jae Hwang
Chairman

Humair Ijaz
Chief Executive

Ashiq Ali
Chief Financial Officer

Glossary / List of Abbreviations

AGM	Annual General Meeting
ATIR	Appellate Tribunal Inland Revenue
ATL	Active Tax Payer List
BAC	Board Audit Committee
BCM	Business Continuity Manager
BCP	Business Continuity Planning
Board	Board of Directors
CCG	Code of Corporate Governance
CDC	Central Depository Company of Pakistan
CE	Chief Executive
CFO	Chief Financial Officer
CIR	Commissioner Inland Revenue
The Company	Lotte Chemical Pakistan Limited
CBA	Collective Bargaining Agent
CSR	Corporate Social Responsibility
DCIR	Deputy Commissioner Inland Revenue
EFP	Employees' Federation of Pakistan
EPS	Earning Per Share
FBR	Federal Board of Revenue
FPAP	Fire Protection Association of Pakistan
FTO	Federal Tax Ombudsman
FTR	Final Tax Regime
GIDC	Gas Infrastructure Development Cess
HR	Human Resource
HSE	Health, Safety and Environment
IAS	International Accounting Standards
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IPT	Invista Performance Technologies
ISO	International Organisation for Standardization
ITAT	Income Tax Appellate Tribunal
IT	Information Technology
KIBOR	Karachi Interbank Offer Rate
KT	Kilo Ton
LTC	Lost Time Case
MT	Metric Ton
NBV	Net Book Value
NEPRA	National Electric Power Regulatory Authority
NFEH	National Forum for Environment and Health
OHSAS	Occupational Health and Safety Assessment System
OPEC	Organisation of the Petroleum Exporting Countries
PACRA	Pakistan Credit Rating Agency
PET	Polyethylene Terephthalate
PFY	Polyester Filament Yarn
PICG	Pakistan Institute of Corporate Governance
PSF	Polyester Staple Fibre
PSX	Pakistan Stock Exchange
PTA	Pure Terephthalic Acid
PX	Paraxylene
Rs.	Rupees
SECP	Securities and Exchange Commission of Pakistan
SOX	Sarbanes-Oxley Act
SSGC	Sui Southern Gas Company Limited
US$	United States Dollar
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund
WTI	West Texas Intermediate, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing

Notice of Annual General Meeting

Notice is hereby given that the 22nd Annual General Meeting of Lotte Chemical Pakistan Limited will be held on Thursday, 16 April 2020 at 11:00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP) auditorium, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Company's audited financial statements together with the Directors' and Auditors' reports for the year ended 31 December 2019.

2. To appoint the Auditors of the Company for the year ending 31 December 2020 and to fix their remuneration.

By Order of the Board

20 March 2020
Karachi

Faisal Abid
Company Secretary

Notes:

1. The Share Transfer books of the Company will be closed from Friday, 10 April 2020 to Thursday, 16 April 2020 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, Famco Associates (Pvt) Ltd, 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, by the close of business on 9 April 2020, will be treated in time for the purpose of attending the Annual General Meeting.

2. A member of the Company entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the holding of the Meeting. In calculating the aforesaid period, no account shall be taken of any day that is not a working day. Proxy Form may also be downloaded from the Company's website: www.lottechem.pk

   CDC Account Holders will have to follow further undermentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

   a) For Attending the Meeting:

      i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall authenticate his / her identity by showing his / her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.

      ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

   b) For Appointing Proxies:

      i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

      ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

      iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

      iv. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.

      v. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy to the Company.

3. **Payment of Cash Dividend through electronic mode**. In accordance with the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to its shareholder only through electronic mode directly into the bank account designated by the entitled shareholder. Accordingly, shareholders are requested to fill in "Electronic Credit Mandate Form" available on Company's website and send it duly signed along with a copy of valid CNIC/NTN to their respective CDC participant / CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company's Share Registrar M/s. Famco Associates (Pvt) Ltd (in case of shareholding in Physical Form).

   In case of non-receipt of valid CNIC/NTN and complete and valid details of designated bank account of entitled shareholder, the Company will be constrained to withhold payment of dividend under the Companies (Distribution of Dividends) Regulations, 2017.

4. **Zakat Declaration (CZ-50).** Zakat will be deducted from the dividend at source under the Zakat & Ushr Laws and will be deposited within the prescribed period with the relevant authority. To claim exemption, shareholders are requested to submit notarized copy of Zakat Declarations on duly filled in 'CZ-50 Form' to their respective brokers or CDC Pakistan Limited (in case the shares are held in CDS-Sub Account or CDC Investor Account) or to Company's Share Registrar, M/s. Famco Associates (Pvt) Ltd.

5. **Witholding Tax on Dividend.** Pursuant to the Finance Act, 2017, effective July 01, 2019, the rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001 from payment of dividend have been revised as 15% for Filer and 30% for Non-filer of income tax returns.

   To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 30% all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of the Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

   Further, according to clarification received from FBR, withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal Shareholder as well as Joint-holder(s) based on their shareholding proportions in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to Company's Share Registrar, in writing as follows.

Folio/CDC Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding proportion (No. of Shares)

   Shareholders are advised to ensure that they have provided their CNIC/NTN to their respective Participant/CDC Investor Account Services (if shareholding in Book Entry Form) or Company Share Registrar (if shareholding in Physical Form) for checking the tax status as per the ATL issued by FBR from time to time.

   As per FBR Circulars C. No.1 (29) WHT/2006 dated 30 June 2010 and C. No.1 (43) DG (WHT)/2008-Vol. II -66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part -IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar M/s. Famco Associates (Pvt) Ltd before book closure otherwise tax will be deducted on dividend as per applicable rates.

6. **Transmission of Annual Financial Statements through email.** Pursuant to notification vide SRO. 787(I)/2014 dated 8 September 2014, the SECP has allowed the circulation of Audited Financial Statements and notice of AGM to the shareholders via email. Members who wish to avail this facility can communicate their email addresses to the Company Secretary and/or Share Registrar on the Standard Request form available on the Company's website.

7. **Video Conference Facility.** If the Company receives consent from the members collectively holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 7 days prior to date of the meeting, the Company shall arrange facility of video-link in the city subject to availability of such facility in that city. In this regard, members are requested to submit duly filled in "Video Conference Facility Consent Form" available on Company's website to the registered address of the Company.

8. **Deposit of physical shares into CDC account.** As per section 72 of the Companies Act, 2017, every listed company is required to replace its physical shares with book-entry form. Therefore, the shareholders having physical shares are requested to convert the shares into book entry.

9. Audited accounts of the Company for the year ended 31 December 2019 have been provided on the Company's website.

اہم انتظامی و مالیاتی ڈیٹا

انتظام اور مالیات کی تفصیل سے متعلق کمپنی کی گزشتہ 6 سال کی اہم معلومات سالانہ رپورٹ کے صفحہ نمبر 83 پر درج کی گئی ہے۔

ریٹائرمنٹ فوائد میں سرمایہ کاری

ملازمین کے ریٹائرمنٹ فنڈ سے متعلق سرمایہ کاریوں کے آڈٹ شدہ مالیاتی گوشوارے 31 دسمبر 2018 کو ختم شدہ سال کی تفصیل درج ذیل ہے:

	(قدر '000 روپے)
Lotte کیمیکل پاکستان مینجمنٹ اسٹاف پراویڈنٹ فنڈ	437,947
Lotte کیمیکل پاکستان مینجمنٹ اسٹاف گریجویٹی فنڈ	247,386
Lotte کیمیکل پاکستان مینجمنٹ اسٹاف ڈیفائنڈ کنٹری بیوشن سپر اینویشن فنڈ	345,748
Lotte کیمیکل پاکستان نان مینجمنٹ اسٹاف پراویڈنٹ فنڈ	6,604
Lotte کیمیکل پاکستان نان مینجمنٹ اسٹاف گریجویٹی فنڈ	4,462

پیٹرن آف شیئر ہولڈنگ

کمپنی میں پیٹرن آف شیئر ہولڈنگ سے متعلق اسٹیٹمنٹ برائے 31 دسمبر 2019 اس سالانہ رپورٹ سے منسلک ہے۔

انٹرنل فنانشل کنٹرولز کا جائزہ

بورڈ، آڈٹ کمیٹی کے ذریعے انٹرنل کنٹرول کا جائزہ اور نگرانی انجام دیتا ہے۔ کمپنی کا اپنا ضابطے کا نظام مضبوط ہے اور اس کی اثر پذیری اور ضابطے کو مسلسل جانچا جاتا ہے۔ اندرونی ضابطے کے نظام کو جانچنے کے لیے باہر سے انٹرنل آڈٹ کرانے کے لیے چارٹرڈ اکاؤنٹنٹس ادارے کو بلایا جاتا ہے۔

کمپنی کے شیئرز میں کاروبار

زیر جائزہ سال کے دوران جناب کو انگ سک ہو کو ایک شیئر منتقل کرنے کے علاوہ کمپنی کے شیئرز میں ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ہیڈ آف انٹرنل آڈٹ اور ان کے شریک حیات اور بچوں نے کوئی لین دین نہیں کی۔

ہولڈنگ کمپنی

Lotte کیمیکل کارپوریشن، ساؤتھ کوریا، Lotte کیمیکل پاکستان لمیٹڈ میں 75.01 فیصد شیئرز کی مالک ہے۔

متعلقہ واقعات

31 دسمبر 2019 کو ختم شدہ سال کے دوران اور اس رپورٹ کی اشاعت کے درمیان کمپنی کی مالیاتی پوزیشن میں کسی طرح کی کوئی قابل ذکر تبدیلی یا کوئی اثر انداز ہونے والی صورتحال پیش نہیں آئی۔

ایکسٹرنل آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز EY فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس، نے کمپنی کے آڈیٹرز کے طور پر پانچ سال مکمل کر لیے ہیں۔ Lotte گروپ کے ساتھ ہم آہنگی کے پیش نظر آڈٹ کمیٹی نے میسرز کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس، کو 31 دسمبر 2020 کے لیے کمپنی کے ایکسٹرنل آڈیٹر منتخب کرنے کی تجویز دی ہے۔

بورڈ نے آڈٹ کمیٹی کی تجویز کے مطابق میسرز کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس، کو 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے کمپنی کے ایکسٹرنل آڈیٹر منتخب کرنے کی توثیق کر دی ہے جس کی منظوری شیئر ہولڈرز کے آئندہ سالانہ اجلاس میں لی جائے گی۔

اظہار تشکر

ہم اپنے شیئر ہولڈرز، کسٹمرز، سپلائرز اور ملازمین کا ان کے مستقل تعاون اور اعتماد پر اظہار تشکر کے طور پر شکریہ ادا کرتے ہیں۔

من جے ہوانگ
چیئرمین

حمیر اعجاز
چیف ایگزیکٹو

تاریخ: 14 فروری 2020
کراچی

کمپنی کی جانب سے لاحق خطرات کی تفصیلات اور غیر یقینی کے پیش نظر اٹھائے جانے والے اقدامات سے متعلق بیانیہ سالانہ رپورٹ کے صفحہ نمبر 41 پر ملاحظہ کریں۔

بورڈ کی تشکیل

ڈائریکٹرز کی کل تعداد اور بورڈ کی تشکیل درج ذیل ہے:

ڈائریکٹرز کی کل تعداد	
مرد	7
خواتین	1
	8

بورڈ کی تشکیل	
آزاد ڈائریکٹرز	1
نان ایگزیکٹو ڈائریکٹرز	4
ایگزیکٹو ڈائریکٹرز	2
خاتون ڈائریکٹر	1

بورڈ کی کمیٹیاں

بورڈ کمیٹیوں کے ممبرز کے نام درج ذیل ہیں:

آڈٹ کمیٹی	
جناب پرویز اختر	چیئرمین
جناب من جے ہوانگ	ممبر
جناب استقبال مہدی	ممبر

ایچ آر اینڈ ریمونریشن کمیٹی	
جناب پرویز اختر	چیئرمین
جناب من جے ہوانگ	ممبر
جناب سانگ ہیون لی	ممبر

31 دسمبر 2019 کو ختم ہونے والے مالیاتی سال کے دوران جو افراد بورڈ اور کمیٹیوں کے ممبران رہ چکے ہیں ان کے نام درج ذیل ہیں:

ڈائریکٹر کا نام	بورڈ آف ڈائریکٹرز کے اجلاس	آڈٹ کمیٹی کے اجلاس	ایچ آر اینڈ ریمونریشن کمیٹی کے اجلاس
جناب جنگ نیون کم (12 فروری کو مستعفی ہوئے)			
جناب کوانگ سک ہو (12 فروری کو منتخب ہوئے)	4	1	1
جناب حمیر اعجاز	4		
جناب سانگ ہیون لی	4		1
جناب ان گو پارک	3		
جناب محمد قاسم خان	2		
جناب پرویز اختر	4	4	1
جناب استقبال مہدی	4	4	

ان ممبران کی غیر حاضری کی درخواست منظوری کی گئی جو بورڈ میٹنگ میں شرکت نہ کر سکے۔

دوران سال بورڈ آف ڈائریکٹرز کی چار، آڈٹ کمیٹی کی چار، ایچ آر اینڈ ریمونریشن کمیٹی کی ایک میٹنگ منعقد ہوئی۔

26 اگست 2019 کو ساؤتھ کوریا میں ہونے والی بورڈ میٹنگ کے علاوہ تمام بورڈ میٹنگز پاکستان میں منعقد کی گئیں۔

ڈائریکٹرز کا مشاہرہ

بورڈ آف ڈائریکٹرز نے نان ایگزیکٹو ڈائریکٹرز (اکثریتی شیئر ہولڈر کے نامزد کردہ کے علاوہ) کا مشاہرہ بورڈ اجلاسوں، اس کی کمیٹیوں اور اجلاس عام میں حاضری کے حوالے سے منظور کیا ہے۔ پالیسی میں کمپنی بورڈ کے اجلاسوں اور کمیٹیوں میں شرکت پر ہونے والے مناسب اخراجات ادا کرنے کی سہولت بھی دی گئی ہے۔

بورڈ کا جائزہ

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز کے تحت مطلوب بورڈ کے جائزے، بورڈ ممبران اور بورڈ کی کمیٹیوں کا جائزہ برائے سال ختم شدہ 31 دسمبر 2019 کے لیے مکمل کر لیا گیا ہے۔

آن لائن جائزے کا انتظام بیرونی آزاد سہولت کار، پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس اور نارتھ امریکہ کے کنسلٹنگ فرم دی کارپوریٹ لائف سینٹر انٹرنیشنل کے اشتراک سے انجام دیا گیا۔

کاروباری سماجی بہبود(CSR)کے اقدامات

ایک کاروباری سماجی ادارے کی حیثیت میں، آپ کی کمپنی نے مقامی علاقوں اور سوسائٹی کی بہبود کے لیے اپنے آپ کو مختص کیا ہے۔ ہم نے اپنے معاشرے میں تعلیم اور صحت کے مسائل کی نشاندہی کی ہے اور انہی شعبہ جات میں کام کرنے کے لیے فلاحی اداروں کے ساتھ شراکت داری کر رکھی ہے۔

کاروباری سماجی بہبود(CSR) کے اقدامات سے متعلق تفصیلی رپورٹ برائے سال 2019 کے لئے سالانہ رپورٹ کا صفحہ نمبر 75 ملاحظہ کریں۔

مستقبل پر نظر

دوران سال کروڈ آئل کی قیمتوں پر دباؤ برقرار رہنے کا امکان ہے کیونکہ چین سے اٹھنے والی کرونا وائرس کی وبا نے ہر طرف خوف پیدا کیا ہوا ہے۔ اس صورتحال سے کروڈ آئل کی مارکیٹ میں چین اور امریکہ کے درمیان تجارتی معاہدے کے پہلے فیز سے امکانی بہتری اور اوپیک پلس کی جانب سے پیداوار میں بڑی کٹوتی نے منفی اثرات مرتب کر رکھے ہیں۔ دوسری جانب تجارتی معاہدے کے دوسرے فیز سے امید لگائی جا رہی ہے، لیکن تجارتی لڑائی نے عالمی کاروبار کو کمزور کر کے رکھ دیا ہے اور کروڈ آئل کی پیداوار میں مسلسل اضافے، خاص طور پر امریکہ کی جانب سے اس صورتحال میں قیمتوں میں محدود اضافہ دیکھ رہے ہیں۔

علاقے میں نئی صنعتوں کے شامل ہونے سے PX مارکیٹ میں بہتری کا امکان ہے تاہم اس سے انڈسٹری کے منافع پر دباؤ بڑھے گا اور PX کے پروڈیوسرز پر قیمتوں کی یکسانیت کے لیے دباؤ آئے گا۔ 2020 میں 10 ملین میٹرک ٹن صلاحیت والی PTA کے پیداواری یونٹ کے آغاز کا امکان ہے، اس کے ساتھ عالمی طور پر تجارتی جنگ اور کرونا وائرس کی وبا کے سبب طلب میں کمی کے پیش نظر پولیسٹر چین کی طلب میں محدود بہتری کا امکان ہے۔ تاہم PTA کی طلب میں پولیسٹر کے لیے موسمی طلب میں موجودہ سطح کے مقابلے میں اضافے کی توقع کی جا رہی ہے۔ عالمی برادری کی جانب سے کاربن کے اثرات کو کم کرنے کی کوششیں کے پیش نظر ری سائیکل شدہ پولیسٹر کی طلب میں اضافہ متوقع ہے جس سے PTA کی طلب بھی محدود رہے گی۔

آئندہ موسمی طلب میں بہتری اور حکومت کی جانب سے نافذ کئے جانیوالے نئے ریگولیشنز کے ساتھ مارکیٹ پلیئر کی مطابقت ہونے تک پولیسٹر انڈسٹری کا آپریٹنگ ریٹ بڑھنے کا امکان ہے۔ نئی حکومتی پالیسیوں نے کاروباری سہولت کی شرح میں اضافہ کر دیا ہے، اس طرح بیرونی سرمایہ کاری کو تقویت ملے گی۔ مزید براں حکومت پاکستان کی جانب سے مقامی ایکسپورٹ کے شعبہ جات کو تقویت دینے کی پالیسی کے سبب ڈاؤن اسٹریم طلب میں بھی اضافہ متوقع ہے۔

کارپوریٹ گورننس

ڈائریکٹرز درج ذیل اُمور بیان کرتے ہوئے بمسرت ہیں:

- انتظامیہ کی جانب سے تیار کردہ کمپنی کے مالیاتی گوشوارے، کمپنی کے معاملات، آپریشن کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کی شفاف صورتحال پیش کر رہے ہیں۔
- کمپنی کی جانب سے باقاعدہ طور پر اکاؤنٹس کی بکس برقرار رکھی گئی ہیں۔
- مالیاتی گوشواروں اور اکاؤنٹنگ تخمینے کی تیاری مناسب اور محتاط انداز کی بنیاد پر متعلقہ اکاؤنٹنگ پالیسیوں کے تحت کی گئی ہے۔
- مالیاتی گوشواروں کی تیاری پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ کے معیار کے مطابق کی گئی ہے اور اس سے کسی طرح کے انحراف کو باقاعدہ واضح کیا گیا ہے۔
- انٹرنل کنٹرول کا سسٹم بہترین ہے اور اس پر بہترین انداز میں عمل درآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے استحکام اور آگے بڑھنے کی صلاحیت پر کسی بھی شک وشبہ کی کوئی گنجائش نہیں۔
- کارپوریٹ گورننس پر بہترین انداز میں عمل درآمد سے کسی طرح کا بھی انحراف دیکھنے میں نہیں آیا۔

پرنسپل سرگرمیاں

کمپنی(PTA) کی پیداوار اور فروخت کے کام میں مصروف ہے۔ مالیاتی سال کے دوران کمپنی کی اصل سرگرمیوں میں کسی طرح کی کوئی تبدیلی واقع نہیں ہوئی۔

خطرات کا انتظام

بورڈ خطرات کے انتظام اور انٹرنل کنٹرول کے ضوابط کا ذمہ دار ہے۔ آڈٹ کمیٹی کی طرف سے کمپنی کے رسک مینجمنٹ پروسیس کا سہ ماہی جائزہ لیا جاتا ہے جبکہ ضرورت کے وقت اس سے قبل بھی اس نظام کی باقاعدہ نگرانی کی جاتی ہے۔ کمپنی کے درج شدہ اور مستقل بنیادوں پر زیر جائزہ رہنے والے ضوابط اس انداز سے مرتب کردہ ہیں کہ ہمارے اثاثہ جات اور کاروبار کو درپیش خطرات پر قابو پایا جاسکے، اور اس طرح وقت پر بورڈ اور اعلیٰ انتظامیہ کو رپورٹ دینا بھی یقینی بنایا جائے۔ ادارے کے ڈھانچے کے متعلق ایک شفاف نظام کے ساتھ حکام کی ذمہ داریاں واضح کردہ ہیں اور اعلیٰ انتظامیہ روزمرہ کی بنیاد پر ان طریقہ کاروں، خطرات سے آگہی کے نظام اور کنٹرول کے اثرات کی روشنی میں عمل درآمد کی ذمہ دار ہے۔

آپ کی کمپنی اپنے ملازمین کی تربیت اور صلاحیتوں میں نکھار لانے کے لیے مناسب ماحول فراہم کرنے پریقین رکھتی ہے اور ہر وقت تحفظ کو یقینی بنانے کے لیے جدید سازو سامان اور مہارتوں پر بھرپور سرمایہ کاری جاری رکھتی ہے۔

2019 میں HSE کارکردگی اور ڈیویلپمنٹ سے متعلق تفصیلی رپورٹ سالانہ رپورٹ کے صفحہ نمبر 68 پر ملاحظہ کریں۔

کمپنی بزنس کے ماحول پر اثرات

ماحول کی حفاظت ہمارے کاروباری نظریہ کی اساس ہے۔ توانائی، پانی، فضلہ اور وسائل کا استعمال، حیاتیاتی ماحول میں تنوع، اخراج کا نظام اور قانون کی پاسداری ہماری توجہ کا مرکز ہیں۔

ہم اس بات کے لیے پرعزم ہیں کہ ہمارے آپریشنز ماحول دوست رہیں اس کے لیے ہم کاربن کے اثرات کو کم کرنے پر بھرپور توجہ دے رہے ہیں۔ اس عزم کے پیش نظر، ہم پلانٹ سے نکلنے والے گندے پانی کو جدید ڈیپ شافٹ ٹیکنالوجی کے حامل ایفلوئنٹ ٹریٹمنٹ پلانٹ (ETP) کے ذریعے صاف کرتے ہیں۔ کمپنی کے ویسٹ مینجمنٹ کو مزید بہتر کرنے کے لیے ہم نے ایناروبک ری ایکٹر کی تنصیب کا پروجیکٹ شروع کیا ہے، جس کی تنصیب 2020 کی تیسری سہ ماہی میں متوقع ہے۔

ایک مایہ ناز ISO سرٹیفائیڈ ادارے کی صورت میں، اور ماحولیاتی تحفظ سے طویل مدتی تجارتی استحکام حاصل کرنے کا یقین رکھنے کے بعد، فضلہ جات کو کم سے کم کرنا ہماری ترجیحات میں شامل ہے۔

ہمارے ماحولیاتی تحفظ سے متعلق تفصیلی رپورٹ سالانہ رپورٹ کے صفحہ نمبر 73 پر ملاحظہ کریں۔

مالیاتی کارکردگی

(روپے ملین میں)	ختم شدہ سال 31 دسمبر 2019	2018
آمدنی	**60,540**	57,400
مجموعی منافع	**7,876**	7,382
منافع قبل از ٹیکس	**7,779**	6,346
ٹیکسیشن	**(2,237)**	(1,914)
منافع بعد از ٹیکس	**5,542**	4,431
ہر ایک شیئر پر منافع (روپے میں)	**3.66**	2.93

فروخت کے حجم میں کمی کے باوجود گزشتہ سال 57,400 ملین روپے کے مقابلے میں 5 فیصد اضافے کے ساتھ 60,540 ملین روپے آمدنی حاصل کرنے میں کامیاب رہے کیونکہ امریکی ڈالر کے مقابلے میں پاکستانی روپے کی ناقدری سے PTA کی فی ٹن اوسط قیمت میں اضافہ سامنے آیا۔ زیر جائزہ سال کے لیے مجموعی منافع گزشتہ سال کی اسی مدت کے 7,382 ملین روپے کے مقابلے میں 7,876 ملین روپے رہا۔

مجموعی طور پر مہنگائی بڑھنے سے انتظامی اخراجات گزشتہ سال کے مقابلے میں 9 فیصد زائد رہے۔ کمپنی کے دیگر اخراجات زائد آپریٹنگ پرافٹ کی بنیاد پر ورکرز پرافٹ پارٹیسی پیشن اور ورکرز ویلفیئر فنڈ کے لیے رقم دینے کی بدولت گزشتہ سال کے مقابلے میں زائد رہے۔ دوران سال دیگر آمدنی بھی گزشتہ سال کے مقابلے میں زائد رہی کیونکہ اوسط کیش سرپلس کی سطح بڑھنے سے بینک ڈپازٹ پر آمدنی زائد ہوئی۔

سال کے لیے ایک شیئر پر منافع (EPS) گزشتہ سال کے ایک شیئر کے منافع 2.93 روپے کے مقابلے میں بڑھ کر 3.66 روپے فی شیئر ہوگئی۔

منافع منقسمہ (ڈیویڈنڈ)

دوران سال بورڈ آف ڈائریکٹرز کی جانب سے منظور شدہ عبوری منافع منقسمہ برائے سال ختم شدہ 31 دسمبر 2019 بحساب 1.50 روپے فی عمومی شیئر (15٪) کمپنی کے شیئر ہولڈرز کو ادا کیا گیا ہے۔

ہیومن ریسورسز

2019 کے دوران، ہیومن ریسورسز کے معیارات کو بلند رکھتے ہوئے صلاحیت میں اضافے اور جوابدہی کے لیے بھرپور کوششیں جاری رکھنے کے ساتھ اپنے صارفین کو فراہم کی جانے والی خدمات اور انتظامیہ کو اعتماد میں لینے کے امور میں بہتری لائی گئی۔ آپ کی کمپنی ملازمین کی ہمت افزائی اور اعتماد کے ماحول کو فروغ دے کر ان کے کاموں کی حوصلہ افزائی کرتی ہے۔ کمپنی کی مارکیٹ پوزیشن کو برقرار رکھنے کے لیے تمام امور میں مہارت یافتہ افراد کو برقرار رکھتے ہوئے ان کی صلاحیتوں میں نکھار لانے کے اقدامات اٹھائے گئے۔ اپنی ہیومن کیپٹل اسٹریٹیجی کے تحت کمپنی ملازمت کے یکساں مواقع فراہم کرتی ہے۔ جبکہ ہم موجودہ لیبر قوانین پر عمل درآمد کرتے ہیں، ہم انڈسٹریل ریلیشن میں بہترین تجربات کی پیروی کرتے ہیں اور صلاحیتوں کی بہتری اور احتسابی عمل پر توجہ دینے کے ساتھ اپنے کسٹمرز کو خدمات کی بہتر فراہمی اور انتظامی امور میں مستقل ترقی کو جاری رکھا ہے۔

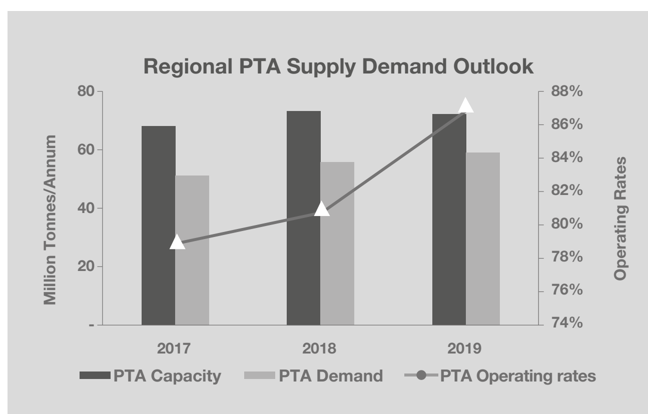
ہیومن ریسورسز کی کارکردگی اور بہتری سے متعلق تفصیلی رپورٹ برائے سال 2019 کے لئے سالانہ رپورٹ کا صفحہ نمبر 56 ملاحظہ کریں۔

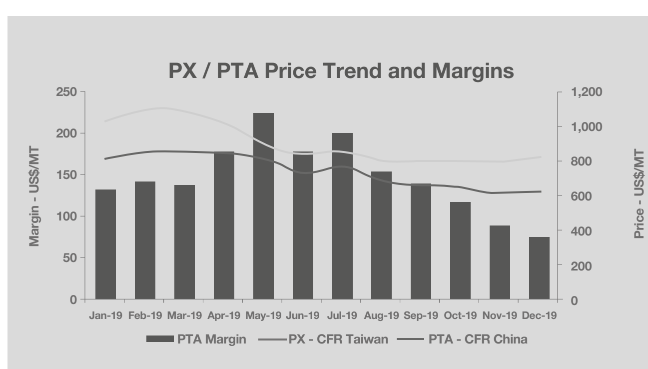
PTAانڈسٹری

PTAکی مارکیٹ گزشتہ سال کے مقابلے میں اوسطاً گراوٹ کا شکار رہی۔ ڈاؤن اسٹریم سیلز میں سست ریکوری کے سبب اپ اسٹریم فیڈ اسٹاک مارکیٹ میں مندی کے رجحان سے قیمتوں میں استحکام برقرار رکھنا مشکل تھا۔ تاہم PETاور PSFکی موسمی طلب سے قیمتوں کو مستحکم کرنے میں مدد ملی۔ سال کی دوسری سہ ماہی تک امریکہ اور چین کے درمیان تجارتی مذاکرات کے پیش نظر سیزن میں قلیل مدتی تیزی ہوئی اور پولیسٹر پروڈیوسرز پر آپریشنز بہتر کرنے کے لیے دباؤ بڑھا۔ اس لئے معاشی گراوٹ اور محدود ڈاؤن اسٹریم طلب کے سبب PTAمارکیٹ میں بہتری نہ آسکی۔ سال کے اختتام تک PTAکے منافع میں 75امریکی ڈالرز / میٹرک ٹن تک کمی ہوئی جو کہ مارکیٹ 2017 میں آخری دفعہ دیکھی گئی تھی۔

2019کے دوران PTAپروڈیوسرز کا مجموعی آپریٹنگ ریٹ 87فیصد رہا جبکہ PTAکی اوسط قیمت 738.48امریکی ڈالرز فی میٹرک ٹن رہی۔

2019کے لیے PXکے مقابلے میں PTAکا منافع 146امریکی ڈالرز فی ٹن رہا جبکہ 2019کی چوتھی سہ ماہی کا اوسط منافع 93امریکی ڈالر فی ٹن ہے۔





مقامی ڈاؤن اسٹریم انڈسٹری

ڈاؤن اسٹریم پولیسٹر انڈسٹری 2018کے مقابلے میں 12فیصد گرگئی جس کی اہم وجہ فنانس بل 2019 میں لاگو کئے جانے والے ریفارمز ہیں جس سے معاشی غیر یقینی میں اضافے کے ساتھ پیداواری لاگت میں اضافہ ہو جاتا ہے۔ اس کے ساتھ روپے کی گراوٹ نے کاروباری ماحول پر شدید منفی اثرات مرتب کئے جس سے پوری کاروباری سیلز متاثر ہونے کے ساتھ انوینٹریز میں اضافہ دیکھنے میں آیا۔ سال کے اختتام کی مدت کے دوران بزنس کی کارکردگی میں کچھ بہتری نظر آئی اور بزنسز نے انوینٹریز میں بہتری کی کوششیں کی اور نئے ریگولیشنز کے مطابق اپنے آپریشنز متعین کرنے میں مصروف رہے۔

مقامی پولیمر انڈسٹری نے 2019کے دوران پی ٹی اے کی طلب میں کمی کے سبب گزشتہ سال کے 89فیصد کے مقابلے میں 78فیصد کی اوسط شرح حاصل کی۔

آپریشنز

اس سال کی سیلز کی مقدار گزشتہ سال کے مقابلے میں 3فیصد کم رہنے کے ساتھ صرف مقامی سیلز پر مشتمل تھی اس کی اہم وجہ مقامی مارکیٹ میں غیر یقینی کی کیفیت ہے۔

دوران سال کی پیداوار گزشتہ سال کے مقابلے میں 6فیصد کم رہی کیونکہ ڈاؤن اسٹریم طلب میں کمی کے سبب پلانٹ آپریشن کی شرح میں بھی کمی کی گئی۔

کمپنی نے پلانٹ کی صلاحیت میں اضافے اور مستقل و پائیدار آپریشن کو یقینی بنانے کے لئے اپنی پروڈکشن صلاحیت میں سرمایہ کاریاں جاری رکھیں۔

ہیلتھ، سیفٹی اینڈ انوائرنمنٹ (HSE)

ڈائریکٹرز یہ بتاتے ہوئے فخر محسوس کررہے ہیں کہ آپ کی کمپنی نے HSEپر بھرپور توجہ دیتے ہوئے 31دسمبر 2019کو 59ملین مین آورز کی تکمیل کا سنگ میل عبور کیا ہے اس دوران کمپنی کا اپنا ملازم یا کنٹریکٹر کا اسٹاف کسی طرح کے حادثے کا شکار نہیں ہوا۔ یہ بے مثال ریکارڈ کسی بھی عالمی معیار پر پورا اترنے کا واضح ثبوت ہے۔

دوران سال قوانین اور معیار پر عمل درآمد کی تصدیق کے لئے کئی طرح کے اندرونی اور بیرونی آڈٹ ہوئے، جن میں کسی طرح کی بھی قابل ذکر خلاف ورزی سامنے نہیں آئی۔ مزید براں کمپنی نے گندے پانی کے اخراج کے حوالے سے نیشنل انوائرنمنٹ کوالٹی اسٹینڈرڈز پر عمل جاری رکھا اور گیسوں کا اخراج بھی قوانین کی حدود کے اندر تھا۔

ڈائریکٹرز کا جائزہ

برائے ختم شدہ سال 31 دسمبر 2019

کمپنی کے ڈائریکٹرز 31 دسمبر 2019 کو ختم شدہ سال کے لئے کمپنی کے آڈٹ شدہ مالیاتی گوشوارے بشمول اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

بورڈ میں تبدیلی

11 فروری 2020 کو جناب کوانگ سک ہو (چیئرمین) کمپنی کے چیئرمین اور مس جے سن پارک (ڈائریکٹر) ڈائریکٹر شپ سے مستعفی ہو گئے اور جناب من جے ہوانگ اور مس وون لی کو اسی دن خالی ہونے والی اسامی پر 22 جون 2020 کو ختم ہونے والی باقی مدت کے لیے کمپنی کا چیئرمین اور ڈائریکٹر منتخب کر لیا گیا۔

مستعفی ہونے والے ڈائریکٹر جناب کوانگ سک ہو کی جگہ بعد ازاں جناب من جے ہوانگ کو فوری طور پر بورڈ کا چیئرمین، ممبر آف ایچ آر اور ریمونریشن کمیٹی، ممبر آف آڈٹ کمیٹی اور ممبر آف دی شیئرز سب کمیٹی بنایا گیا۔

بورڈ اپنے مستعفی ہونے والے ڈائریکٹرز جناب کوانگ سک ہو اور مس جے سن پارک کی خدمات کو سراہتے ہوئے کمپنی کے نئے ڈائریکٹرز جناب من جے ہوانگ اور مس وون لی کو خوش آمدید کہتا ہے۔

کاروباری جائزہ

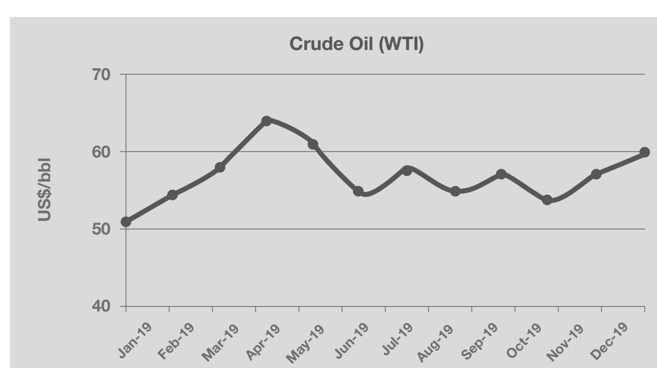
کروڈ آئل

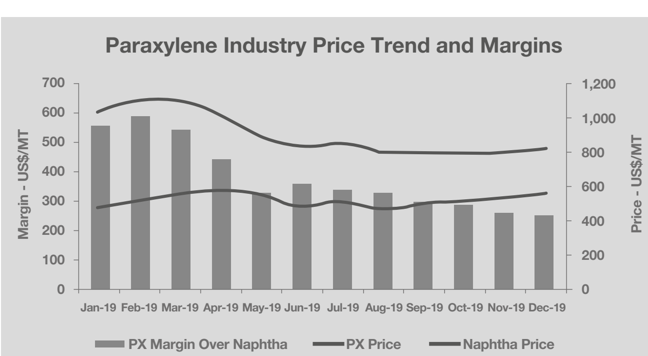
کروڈ آئل کی مارکیٹ میں پہلی سہ ماہی کے دوران اوپیک کی طرف سے اضافی پیداوار میں تقریباً 1.2 ملین بیرل یومیہ کمی کرنے کی بدولت تیزی کا رجحان رہا۔ بعد ازاں ایران اور وینزویلا پر لاگو ہونے والی پابندیوں نے عالمی مارکیٹ میں محدود سپلائی کو تقویت دی۔۔ تاہم دوسری سہ ماہی کے دوران امریکہ اور چین کے درمیان جاری تجارتی جنگ اور امریکہ کی جانب سے اپنی کروڈ کی پیداوار میں مسلسل اضافے کے باعث مارکیٹ میں گراوٹ رہی۔ مشرق وسطیٰ میں بدامنی کے صورتحال اور سعودی آرامکو کی تنصیبات پر حملے کے باوجود، کروڈ کی قیمتوں میں قابل ذکر اضافہ دیکھنے میں نہیں آیا اور یہ ایک مستحکم سطح پر برقرار رہیں۔ 2019 کے اختتام کے قریب، کروڈ کی قیمتوں میں اوپیک پلس کی جانب سے پیداوار میں مزید کمی پر رضامندی کے سبب بہتری آئی اور عالمی مارکیٹ کو فراہمی میں 1.7 ملین بیرل روزانہ تک کٹوتی ہوتی دیکھی گئی۔ قیمتوں میں بہتری کے رجحان میں مزید بہتری امریکہ اور چین کے درمیان ممکنہ تجارتی معاہدے کے پیش نظر دیکھی گئی۔ سال کے آخر تک کروڈ کی قیمتیں 61.20 ڈالر فی بیرل کی سطح پر رہیں جبکہ سال کے دوران 59.72 ڈالر فی بیرل کی اوسط قیمت برقرار رہی۔

پیرازائلین (PX) انڈسٹری

PX کی قیمتوں میں گزشتہ سال کے دوران کروڈ آئل کی قیمتوں کی تیزی کا رجحان دیکھا گیا۔ تاہم دوسری سہ ماہی تک، PX مارکیٹ میں چین اور امریکہ کے درمیان تجارتی جنگ کے سبب ڈاؤن اسٹریم طلب میں کمی کا رجحان دیکھا گیا جبکہ چھٹیوں کے طلب میں بہتری ہونے کا امکان تھا۔ بعد ازاں تقریباً 7 ملین میٹرک ٹن PX پیداوار کی نئی صنعتوں کے شامل ہونے سے اوور سپلائی کے سبب مارکیٹ زیر دباؤ رہی۔ اس کے ساتھ PX اور PAT کے کم ہوتے منافع اور قلیل مدت پر مشتمل PAT کے پیک سیزن نے مارکیٹ میں منفی رجحان پیدا کر دیا؛ جبکہ کئی PX پروڈیوسرز کو پیداوار محدود کرنا پڑیں اور بندش کا اعلان کیا۔ سال کے اختتامی مہینوں میں PX کی قیمتوں میں نئے PAT یونٹس کے آغاز اور اپ اسٹریم کروڈ مارکیٹ میں تیزی کے سبب کچھ بہتری دیکھی گئی۔

دوران سال مجموعی طور پر PX مارکیٹ نے گزشتہ سال کے 91 فیصد کے مقابلے میں 84 فیصد کی اوسط شرح برقرار رکھی کیونکہ پروڈیوسرز نے زائد سپلائی اور گرتے ہوئے منافع کے خدشات کی بدولت کم کر دی تھی۔ دوران سال Naphtha پر اوسط منافع گزشتہ سال 2018 کے 446 امریکی ڈالر فی ٹن کے مقابلے میں 379 ڈالر فی ٹن رہا۔





پراکسی فارم

22واں سالانہ اجلاس عام

میں/ہم ____________ ساکن ____________________

بحیثیت ممبر Lotte کیمیکل پاکستان لمیٹڈ __________________ کے عمومی شیئرز رکھتا ہوں/رکھتی ہوں، لہٰذا

بذریعہ ہذا ______________ ساکن ______________ یا ان کی عدم موجودگی کی صورت میں

______________ ساکن ______________ جو کہ Lotte کیمیکل پاکستان لمیٹڈ کے

ممبر ہیں، کو بطور پراکسی مقرر کرتا ہوں/ کرتی ہوں تا کہ وہ میری جگہ اور میری طرف سے کمپنی کہ 22 ویں سالانہ اجلاس عام جو کہ 16 اپریل 2020 بروز جمعرات منعقد ہو

رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

میں/ہم بروز __________ بتاریخ __________ کو اپنے دستخط/مہر کے ساتھ اس امر کی تصدیق کرتا/ کرتی ہوں/ کرتے ہیں۔

مذکورہ بالا کے دستخط: ______________________________

ان گواہان کی موجودگی میں: 1. ______________________________

____

2. ______________________________

فولیو/CDC اکاؤنٹ نمبر:

مناسب قدر کی ریوینیو مہر پر دستخط

یہ دستخط کمپنی کے پاس رجسٹرڈ نمونہ دستخط کے مطابق ہونے چاہئیں۔

اہم نکات:

1. باضابطہ، مکمل شدہ اور دستخط کردہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس بمقام EZ/I/P-4، ایسٹرن انڈسٹریل زون، پورٹ قاسم کراچی میں اجلاس کے وقت سے 48 گھنٹے قبل پہنچ جانا چاہیئے۔
2. کمپنی کا ممبر نہ ہونے کی صورت میں کسی فرد کو بطور پراکسی مقرر نہیں کیا جا سکتا، ماسوائے کارپوریشن جو ممبر کے علاوہ دوسرے فرد کو پراکسی نامزد کر سکتی ہے۔
3. کسی ممبر کی جانب سے ایک سے زیادہ پراکسی مقرر کئے جانے اور ممبر اگر کمپنی کو ایک سے زائد پراکسی انسٹرومینٹس داخل کرائے، تو وہ سب غیر مؤثر تصور کئے جائیں گے۔

برائے CDC اکاؤنٹ ہولڈرز/ کارپوریٹ ادارے:

درج بالا کے علاوہ درج ذیل تقاضے بھی لازمی ہیں:۔

الف۔ پراکسی فارم دو افراد کی جانب سے گواہی کے ہمراہ ہونا چاہیئے جن کے نام، پتے اور سی این آئی سی نمبر فارم پر درج ہوں۔

ب۔ بینیفیشل مالکان اور پراکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ نقول پراکسی فارمز کے ساتھ پیش کرنا ہوں گی۔

ج۔ پراکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔

د۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی مع نمونہ دستخط، پراکسی فارم کے ساتھ کمپنی کو پیش کئے جائیں (اگر وہ پہلے پیش نہ کئے گئے ہوں)۔

Form of Proxy

22nd Annual General Meeting

I / We ____

of ____

being member(s) of Lotte Chemical Pakistan Limited holding ______________________

ordinary shares hereby appoint ______________________________

of ____________________ or failing him / her ______________________

of ____________________ who is / are also member (s) of Lotte Chemical Pakistan Limited as my / our proxy in absence to attend and vote for me / us and on my / our behalf at the 22nd Annual General Meeting of the Company to be held on Thursday, 16 April 2020 and at any adjournment thereof.

As witness my / our hand / seal this ______________ day of ____________________

Signed by the said ______________________________________

in the presence of 1. ______________________________________

____

2. ______________________________________

____

Folio / CDC Account No.

Signature on Revenue Stamp of Appropriate Value

This Signature should agree with the specimen registered with the Company

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company at EZ/I/P-4, Eastern Industrial Zone, Port Qasim, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he / she himself / herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoint more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

In addition to the above, the following requirements have to be met:

i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iii) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.

iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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Registered Office
EZ/I/P-4, Eastern Industrial Zone, Port Qasim,
P.O.Box 723, Karachi - 74200, Pakistan
UAN: +92 (0) 21 111 782 111
Fax: +92 (0) 21 3472 6004
URL: www.lottechem.pk

City Office
Al-Tijarah Centre, 14th Floor, 32/1-A, Main Shahrah-e-Faisal,
Block 6, P.E.C.H.S., Karachi-75400, Pakistan
UAN: +92 (0) 21 111 568 782
Fax: +92 (0) 21 3416 9119