

REPORT FOR THE SIX MONTHS
PERIOD ENDED 30 JUNE 2020

Lifetime Value Creator



LOTTE CHEMICAL 
PAKISTAN LTD

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Company Information

As at 21 August 2020

Board of Directors

Min Jae Hwang	Chairman
Humair Ijaz	Chief Executive
In Goo Park	Non-Executive
Sang Hyeon Lee	Executive
Won Lee	Non-Executive
Pervaiz Akhtar	Independent
Adnan Afridi	Independent
Mohammad Zubair	Independent

Audit Committee

Pervaiz Akhtar	Chairman
Min Jae Hwang	Member
Adnan Afridi	Member (appointed wef 04 August 2020)
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
Mohammad Zubair	Member (appointed wef 04 August 2020)

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

EY Ford Rhodes
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Legal Advisor

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

Registered Office

EZ/II/P-4, Eastern Industrial Zone,
Port Qasim, Karachi

Shares Registrar

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

Directors' Review

For the second quarter ended 30 June 2020

The Directors are pleased to present their review report for the second quarter ended 30 June 2020 together with the un-audited condensed interim financial information of the Company as at and for the second quarter and six month period ended 30 June 2020.

Election of Directors

At the Extraordinary General Meeting of the Company held on 17 June 2020, Mr Min Jae Hwang, Mr Humair Ijaz, Mr In Goo Park, Mr Sang Hyeon Lee, Ms Won Lee, Mr Pervaiz Akhtar, Mr Adnan Afridi and Mr Mohammad Zubair were elected as Directors of the Company for a three-year term commencing from 23 June 2020.

Following the election of Directors, Mr Min Jae Hwang was re-appointed Chairman and Mr Humair Ijaz as Chief Executive of the Company for a term of three years commencing from 23 June 2020.

Business Overview

The second quarter commenced with Crude Oil (WTI) prices showing extreme volatility as the COVID-19 virus and subsequent lockdown measures severely impacted global demand. While the OPEC Plus agreed in early April to remove 9.7 million barrels per day of Crude from the global market, starting May, this was largely overshadowed by the anticipated demand destruction of more than 20 million barrels per day. As the April Crude (WTI) contract came to an end, the unavailability of physical storage and prevailing market conditions caused Crude Oil to trade at negative pricing. However, such prices were short-lived. Towards May, Crude prices, while still under pressure, started to recover as various countries eased lockdown measures. This was further supported by US Crude producers who were forced to halt drilling activities as prices trended below breakeven levels. Crude prices maintained their upward trend throughout June as the OPEC Plus extended their production cuts and businesses cautiously resumed operations causing global demand to gradually improve. Crude prices climbed upto US\$ 39.27 by the end of the quarter; however, the average price for the quarter was US\$ 27.95 per barrel, down by approximately 40% from the previous quarter.

The second quarter commenced with PX prices trending higher due to recovery in downstream operations in China increasing trend of upstream pricing. This trend continued till the end of the quarter, with SPOT prices recovering by approximately US\$ 95 per tonne from the start of the quarter. Nonetheless, the PX market remained under pressure due to prevailing oversupply concerns and increasing downstream PTA inventory. The average PX price for the quarter was US\$ 495.51 per tonne while the PX - Naphtha spread averaged at US\$ 222 per tonne.

The PTA market trended higher during the second quarter supported by renewed demand following a recovery in downstream Polyester operations as lockdown measures in China eased. Despite oversupply concerns in the market, PTA prices continued to trend higher in May supported by unplanned PTA shutdowns and high downstream Polyester production. However, the PTA prices were unable to match the recovery in upstream PX as PTA producers offloaded inventory which led to margins falling below US\$ 100 per tonne towards the end of the quarter. The market was unable to gather sufficient support as it was plagued by negative sentiment amid fears of a second wave of the epidemic which could undermine the recovery. The lack of demand for Textiles due to the COVID-19 epidemic led to concerns of a possible production cut by Polyester producers in order to minimize losses. However, healthy Polyester margins have delayed any such production cuts at the time of reporting. The average PTA price for the quarter was US\$ 422.90 per tonne, whereas, the average PTA margin over PX was US\$ 96 per tonne for the quarter.

Operations

As a result of lock-down to contain outbreak of COVID-19 pandemic, the demand for PTA reduced significantly and your Company had to suspend its Plant operations for almost 54 days during Q2 2020. Therefore, Production and Sales volume during the quarter were 61% and 58% lower than the corresponding period last year.

The Directors are pleased to announce the commencement of sale of surplus electricity to K-Electric Limited with effect from 30 July 2020.

Directors' Review

For the second quarter ended 30 June 2020

Financial Performance

Revenue for the quarter was 74% lower than the corresponding period last year mainly due to lower volume sold and lower PTA price. This coupled with reduced margin resulted in a gross loss of Rs 96 million for the quarter as compared to gross profit of Rs 2,600 million during the same period last year.

Distribution and selling expenses were higher than the corresponding period last year due to overall impact of inflation. Other expenses were lower than Q2 2019 mainly due to lower provision for Workers' Profit Participation and Workers' Welfare Funds on the back of lower profit. Other income for the quarter was higher than last year due to higher income earned on bank deposits.

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

Earnings per share (EPS) for the quarter decreased to Rs 0.04 per share as compared to Rs 1.17 per share for Q2 2019.

Future Outlook

Moving forward, the Crude Oil market is expected to slowly recover as global lockdowns ease resulting in renewed demand. An upward trend in the Crude market is largely dependent on the compliance of OPEC Plus cuts and US Crude production levels. However, Crude prices may come under pressure from a possible second wave of the COVID-19 virus.

PX prices are largely expected to trend with upstream Crude while finding additional support from ongoing PX supply reductions in Asia as producers cut back production due to lockdown measures and poor industry margins. However, going forward, we may see some improvement in demand for PX as new PTA plants come online. Nevertheless, as PX producers return to normal operations we may see inventory levels rise which could weigh down on the market and limit upward price movement.

The PTA market is expected to continue its recovery as downstream Polyester producers maintain high operating rates due to healthy margins and low inventory levels. However, the current trend is not expected to last as weak global demand may lead to a slowdown in the recovery. With almost 7.2 million MTs of new PTA capacity expected in Q4 2020, PTA market is expected to remain under pressure. While the successful containment of the COVID-19 virus may help improve demand for PTA, a resurgence in the virus could easily wipe the expected surge in demand.

The domestic Polyester market is expected to recover, owing to improving consumption of PET products and PSF offtake as lockdown measures ease and business activity returns to normal. In addition, despite the rapid increase in new COVID-19 cases within Pakistan, we may hope to see business activity to remain healthy with the help of smart lockdowns. With global economies re-opening, we may see the export sector recover thereby improving the overall demand for textiles. The government's recent efforts in the new budget to help industries especially the textiles and the export sectors, we may see domestic operations gradually improve.



Min Jae Hwang
Chairman

Date: 21 August 2020
Karachi



Humair Ijaz
Chief Executive



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
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Report on Review of Interim Financial Statements

Independent Auditors' Review Report To the members of Lotte Chemical Pakistan Limited

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Lotte Chemical Pakistan Limited ("the Company") as at 30 June 2020 and the related condensed interim profit or loss, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows, and notes to the financial statements for the six months period then ended (here-in-after-referred to as "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matters


The figures for the quarters ended 30 June 2020 and 30 June 2019 in the condensed interim profit or loss and the condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The interim financial statements of the Company for the period ended 30 June 2019 were reviewed by another firm of chartered accountants who had expressed an unmodified conclusion thereon dated 28 August 2019.

The engagement partner on the engagement resulting in this independent auditors' review report is Amyn Malik.

Date: 21 August 2020

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

Condensed Interim Statement of Financial Position

As at 30 June 2020

Amounts in Rs '000

	Note	30 June 2020 (Un-audited)	31 December 2019 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	4	5,257,182	4,699,499
Intangible assets		182	374
Right-of-use assets		61,384	76,730
Long-term loans and advances		123,288	113,082
Long-term deposits and prepayments		41,904	41,358
Deferred tax assets	5	609,419	589,341
		6,093,359	5,520,384
Current assets			
Stores and spare parts		951,301	1,201,478
Stock-in-trade		2,318,316	4,482,468
Trade debts		1,416,485	3,440,258
Loans and advances		37,520	58,872
Trade deposits and short-term prepayments		49,896	39,040
Interest accrued		54,019	65,036
Other receivables	6	217,188	515,183
Short-term investments - at amortised cost		11,253,759	11,521,377
Tax refunds due from government - sales tax	7	612,650	446,485
Taxation - payments less provision		463,062	194,299
Cash and bank balances	8	35,064	41,313
		17,409,260	22,005,809
Total assets		23,502,619	27,526,193
Equity and liabilities			
Share capital and reserves			
Issued, subscribed and paid-up capital			
1,514,207,208 (31 December 2019: 1,514,207,208)			
ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Revenue reserves		760,749	647,634
		15,905,166	15,792,051
Liabilities			
Non-current liabilities			
Retirement benefit obligations		139,294	133,648
Current liabilities			
Trade and other payables	9	7,170,149	11,330,495
Accrued interest		255,641	235,076
Unclaimed dividend		32,369	34,923
		7,458,159	11,600,494
Total liabilities		7,597,453	11,734,142
Contingencies and commitments	10		
Total equity and liabilities		23,502,619	27,526,193

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Min Jae Hwang
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Un-audited)

For the six months period ended 30 June 2020

Amounts in Rs '000

	Note	Quarter ended 30 June		Six months period ended 30 June	
		2020	2019	2020	2019
Revenue - net	11	4,410,326	17,066,375	16,122,328	33,189,662
Cost of sales	12	(4,506,363)	(14,466,439)	(16,331,452)	(28,709,896)
Gross (loss) /profit		(96,037)	2,599,936	(209,124)	4,479,766
Distribution and selling expenses		(27,403)	(26,627)	(52,264)	(50,321)
Administrative expenses		(101,819)	(102,257)	(207,863)	(195,544)
Other expenses	13	(137,343)	(190,236)	(142,554)	(322,427)
Other income	14	277,395	259,827	620,770	426,736
Finance income / (costs)	15	160,718	(68,358)	150,133	(117,420)
Profit before taxation		75,511	2,472,285	159,098	4,220,790
Taxation	16	(20,390)	(708,151)	(45,983)	(1,170,305)
Profit after taxation		55,121	1,764,134	113,115	3,050,485
----- Amount in Rupees -----					
Earnings per share - basic and diluted		0.04	1.17	0.07	2.01


The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Min Jae Hwang
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Other Comprehensive Income (Un-audited)

For the six months period ended 30 June 2020

Amounts in Rs '000

	Quarter ended 30 June		Six months period ended 30 June	
	2020	2019	2020	2019
Profit after taxation	55,121	1,764,134	113,115	3,050,485
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	55,121	1,764,134	113,115	3,050,485

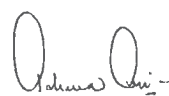
The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Min Jae Hwang
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

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

For the six months period ended 30 June 2020

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Reserves			Total equity
		Capital reserves	Unappropriated profit / accumulated (losses) / profits	Sub- total	
Balance as at 1 January 2019	15,142,072	2,345	(2,625,192)	(2,622,847)	12,519,225
Total comprehensive income for the six months period ended 30 June 2019					
- Profit for the six months period ended 30 June 2019	-	-	3,050,485	3,050,485	3,050,485
- Other comprehensive income for the six months period ended 30 June 2019	-	-	-	-	-
	-	-	3,050,485	3,050,485	3,050,485
Balance as at 30 June 2019	<u>15,142,072</u>	<u>2,345</u>	<u>425,293</u>	<u>427,638</u>	<u>15,569,710</u>
Balance as at 1 January 2020	15,142,072	2,345	647,634	649,979	15,792,051
Total comprehensive income for the six months period ended 30 June 2020					
- Profit for the six months period ended 30 June 2020	-	-	113,115	113,115	113,115
- Other comprehensive income for the six months period ended 30 June 2020	-	-	-	-	-
	-	-	113,115	113,115	113,115
Balance as at 30 June 2020	<u>15,142,072</u>	<u>2,345</u>	<u>760,749</u>	<u>763,094</u>	<u>15,905,166</u>


The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Min Jae Hwang
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)

For the six months period ended 30 June 2020

Amounts in Rs '000

	Note	Six months period ended 30 June	
		2020	2019
Cash flows from operating activities			
Cash generated from operations	17	492,661	8,240,601
Finance costs paid		(21,563)	(17,248)
Payments to retirement benefit obligations		(537)	(610)
Long-term loans and advances - net		(10,206)	(14,791)
Long-term deposits and prepayments - net		(546)	425
Taxes paid		(353,013)	(939,878)
Interest received		625,157	362,333
Net cash generated from operating activities		731,953	7,630,832
Cash flows from investing activities			
Payments for capital expenditure		(1,003,266)	(107,492)
Redemption of short-term investments (net of purchases)		765,868	-
Net cash used in investing activities		(237,398)	(107,492)
Cash flows from financing activities			
Dividend paid		(2,554)	(1,710,895)
Net cash used in financing activities		(2,554)	(1,710,895)
Net increase in cash and cash equivalents		492,001	5,812,445
Cash and cash equivalents at 1 January		8,057,563	4,220,756
Cash and cash equivalents at 30 June (Un-audited)	18	8,549,564	10,033,201

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

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Min Jae Hwang
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

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

For the six months period ended 30 June 2020

1. Status and nature of business

1.1 Lotte Chemical Pakistan Limited ("the Company") was incorporated in Pakistan on 30 May 1998 under Companies Ordinance 1984 (Repealed with enactment of the Companies Act 2017 on 30 May 2017) and is listed on Pakistan Stock Exchange Limited.

1.2 The principal activity of the Company is to manufacture and sale of Purified Terephthalic Acid (PTA).

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

Location	Address
Registered Office	EZ/1/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.

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

1.5 Covid-19

The events surrounding the COVID-19 pandemic (the virus) continue to evolve and impact global markets. The spread of the virus has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns. Consequently, the worldwide chemical industry has been disrupted in the short term as a result of which, the sales and actual production of the Company during the period has decreased as compared to the prior period. The Company activated its response plan accordingly which included prioritizing the health and safety of its employees and dealers while maintaining business continuity and shutting down its plant between a period from last week of April 2020 to second week of June 2020 in order to comply with directives issued by the provincial government. Further, the Company has entered this crisis in a strong position, having previously reported accumulated profits amounting to Rs 705.63 million as at 31 March 2020 (Un-audited) and available cash and cash equivalents amounting to Rs 8,144.3 million for the period ended 31 March 2020 (Un-audited) respectively. The Company believes their current liquidity availability provides them with sufficient financial resources to meet their anticipated working capital requirements and obligations as they come due. Further, based on its assessment along with consideration of revenue forecasts and future plans and business activities, management has determined that events or conditions do not exist that would result in material uncertainty with regards to going concern.

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements of the Company for the six months period ended 30 June 2020 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

2.1.1 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2019. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of changes in Company's financial position and performance since the last financial statements.

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

For the six months period ended 30 June 2020

2.2 Basis of measurement

This condensed interim financial information has been prepared on the historical cost convention, except for provision for retirement benefit obligations which is stated at present value.

2.3 Functional and presentation currency

The condensed interim financial information is presented in Pak Rupee which is also the functional currency of the Company and rounded off to the nearest rupee, unless otherwise stated.

2.4 Changes in accounting standards, interpretations and amendments to published accounting and reporting standards

2.4.1 Standards and amendments to accounting and reporting standards that are effective

There are certain amendments and interpretations listed below, to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on 1 January 2020. However, these do not have any significant impact on the Company's financial reporting.

Effective date	New standards or amendments
1 January 2020	Amendments to References to conceptual Framework in IFRS standards
	Definition of Business (Amendments to IFRS 3)
	Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

2.4.2 Standards, amendments and improvements to accounting and reporting standards that are not yet effective

There are certain amendments and interpretations listed below, to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after 1 January 2021. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

Effective date	New standards, amendments and annual improvements
1 June 2020	Practical relief for Lessees in accounting for rent concessions (Amendments to IFRS 16)
1 January 2022	Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
1 January 2022	Classification of Liabilities as Current or Non-current (Amendment to IAS 1)
1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
1 January 2022	The annual improvements to IFRS standards 2018-2020 includes IFRS 9 Financial Instrument, IFRS 16 Leases and IAS 41 Biological Assets

3. Accounting policies, estimates, judgements and financial risk management

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2019.

The preparation of these condensed interim financial statements, in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates. During the preparation of these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and assumptions are consistent with those that were applied to the annual audited financial statements of the Company for the year ended 31 December 2019.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended 31 December 2019.

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

For the six months period ended 30 June 2020

Amounts in Rs '000

These condensed interim financial statements does not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2019.

4. Property, plant and equipment

The following property, plant and equipment have been added / disposed off during the six months period ended 30 June:

	2020		2019	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
Property, plant and equipment Operating assets - owned				
Buildings on leasehold land	5,230	-	-	-
Plant and machinery	746,611	-	36,624	252
Furniture and equipment	3,418	-	2,456	-
Capital work-in-progress - net	248,007		68,412	
			30 June 2020	31 December 2019
		Note	(Un-audited)	(Audited)

5. Deferred tax assets

Debit balances arising in respect of:

- Right-of-use assets (net)		2,170	2,713
- Provisions for:			
- sales tax refundable		42,993	42,993
- retirement benefit obligations		28,294	26,739
- slow moving, obsolete and rejected items of stores and spare parts		1,452	1,452
- provision for Gas Infrastructure Development Cess and Sindh Infrastructure Development Cess		1,054,970	1,046,964
		1,129,879	1,120,861
(Credit) balance arising in respect of			
- Property, plant and equipment		(520,460)	(531,520)
		609,419	589,341

6. Other receivables

Rebates receivable	6.1	143,668	451,573
Insurance claims		65,018	57,894
Others		8,502	5,716
		217,188	515,183

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

		30 June 2020	31 December 2019
	Note	(Un-audited)	(Audited)

7. Tax refunds due from government - sales tax

Sales tax refundable	7.1	768,703	602,538
Provision for impairment		(156,053)	(156,053)
		612,650	446,485

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

For the six months period ended 30 June 2020

Amounts in Rs '000

- 7.1** This includes Rs 73.69 million (31 December 2019: Rs 73.69 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 plaintiff is entitled and submit their report accordingly.

	30 June 2020	31 December 2019
Note	(Un-audited)	(Audited)
8. Cash and bank balances		
With banks in current accounts	33,481	39,008
Cash in hand	1,583	2,305
	<u>35,064</u>	<u>41,313</u>
9. Trade and other payables		
Trade creditors including bills payable	399,794	4,618,261
Accrued expenses	541,464	723,775
Contract liabilities - advances from customers	6,480	6,171
Withholding tax payable	2,882	3,001
Infrastructure Cess	9.1 2,794,026	2,708,976
Gas Infrastructure Development Cess	9.2 3,070,583	2,904,230
Workers' Profit Participation Fund	8,773	18,290
Workers' Welfare Fund	188,735	183,067
Retention money	626	15,821
Others	9.3 156,786	148,903
	<u>7,170,149</u>	<u>11,330,495</u>

- 9.1** There is no change in the status of the appeal filed by the Company at Sindh High Court in respect of Development and Maintenance of Infrastructure Cess as reported in note 23.1 to the annual financial statements of the Company for the year ended 31 December 2019. As a matter of abundant caution, full amount of provision has been made in this condensed financial information in this respect.

- 9.2** 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 an 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 this condensed interim financial statements due to inherent uncertainties involved in such matters.

On 13 August 2020, Supreme Court of Pakistan has announced a judgement, "As all industrial and commercial entities which consume gas for their business activities pass on the burden to their customers / clients therefore all arrears of 'Cess' that have become due upto 31 July 2020 and have not been recovered so far shall be recovered by the Companies responsible under the GIDC Act, 2015 to recover from their consumers. However, as a concession, the same be recovered in twenty four equal monthly installments starting from 01 August 2020 without the component of late payment surcharge".

- 9.3** This includes stale cheques amounting to Rs 140.53 million (31 December 2019: Rs 140.46 million).

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

For the six months period ended 30 June 2020

Amounts in Rs '000

10. Contingencies and commitments

10.1 There is no change in the status of contingencies as disclosed under note 25 of the annual financial statements of the Company for the year ended 31 December 2019.

Commitments

10.2 Outstanding guarantees of the Company as at 30 June 2020 were Rs 3,162.6 million (31 December 2019: Rs 2,864.8 million).

10.3 Commitments in respect of capital expenditure as at 30 June 2020 amounted to Rs 50.95 million (31 December 2019: Rs 117.65 million).

10.4 Commitments for rentals under ljarah contracts in respect of vehicles are as follows:

Year	30 June 2020 (Un-audited)	31 December 2019 (Audited)
2020	12,754	28,640
2021	21,156	23,438
2022	15,284	16,474
2023	9,623	10,116
2024	2,238	1,966
2025	43	-
	61,098	80,634

10.5 Commitments for rentals under service agreements for a certain supplies in respect of goods and services are as follows:

Year	30 June 2020 (Un-audited)	31 December 2019 (Audited)
2020	548,264	922,113
2021	1,022,839	940,555
2022	1,043,295	959,366
2023	177,360	163,092
	2,791,758	2,985,126

10.6 Letters of credit issued on behalf of the Company as at 30 June 2020 were Rs 1,402.4 million (31 December 2019: Rs 3,036.2 million).

	Quarter ended 30 June		Six months period ended 30 June	
	2020	2019	2020	2019
11. Revenue - net				
Manufactured goods				
Local sales	5,220,415	17,966,761	19,687,752	34,815,941
Less: Sales tax and excise duty	(758,522)	(697,518)	(2,860,614)	(1,398,053)
Price settlements and discounts / rebates	(163,275)	(415,191)	(1,025,365)	(661,447)
	4,298,618	16,854,052	15,801,773	32,756,441
Trading goods				
Local sales	133,177	220,043	381,669	453,231
Less: Sales tax and excise duty	(19,350)	(4,207)	(55,456)	(13,229)
Price settlements and discounts / rebates	(2,119)	(3,513)	(5,658)	(6,781)
	111,708	212,323	320,555	433,221
	4,410,326	17,066,375	16,122,328	33,189,662

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

For the six months period ended 30 June 2020

Amounts in Rs '000

	Quarter ended 30 June		Six months period ended 30 June	
	2020	2019	2020	2019
12. Cost of sales				
Manufactured goods				
Opening stock of raw and packing materials	1,727,487	3,394,103	2,411,469	2,779,589
Purchases	3,193,709	12,154,557	11,899,696	24,904,926
Closing stock of raw and packing materials	(1,940,332)	(3,064,381)	(1,940,332)	(3,064,381)
Raw and packing materials consumed	2,980,864	12,484,279	12,370,833	24,620,134
Manufacturing costs	916,490	1,222,278	2,106,184	2,271,845
Cost of goods manufactured	3,897,354	13,706,557	14,477,017	26,891,979
Opening stock of finished goods	847,266	1,502,839	1,912,025	2,371,381
	4,744,620	15,209,396	16,389,042	29,263,360
Closing stock of finished goods (Refer note 12.2)	(334,306)	(920,100)	(334,306)	(920,100)
Cost of goods manufactured sold (Refer note 12.1)	4,410,314	14,289,296	16,054,736	28,343,260

Trading goods

Opening stock	49,798	141,289	158,974	87,480
Purchases	89,929	92,895	161,420	336,197
Closing stock	(43,678)	(57,041)	(43,678)	(57,041)
Cost of trading goods sold	96,049	177,143	276,716	366,636
	4,506,363	14,466,439	16,331,452	28,709,896

12.1 This includes abnormal loss of Rs. 312.93 million due to Covid-19 situation (refer note 1.5) resulting in shutdown of plant for a period starting from the last week of April 2020 till the second week of June 2020.

12.2 As at 30 June 2020, no NRV adjustment has been determined as a result of assessment of stock of finished goods and raw material for lower of cost or net realisable value. Further, the NRV adjustment amounting to Rs. 280 million made during the quarter ended 31 March 2020 has been reversed in the current period.

	Quarter ended 30 June		Six months period ended 30 June	
	2020	2019	2020	2019
13. Other expenses				
Auditors' remuneration	1,250	930	1,599	1,035
Donations - note 13.1	126,426	3,248	126,616	3,430
Property, plant and equipment written off	-	252	-	252
Workers' Profit Participation Fund	4,492	132,905	8,671	226,873
Workers' Welfare Fund	5,175	52,901	5,668	89,791
Others	-	-	-	1,046
	137,343	190,236	142,554	322,427

13.1 This includes 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.

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

For the six months period ended 30 June 2020

Amounts in Rs '000

	Quarter ended 30 June		Six months period ended 30 June	
	2020	2019	2020	2019
14. Other income				
Income from financial assets:				
Interest income	273,604	252,891	614,140	412,511
Income from non-financial assets:				
Scrap sales	-	3,131	-	7,388
Indenting commission	3,634	3,805	5,151	5,977
Rental income from tower on leasehold land	-	-	862	828
Others	157	-	617	32
	3,791	6,936	6,630	14,225
	<u>277,395</u>	<u>259,827</u>	<u>620,770</u>	<u>426,736</u>
15. Finance (income) / costs				
Interest on Workers' Profit Participation Fund	-	-	-	43
Exchange (gain) / loss - net	(170,739)	63,162	(171,696)	100,129
Bank, LCs and other charges	10,021	5,196	21,563	17,248
	<u>(160,718)</u>	<u>68,358</u>	<u>(150,133)</u>	<u>117,420</u>
16. Taxation				

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

	Note	Six months period ended 30 June (Un-audited)	
		2020	2019
17. Cash generated from operations			
Profit before taxation		159,098	4,220,790
Adjustments for non-cash charges and other items:			
Depreciation and amortisation		461,121	441,348
Property, plant and equipment - written off		-	252
Provision for retirement benefit obligations		6,183	7,618
Finance costs		42,128	54,536
Interest accrued	14	(614,140)	(412,511)
Infrastructure Cess		85,050	147,002
Gas Infrastructure Development Cess		166,353	243,136
		<u>146,695</u>	<u>481,381</u>
		305,793	4,702,171
Effect on cashflows due to working capital changes			
Decrease / (increase) in current assets:			
Stores and spare parts		250,177	(68,324)
Stock-in-trade		2,164,152	1,196,928
Trade debts		2,023,773	(1,077,189)
Loans and advances		21,352	(5,012)
Trade deposits and short-term prepayments		(10,856)	(2,171)
Other receivables		297,995	303,696
Tax refunds due from government - sales tax		(166,165)	41,263
		<u>4,580,428</u>	<u>389,191</u>
(Decrease) / increase in trade and other payables		(4,393,560)	3,149,239
Cash generated from operations		<u>492,661</u>	<u>8,240,60</u>

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

For the six months period ended 30 June 2020

Amounts in Rs '000

	Note	30 June 2020 (Un-audited)	30 June 2019 (Un-audited)
18. Cash and cash equivalents			
Cash and bank balances	8	35,064	36,001
TDRs with banks having maturity less than three months		8,514,500	9,997,200
		8,549,564	10,033,201

19. 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 this condensed interim financial statements are as follows:

Relationship	Nature of transaction	Quarter ended 30 June		Six months period ended 30 June	
		2020	2019	2020	2019
Parent company					
Lotte Chemical Corporation	Dividend paid	-	-	-	1,703,790
Associate					
Lotte Academy	Purchase of services	-	1,004	-	1,004
Lotte Kolson Private Limited	Purchase of goods	-	732	-	732
	Amount payable	-	732	-	732
Key management personnel					
	Salaries and other short-term benefits	15,804	14,796	30,761	28,998
	Post employment benefits	1,808	1,761	3,452	3,315
	Loans				
	- given	-	21,000	-	21,000
	- received / adjusted	1,050	700	2,100	700
Others					
	Payments to retirement benefit funds	21,525	19,391	40,877	36,820
	Donation paid to Lotte Pakistan Foundation - note13.1	100,000	-	100,000	-

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market date (i.e., unobservable inputs).

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

For the six months period ended 30 June 2020

Amounts in Rs '000

20.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2020 (Un-audited)									
Note	Carrying amount				Total	Fair value			
	Financial assets 'at fair value through other comprehensive income	Financial assets 'at fair value through profit or loss'	Financial assets 'at amortised cost'	Financial liabilities measured at amortised cost		Level 1	Level 2	Level 3	Total
Financial assets - not measured at fair value									
Loans	20.1.1	-	-	153,354	-	153,354	-	-	-
Trade deposits	20.1.1	-	-	52,692	-	52,692	-	-	-
Trade debts	20.1.1	-	-	1,416,485	-	1,416,485	-	-	-
Other receivables	20.1.1	-	-	217,188	-	217,188	-	-	-
Short-term investments	20.1.1	-	-	11,253,759	-	11,253,759	-	-	-
Interest accrued	20.1.1	-	-	54,019	-	54,019	-	-	-
Cash and bank	20.1.1	-	-	35,064	-	35,064	-	-	-
		-	-	13,182,561	-	13,182,561	-	-	-
Financial liabilities - not measured at fair value									
Trade and other payables		-	-	-	1,098,670	1,098,670	-	-	-
Accrued interest		-	-	-	255,641	255,641	-	-	-
Unclaimed dividend		-	-	-	32,369	32,369	-	-	-
		-	-	-	1,386,680	1,386,680	-	-	-
31 December 2019 (Audited)									
Note	Carrying amount				Total	Fair value			
	Financial assets 'at fair value through other comprehensive income	Financial assets 'at fair value through profit or loss'	Financial assets 'at amortised cost'	Financial liabilities measured at amortised cost		Level 1	Level 2	Level 3	Total
Financial assets - not measured at fair value									
Loans	20.1.1	-	-	139,447	-	139,447	-	-	-
Trade deposits	20.1.1	-	-	43,739	-	43,739	-	-	-
Trade debts	20.1.1	-	-	3,440,258	-	3,440,258	-	-	-
Other receivables	20.1.1	-	-	515,183	-	515,183	-	-	-
Short-term investments	20.1.1	-	-	11,521,377	-	11,521,377	-	-	-
Interest accrued	20.1.1	-	-	65,036	-	65,036	-	-	-
Cash and bank	20.1.1	-	-	41,313	-	41,313	-	-	-
		-	-	15,766,353	-	15,766,353	-	-	-
Financial liabilities - not measured at fair value									
Trade and other payables		-	-	-	5,506,760	5,506,760	-	-	-
Accrued interest		-	-	-	235,076	235,076	-	-	-
Unclaimed dividend		-	-	-	34,923	34,923	-	-	-
		-	-	-	5,776,759	5,776,759	-	-	-

20.1.1 The Company has not disclosed fair values for these financial assets and financial liabilities because their carrying amounts are reasonable approximation of fair value.

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

For the six months period ended 30 June 2020

Amounts in Rs '000

21. General

21.1 Figures have been rounded-off to the nearest thousand rupees, unless as stated otherwise.

21.2 Reclassification of comparatives

Certain corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison and to reflect the substance of the transactions. Details are as follows:

	31 December 2019		
	As previously reported	Impact	As stated
Effects on statement of financial position			
Property, plant and equipment	4,699,873	(374)	4,699,499
Intangible assets	-	374	374
Short-term investments - at amortised cost	3,452,081	8,069,296	11,521,377
Cash and bank balances	8,110,609	(8,069,296)	41,313

The above reclassifications did not have any impact on the statement of profit or loss, the statement of comprehensive income, the statement of cash flow and the statement of changes in equity.

21.3 Segment reporting

The financial information has been prepared on the basis of a single reportable segment. Geographically, all the sales were carried out in Pakistan. All non-current assets of the Company as at 30 June 2020 are located in Pakistan.

22. Date of authorisation

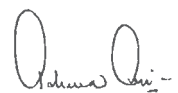
These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 21 August 2020.



Min Jae Hwang
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

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