ANNUAL REPORT 2021

LOTTE CHEMICAL
PAKISTAN LTD

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Functional & Operational Excellence

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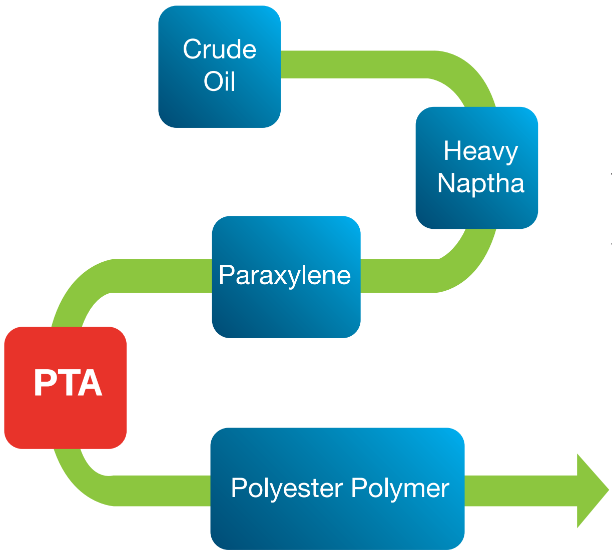
About Us

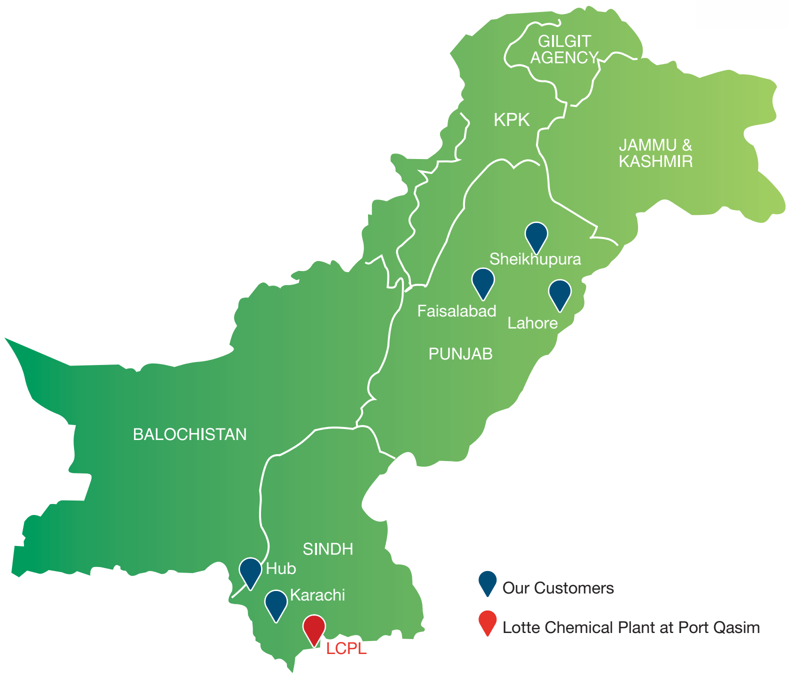
Lotte Chemical Pakistan Limited (LCPL) is the only world-class manufacturer and supplier of Purified Terephthalic Acid (PTA) in Pakistan. The Company has the capacity to produce 520,000 tonnes of PTA annualy through its state-of-the-art plant located at Port Qasim, Karachi.

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:

Management Policy

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.

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.

Value Based Management

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

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.

Our Core Values

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

Beyond Customer Expectation

We do not aim to satisfy customers' needs, but rather 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

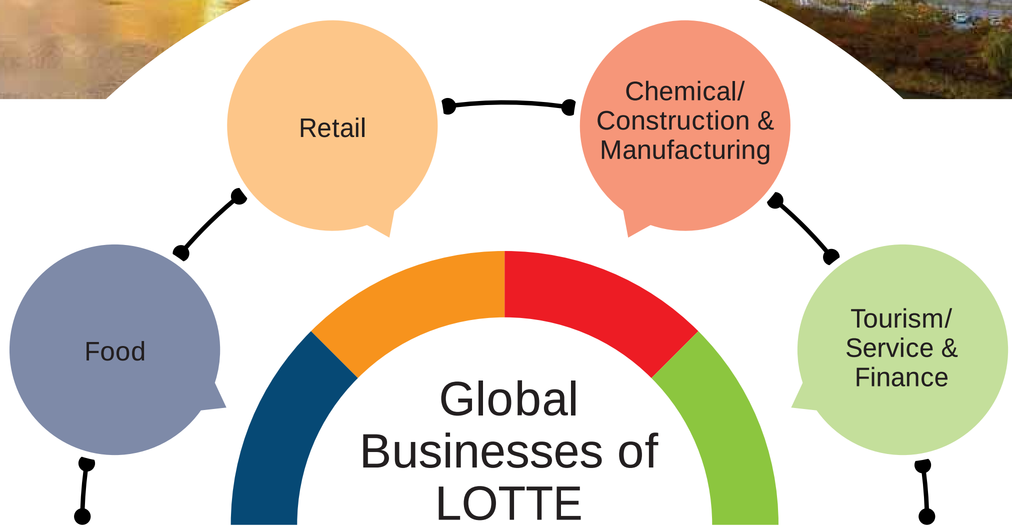
We quickly respond to changes, cooperate with other fields without boundaries, and implement innovations to develop originality inimitable by anyone.

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.



About LOTTE Chemical Corporation

Since its foundation in 1976, LOTTE Chemical, as a general petrochemical Company, has localized cutting-edge etrochemical 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)

Basic Chemicals

EL (Ethylene)	4,513
PL (Propylene)	1,697
SM (Styrene Monomer)	577
BD (Butadiene)	450
BZ (Benzene)	766
TL (Toluene)	339
MX (Mixed Xylene)	139
PX (Para-Xylene)	750
OX (Ortho-Xylene)	210
MeX (Meta-Xylene)	360

Polymer, Synthetic Rubber

HDPE (High-density Polyethylene)	1,605
LDPE/EVA (High-density Polyethylene/ Ethylene-Vinyl Acetate)	360
LLDPE (Linear Low-density Polyethylene)	490
PP (Polypropylene)	1,820
PET (Polyethylene Terephthalate)	520
ABS (Acrylonitrile-Butadiene-Styrene)	670
PC (Polycarbonate)	460
S-SBR (Solution Styrene Butadiene Rubber)	100
EPDM (Ethylene Propylene Rubber)	96

* The production output of LOTTE Versalis Elastomers(JV) (S-SBR)

* The production output of LOTTE Versalis Elastomers(JV) (EPDM)

Monomer, Construction Materials, etc.

EG (Ethylene Glycol)	1,830
EOA (Ethylene Oxide Adduct)	330
PIA (Purified IsophthalicAcid)	520
MMA (Methyl Methacrylate)	260
PMMA (Poly Methyl Methacrylate)	110
Acrylic solid surface	970K Sheets
Engineered stone	440K Sheets

-Including the productionoutput(210KT) of LOTTE MCC(JV) (MMA)

* The production output of LOTTE MCC(JV) (PMMA)

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.

LOTTE CHEMICAL PAKISTAN LTD

Stakeholders Information

Company Information

As at 17 February 2022

Board of Directors

Sang Hyeon Lee	Chairman
Humair Ijaz	Chief Executive
Young Dae Kim	Executive
IL Kyu Kim	Non-Executive
Jae Sun Park	Non-Executive
Pervaiz Akhtar	Independent
Adnan Afridi	Independent
Mohammad Zubair	Independent

Audit Committee

Pervaiz Akhtar	Chairman
IL Kyu Kim*	Member
Adnan Afridi	Member
Faisal Abid	Secretary

HR & Remuneration Committee

Pervaiz Akhtar	Chairman
Sang Hyeon Lee	Member
Young Dae Kim	Member
Waheed U Khan	Secretary

Shares Sub Committee

Young Dae Kim	Chairman
Sang Hyeon Lee*	Member
Mohammad Zubair	Member

Executive Management Team

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

Chief Financial Officer

Ashiq Ali

Company Secretary

Faisal Abid

* appointed w.e.f 01 February 2022

Bankers

Askari Bank Limited
Citibank NA
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
Industrial and Commercial Bank of China
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Internal Auditors

EY Ford Rhodes
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Legal Advisor

Naz Toosy

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 2021 has been a spectacular year for the company despite challenges posed by the continued spread of the COVID-19 pandemic. Our Production and Sales Volume for the year stood at a record of 520,047 tonnes and 519,079 tonnes, respectively. This is the highest ever Production and Sales Volume since the commencement of plant operations in 1998. Our consistent efforts towards operational excellence and the passion to deliver beyond customer expectations have enabled us to achieve this milestone that I am extremely proud of.

While the world coped with Covid-19 variants, the impact of the virus on the demand from global markets remained limited. The Crude Oil (WTI) prices rallied as the global economies rapidly rebounded from the pandemic, leading to a significant tightening of the market. Following the strength in the energy sector, both Asian PX and PTA markets exhibited significant signs of recovery. However, global supply chain disruptions posed several operational challenges for the entire chain. PTA demand in Pakistan during the year grew by 25% evaluated on a year-on-year basis and reached pre-pandemic levels. Similar growth was observed in the downstream PET and Textile sectors.

Our commitment to Healthy, Safety, Environment, and Security (HSE&S) remained our top priority and I am delighted to report that we have achieved a major milestone of completing 65 million work-hours on 23rd February 2022 without any injury to our employees or contractor staff. Acknowledging our responsibility to the environment, we have successfully commissioned a state-of-the-art Anaerobic Effluent Treatment Plant (AETP) that will greatly improve our capability of waste management. We were also able to add additional value to the business through the highest ever sales of Acetic Acid and various other initiatives. I am truly humbled by the extraordinary devotion and passion of each team member which has enabled your Company to reach excellence in all areas of operations.

Moving into 2022, I remain confident in the business and domestic market to continue its steady path of growth. With Government's consistent support to the textile sector, and upcoming capacity expansions in the downstream sectors PTA demand is expected to experience new heights. This will provide a great opportunity and we look forward to implementing the best growth strategy in coordination with the Government and our stakeholders. This year we also plan to execute a Plant Overhaul to maintain the health and efficiency of our production facility. Our strategy remains 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 enable LOTTE Chemical Pakistan Limited to remain as a "Lifetime Value Creator".

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

Sincerely yours,

Humair Ijaz

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 to imports.
- Strong maintenance and HSE Systems.

WEAKNESSES

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

OPPORTUNITIES

- Improving power and economic situation in the country.
- Trends in packaging, directly affecting downstream demand.
- Strategic alliance with LOTTE global affiliates for further business development and diversification.
- Logistical advantage over imports amid global supply chain crisis.

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 global market.

Awards & Accreditations

ISO 9001 – 2015, 14001:2015 & 45001:2018 Certification

We are an ISO 9001: 2015, 14001: 2015 & 45001: 2018 certified company. Accreditation to this system has provided the foundation for better customer satisfaction, staff motivation and continual improvement of our processes. The company continued to maintain its certification after the surveillance audit conducted in 2021 during which no major Non-Conformity reported by the auditors.

11th Fire & Safety Award for LCPL

LCPL has achieved another laurel for its HSE performance in form of 11th Fire & Safety Excellence Award organized by National Forum for Environment & Health (NFEH) & Fire Protection Association of Pakistan (FPAP). The Fire Safety Award is an acknowledgement of the implementation of excellent control measures & maintenance of up to date fire safety management system to handle major emergencies like Fire & Toxic release at LCPL.

HSE Performance Award by NEPRA 2021

The Company has been awarded the HSE performance award by the Chairman of National Electric Power Regulatory Authority (NEPRA) at NEPRA Headquarters, Islamabad. Out of 177 power producing units across Pakistan, only 13 companies were shortlisted for their contributions in HSE performance. This award highlights the significance of LCPL Electrical team puts into its HSE performance, and is a great honor for all of us.

18th Annual Environmental Excellence Award 2021

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 18th Annual Environment Excellence Award. The Company had also won this award consecutively for six years from 2014 - 2019.

Employers Recognition Award 2020

The Employers' Federation of Pakistan and Skills Council, Karachi had jointly organized first ever Employers' Recognition Award 2020 on 30 October, 2021. Lotte Chemical Pakistan Limited was nominated in the first category of multinational companies selected for this award. Our entry was evaluated by their appointed panel against rigorous criteria and we have won this award based on our demonstrable efforts in the areas of Management, HR Management, OSH&E, Skills Enhancement and Sustainable development.

Financial Calendar

26 February 2021
Announcement of results for the Year ended 31 December 2020

21 April 2021
23rd Annual General Meeting was held

22 April 2021
Announcement of results for the 1st Quarter ended 31 March 2021

20 August 2021
Announcement of results for the 2nd Quarter ended 30 June 2021

15 October 2021
Announcement of results for the 3rd Quarter ended 30 September 2021

17 February 2022
Announcement of results for the Year ended 31 December 2021

Tentative dates for the announcement of 2022 financial results:

21 April 2022
24th Annual General Meeting will be held

22 April 2022
Announcement of results for the 1st Quarter ended 31 March 2022

19 August 2022
Announcement of results for the 2nd Quarter ended 30 June 2022

20 October 2022
Announcement of results for the 3rd Quarter ended 30 September 2022

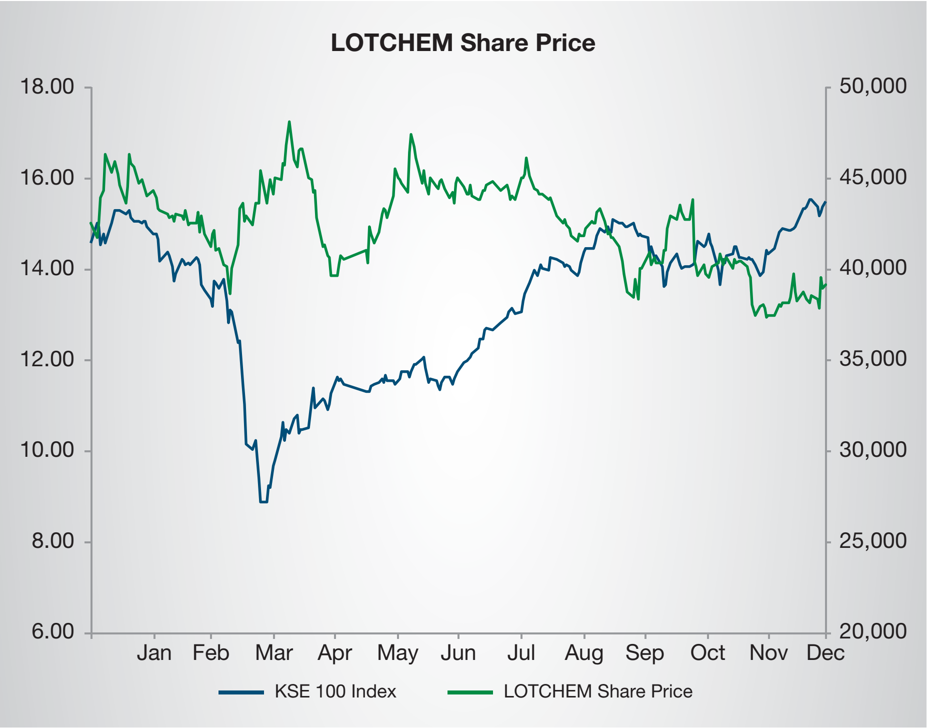
February 2023
Announcement of results for the Year ended 31 December 2022

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 24th annual shareholders meeting will be held at 11:00 a.m on 21 April 2022 at the Institute of Bankers Pakistan (IBP), M. T. Khan Road, Karachi

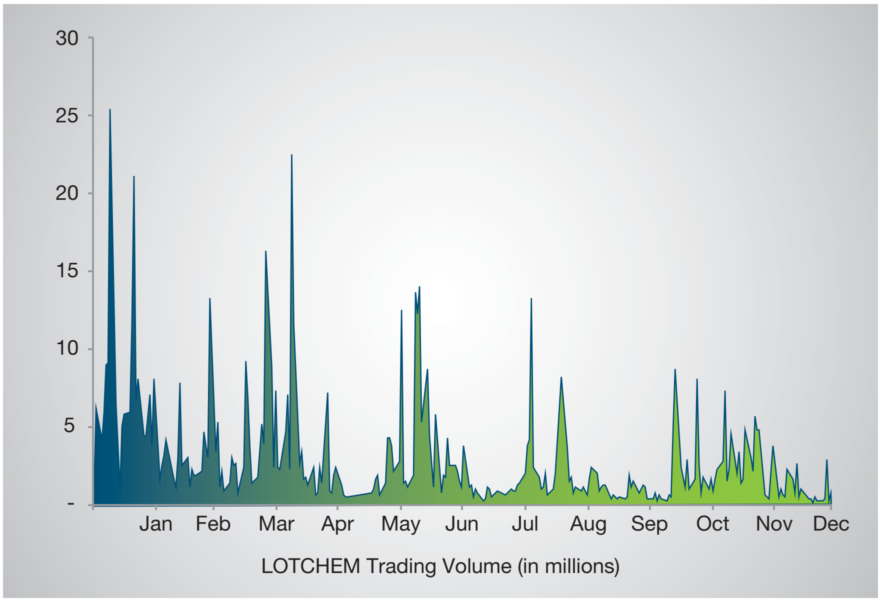
Share Price Analysis



On 31 December 2021 there were 15,254 members on the record of the Company's ordinary shares. Market capitalization of the Company's stock as at 31 December 2021 was recorded at Rs. 20.68 billion (2020: Rs 22.80 billion) with the price per share fluctuating from a high of Rs 17.48 to a low of Rs 12.70 and closing the year at Rs 13.66.

Trading volumes for the Company's shares remained consistently high during the year and 7.36 million shares were traded at the Pakistan Stock Exchange. The Stock posted a loss of 9.30% during the year as against 1.92% 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 87.64% of the total share capital including 75.01% held by the foreign 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, Near to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi.

Pattern of Shareholding

As at 31 December 2021

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
2,852	1	100	92,269
4,071	101	500	1,212,611
2,240	501	1,000	1,878,855
3,442	1,001	5,000	9,157,571
980	5,001	10,000	7,808,392
348	10,001	15,000	4,580,795
252	15,001	20,000	4,711,608
144	20,001	25,000	3,400,766
123	25,001	30,000	3,521,943
57	30,001	35,000	1,906,869
74	35,001	40,000	2,849,249
34	40,001	45,000	1,470,667
85	45,001	50,000	4,230,939
25	50,001	55,000	1,324,325
24	55,001	60,000	1,416,728
13	60,001	65,000	820,621
18	65,001	70,000	1,243,327
25	70,001	75,000	1,836,800
17	75,001	80,000	1,331,613
11	80,001	85,000	913,980
11	85,001	90,000	980,500
8	90,001	95,000	751,000
75	95,001	100,000	7,489,555
8	100,001	105,000	827,879
9	105,001	110,000	985,986
9	110,001	115,000	1,025,403
11	115,001	120,000	1,317,100
15	120,001	125,000	1,859,480
8	125,001	130,000	1,031,200
3	130,001	135,000	394,876
8	135,001	140,000	1,104,741
3	140,001	145,000	431,500
18	145,001	150,000	2,699,100
8	150,001	155,000	1,220,500
3	155,001	160,000	480,000
6	160,001	165,000	976,000
2	165,001	170,000	337,525
4	170,001	175,000	695,500
3	175,001	180,000	540,000
3	180,001	185,000	551,000
3	185,001	190,000	570,000
3	190,001	195,000	578,000
22	195,001	200,000	4,396,000
5	200,001	205,000	1,011,439
4	205,001	210,000	831,500
1	210,001	215,000	212,000
3	215,001	220,000	648,500
2	220,001	225,000	450,000
4	230,001	235,000	933,000
2	235,001	240,000	472,500

Pattern of Shareholding

As at 31 December 2021

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
8	245,001	250,000	2,000,000
4	250,001	255,000	1,009,400
2	255,001	260,000	516,600
3	260,001	265,000	788,000
3	270,001	275,000	824,032
2	275,001	280,000	555,032
2	280,001	285,000	566,000
2	285,001	290,000	573,400
1	290,001	295,000	295,000
11	295,001	300,000	3,300,000
1	305,001	310,000	309,216
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
1	340,001	345,000	345,000
1	350,001	355,000	350,350
1	355,001	360,000	358,000
1	360,001	365,000	363,500
1	370,001	375,000	372,500
1	385,001	390,000	389,000
3	395,001	400,000	1,200,000
2	400,001	405,000	804,875
1	410,001	415,000	410,500
2	420,001	425,000	850,000
1	440,001	445,000	445,000
3	450,001	455,000	1,355,500
1	455,001	460,000	457,000
1	460,001	465,000	464,000
1	470,001	475,000	474,500
3	490,001	495,000	1,480,565
8	495,001	500,000	4,000,000
1	505,001	510,000	508,500
1	510,001	515,000	510,500
1	515,001	520,000	520,000
1	520,001	525,000	522,500
1	545,001	550,000	550,000
2	555,001	560,000	1,118,572
1	590,001	595,000	595,000
2	595,001	600,000	1,197,000
1	600,001	605,000	600,100
2	605,001	610,000	1,213,514
1	640,001	645,000	642,000
1	645,001	650,000	650,000
1	665,001	670,000	670,000
4	695,001	700,000	2,795,000
3	745,001	750,000	2,250,000
1	750,001	755,000	753,000
1	890,001	895,000	894,000
1	970,001	975,000	970,711

Pattern of Shareholding

As at 31 December 2021

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
3	995,001	1,000,000	3,000,000
1	1,010,001	1,015,000	1,011,500
1	1,055,001	1,060,000	1,058,203
1	1,070,001	1,075,000	1,075,000
1	1,080,001	1,085,000	1,081,500
1	1,100,001	1,105,000	1,103,000
1	1,105,001	1,110,000	1,106,000
1	1,115,001	1,120,000	1,116,000
1	1,160,001	1,165,000	1,165,000
1	1,175,001	1,180,000	1,179,345
1	1,245,001	1,250,000	1,250,000
1	1,295,001	1,300,000	1,300,000
1	1,335,001	1,340,000	1,337,000
1	1,380,001	1,385,000	1,382,000
4	1,495,001	1,500,000	6,000,000
1	1,575,001	1,580,000	1,578,500
1	1,745,001	1,750,000	1,750,000
1	1,795,001	1,800,000	1,800,000
1	1,800,001	1,805,000	1,804,778
1	1,810,001	1,815,000	1,814,893
1	1,815,001	1,820,000	1,817,200
2	1,995,001	2,000,000	4,000,000
1	2,070,001	2,075,000	2,072,500
1	2,210,001	2,215,000	2,211,500
1	2,245,001	2,250,000	2,250,000
1	2,495,001	2,500,000	2,500,000
1	2,690,001	2,695,000	2,695,000
1	2,720,001	2,725,000	2,720,500
1	2,750,001	2,755,000	2,750,904
1	2,970,001	2,975,000	2,975,000
1	2,990,001	2,995,000	2,995,000
1	3,265,001	3,270,000	3,267,000
1	3,740,001	3,745,000	3,741,000
1	3,785,001	3,790,000	3,786,500
1	4,480,001	4,485,000	4,483,500
1	4,910,001	4,915,000	4,913,500
1	5,680,001	5,685,000	5,684,901
1	6,195,001	6,200,000	6,195,500
1	6,530,001	6,535,000	6,533,500
1	15,640,001	15,645,000	15,642,500
1	17,115,001	17,120,000	17,119,000
1	19,995,001	20,000,000	20,000,000
1	36,160,001	36,165,000	36,163,300
1	53,325,001	53,330,000	53,327,500
1	1,135,860,001	1,135,865,000	1,135,860,105
15,254			**1,514,207,208**

Categories of Shareholding

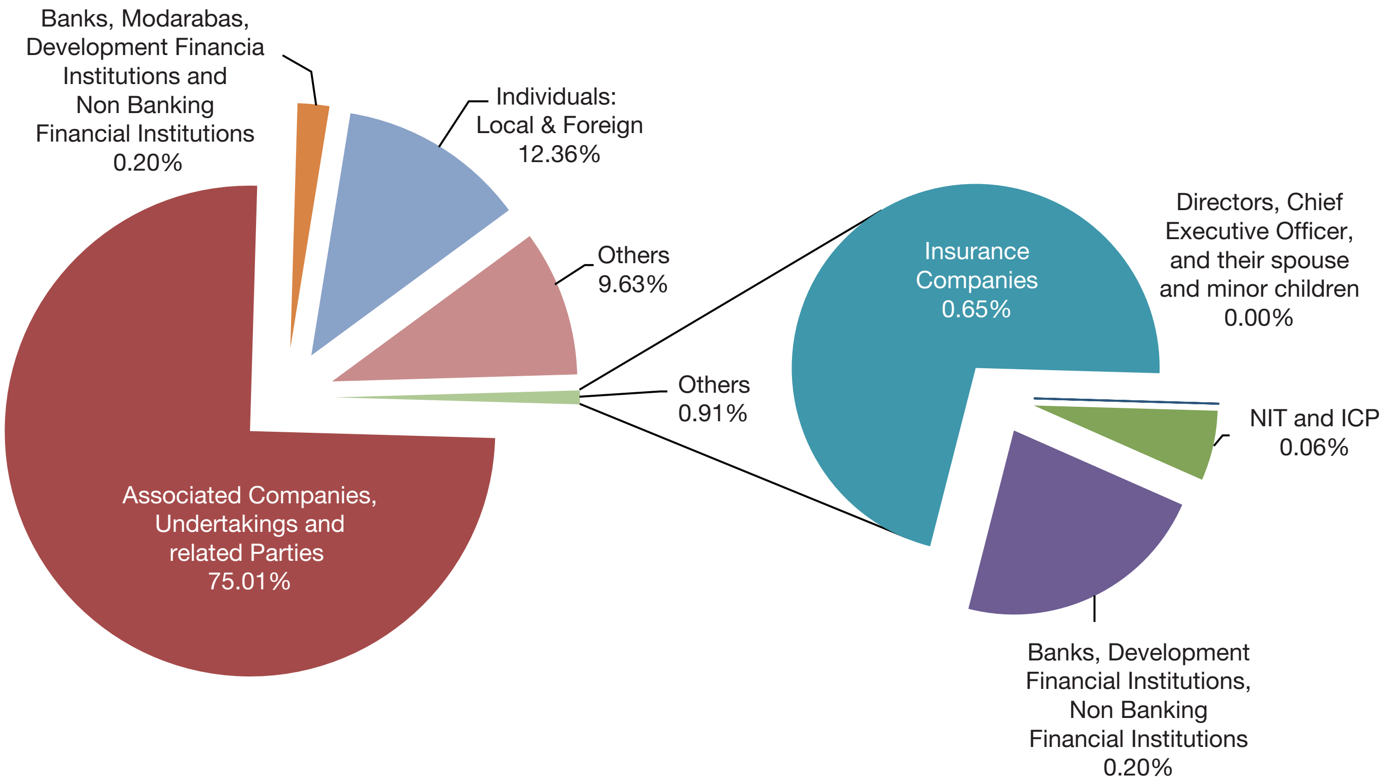
As at 31 December 2021

S.No	Shareholders Category	No. of Shareholders	No. of Shares	Percentage (%)
1	Directors, Chief Executive Officer, and their spouse and minor children	8	8	0.00
2	Associated Companies, Undertakings and related Parties	1	1,135,860,105	75.01
3	NIT and ICP	4	848,208	0.06
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	24	3,084,822	0.20
5	Insurance Companies	9	9,852,449	0.65
6	Modarabas and Mutual Funds	22	31,648,750	2.09
7	General Public :			
	a. local	14,978	187,091,863	12.36
	b .Foreign	2	1894	0.00
8	Others	206	145,819,109	9.63
	Total	**15,254**	**1,514,207,208**	**100.00**

Shareholders holding five percent or more voting rights

	Lotte Chemical Corporation	1	1,135,860,105	75.01

Shareholders Categorisation 2021



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 17 February 2022

Sang Hyeon Lee
Chairman

Tenure
Appointed to the Board on 23 June 2020 for the term to expire on 22 June 2023.

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

Outside Interests
- None

Career
Mr Lee is currently Head of Aromatic Business for LOTTE Chemical Corporation, South Korea. He joined KP Chemical Corporation (now LOTTE Chemical Corporation) in 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 has served as Executive Director on the Company's Board from February 2015 to January 2021.

Mr Lee graduated from Hanyang University, majoring in Business Administration in 1989.

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

Humair Ijaz
Chief Executive

Tenure
Appointed to the Board on 23 June 2020 for the term to expire on 22 June 2023.

Outside Interests
- None

Career
Mr Humair Ijaz has over 28 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).

Young Dae Kim
Executive Director

Tenure
Appointed to the Board on 25 January 2021 for the term to expire on 22 June 2023.

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

Outside Interests
None.

Career
Mr Kim has been working with LOTTE Chemical Corporation, South Korea since 1997, spending his first 11 years in Quality Assurance, Logistics and Shift control team at Ulsan Plant. Mr Kim graduated from Ulsan University South Korea, majoring in Chemistry, in 1997.

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

IL Kyu Kim
Non-Executive Director

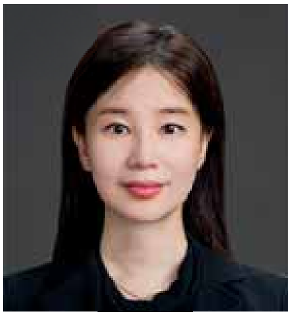
Tenure
Appointed to the Board on 01 Feb 2022 for the term to expire on 22 June 2023.

Board and Committee Activities
- Member, Audit Committee

Outside Interests
- None

Career
Mr. IL Kyu Kim is currently Managing Director of Aromatic Business Unit for LOTTE Chemical Corporation, South Korea. Prior to this, he had been associated with Polymer Sales Business Unit for more than 11 years. He has also worked in PC (Poly Carbonate), MMA (Methyl Methacrylate) and PP (Poly Propylene) sales units.

Mr. Kim has a versatile experience of more than 29 years of working with petrochemical companies in South Korea. He holds a Bachelor's degree in International Trade from Dongkuk University in South Korea.



Jae Sun Park
Non-Executive Director

Tenure
Appointed to the Board on 01 Feb 2022 for the term to expire on 22 June 2023.

Outside Interests
- Director, Lotte Chemical Titan, Malaysia

Career
Ms. Jae Sun Park joined Lotte Chemical Corporation, South Korea, as a legal counsel in 2012 and assumed her role as General Counsel of Legal Affairs Team in 2015.

Prior to that, as an in-house legal counsel, she worked for a US based global finance company, AIG Korea from 2009 to 2010. Also, she had experience in a government agency, the Press Arbitration Commission, South Korea, from 2004 to 2007.

Ms Park is a qualified and licensed lawyer in New York State as well as South Korea. She acquired LLB from Yonsei University in 1998, and got LLM Degree in Business Law at UCLA (University of California Los Angeles) in 2011, and got LLM degree in International Commercial Law from University of London in 2009.

Ms Park has previously served as a non-executive Director on the Company's Board from April 2018 to February 2020.

Pervaiz Akhtar
Independent Director

Tenure
Appointed to the Board on 23 June 2020 for the term to expire on 22 June 2023.

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

Outside Interests
- Director, Star Farm Pakistan (Pvt) Limited (METRO Group Company)
- Director, German Pakistan Chamber of Commerce & Industry
- Director, CABI-SFPK Joint Venture
- Director, Murree Brewery Company Limited
- Director, CoRe Alliance

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 35 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.

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

Adnan Afridi
Independent Director

Tenure
Appointed to the Board on 23 June 2020 for the term to expire on 22 June 2023.

Board and Committee Activities
- Member Audit Committee

Outside Interests
- MD, National Investment Trust Ltd
- Director, Bank Al Habib Limited
- Director, Habib Sugar Mills Limited
- Director, Mari Petroleum Company Limited
- Director, International Industries Limited
- Director, Dynea Pakistan Limited
- Director, Siemens (Pakistan) Engineering Company Ltd
- Director, Bulk Transport Company (Pvt) Ltd
- Member, SECP Policy Board
- Vice Chairman Board of Governors, The Kidney Centre Institute
- Member Board of Governors, Shaukat Khanum Memorial Trust

Career
Mr. Adnan Afridi is at present Managing Director – National Investment Trust Limited. He has over 25 years' international experience in Change Management, business transformation, innovation and profitability enhancement in blue chip companies, public sector and start-up situations. He has led a distinguished career in financial services and capital markets including serving as Managing Director of the Karachi Stock Exchange, CEO, Overseas Chamber of Commerce and Industry (OICCI), Chairman of National Clearing Corporation of Pakistan (NCCPL) and Board of Directors of Central Depository Company (CDC). Mr. Afridi has also served on multiple listed company boards including Silk Bank Limited and Gul Ahmed Textile Mills Limited.

Mr. Afridi has a degree in Economics (A.B, Magna Cum Laude, 1992) from Harvard University and a degree in Corporate Law (JD, Magna Cum Laude in 1995) from Harvard Law School.

He is an active supporter of charitable organizations. He has served as the President of the Old Grammarians Society & Trust. He is also a Member of YPO Pakistan since 2008.

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

Mohammad Zubair
Independent Director

Tenure
Appointed to the Board on 23 June 2020 for the term to expire on 22 June 2023.

Board and Committee Activities
- Member Shares Sub Committee

Outside Interests
- Director, Hascol Petroleum Limited
- Oil Industry Advisor, National Bank of Pakistan

Career
Mr Zubair is a leader of corporate world with a proven track record spreading over 4 decades as Country Representative (CEO), Group CFO and CIA overseeing Country Management, Finance/Internal Audit and Support Services in the national and international Oil & Gas Industry. He remained associated with several Boards of Directors and Committees in Pakistan & abroad.

He served CHEVRON one of the largest Energy Companies in the world for 38 years and headed Chevron Pakistan as Country Representative. During this long career, he worked in Pakistan and several years overseas including Thailand, Singapore and Caltex Headquarters in Dallas, USA which provided extensive exposure to interact and work with highly diverse manpower and professionals around the globe. He also represented Chevron as a board member in various Chevron Companies and Joint Ventures for a number of years in Pakistan, Egypt and Middle East Countries. After Chevron; joined Total-Parco as CFO of their group of companies in 2015 and held this position till his retirement in 2018 after continuous service of almost 41 years with top class multinationals in Oil & Gas Industry of the world.

Mr. Zubair is a professional accountant along with a degree in Laws and graduated from Columbia University NY, USA in Advanced Management / Senior Executive Education.

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

Board Committees with brief terms of reference

As at 17 February 2022

Audit Committee

Members:

Mr Pervaiz Akhtar, Chairman
Mr IL Kyu Kim
Mr Adnan Afridi

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 Sang Hyeon Lee
Mr Young Dae Kim

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 Young Dae Kim, Chairman
Mr Sang Hyeon Lee
Mr Mohammad Zubair

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.

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	**Humair Ijaz**	**Waheed U Khan**
Director Manufacturing	Chief Executive, Profile on page 26.	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 31 years of hands on operational experience with Petrochemical 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 25 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, Anaerobic effluent treatment project 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 and was appointed as Director Manufacturing in 2021. 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 three decades of versatile experience. Started his career with Computer-Aided Engineering Services in Descon Engineering Ltd as a designing engineer and moved to the major BMR project of Dawood Hercules Chemicals to enhance its Production Capacity, Reliability & Efficiency. Commissioned Haldor Topsoe 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, ISO & Technical 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 & performance culture based on the strong values of the organization. Closely worked with ICI, AkzoNobel and LOTTE Group during the business acquisitions. Implemented strategies to reduce rising employee attrition and increase employee engagement. Over the years, he has established strong succession programs to reduce business risks, introduced a job evaluation process to rightly position each role in its competitive range, initiated HR Audits for benchmarking & improvements as well as synergized IT with business processes to enhance efficiency and effectiveness. 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. He played a key role in the establishment of LOTTE Pakistan Foundation. Under his leadership, the Company has won several awards in recognition of the business HR & CSR systems & initiatives.

Waheed holds a Master's degree in Business from LUMS and a second Master's degree in Engineering from University of the Punjab with the roll of honour & distinction.

Management Committees

with brief terms of reference

Executive Committee

Members:

Mr Humair Ijaz

Mr Young Dae Kim

Mr Tariq Nazir Virk

Mr Waheed U Khan

Mr Sangho Moon

Mr Ashiq Ali

Mr Adnan Ul Haque

Mr Syed Masood Ul Hasan

Mr Syed Qamar Alam

Mr Yong Min Kim

Mr Muhammad 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 Committee reviews all operational and financial aspects, advises improvements to operational policies / procedures and monitors implementation of the same.

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 Sohail Abbas

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 Director Manufacturing and Chief Financial Officer. A working level BCP Committee, headed by Director 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 Yong Min Kim

Mr Syed Masood Ul Hasan

Mr Adnan Ul Haque

Mr Syed Qamar Alam

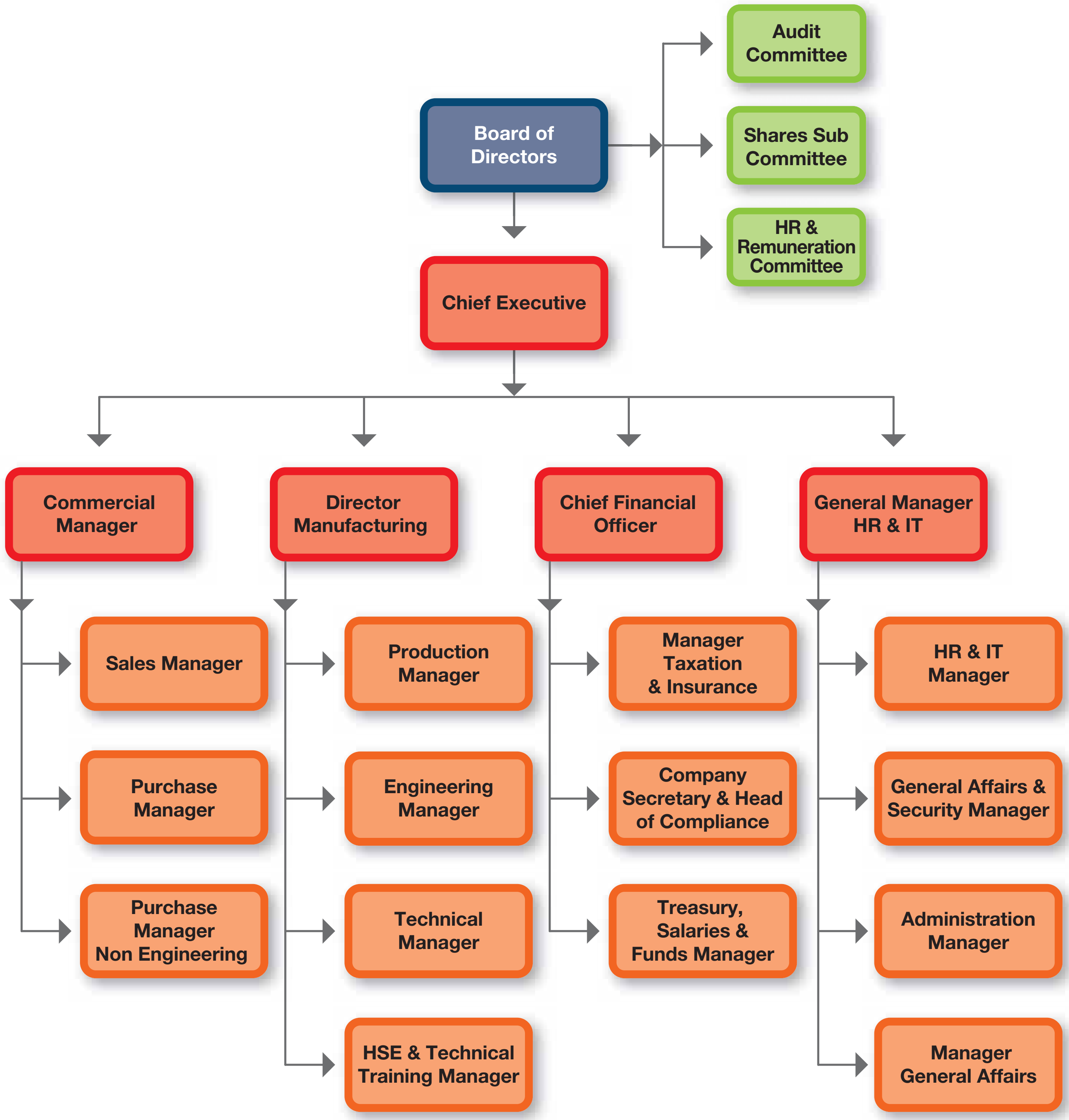
Mr Muhammad Talha Khan

Mr Sohail Abbas

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), three Non-Executive Directors and three Independent Directors. 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, three independent directors, two Executive Director and one Non-Executive Director 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 2021 using an external facilitator, THK Associates (Pvt.) Ltd. 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 37 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 23rd AGM of the Company held on 21 April 2021, 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 2021, is given on page 20 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.

	Risks	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.
	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.
	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.
	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 23 years without a Lost Time Injury – more than 64 million man-hours have been completed without a Lost Time Case.
	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.
	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.
	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.
	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 2021
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 the Annual Report of LOTTE Chemical Pakistan Limited highlighting the Company's commendable performance and achievements for the year ended 31 December 2021.

Since its acquisition by the LOTTE Group in 2009, the Company has made great strides in expanding its footprint and shareholder value. LOTTE Chemical Pakistan has excelled in delivering growth through investments in Plant efficiency and value addition projects.

The year 2021 despite a challenging economic environment, has been a prosperous one for the Company. It gives me great pleasure to announce that LOTTE Chemical Pakistan Limited has maintained its upward trajectory and continued to deliver exceptional business performance across the board. The Company delivered strong results with Production and Sales volume, 25% and 21% higher than the corresponding period - the highest ever since the commencement of PTA operations in 1998.

The Company continued to make investments in its production facility, aimed at sustaining continuous reliable operations and to improve plant efficiencies. A complete review of the business performance is described in the annexed Directors' Report.

The Company has an effective governance and legal framework in place that ensures compliance with applicable laws and regulations and is instrumental in achieving long-term sustainability and growth. 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 of the Lotte Chemical Pakistan Limited was carried out for the financial year ended 31 December 2021. The online assessment was carried out by engaging external independent facilitator, THK Associates (Pvt) Ltd. 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. All Directors fully participated and contributed in the decision-making process of the Board.

On behalf of the Board, I express my sincere appreciation to LOTTE Chemical Pakistan Limited's customers, suppliers, the Government and all other stakeholders for their continued support and to appreciate the commitment and valuable services rendered by the employees of the Company in such trying times.

Sang Hyeon Lee
Chairman

Directors' Report

For the year ended 31 December 2021

The Directors are pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Board Changes

Mr Min Jae Hwang and Ms Won Lee resigned with effect from 01 February 2022 and Mr IL Kyu Kim and Ms Jae Sun Park 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 2023.

Following this Mr Sang Hyeon Lee was appointed as Chairman of the Board in place of outgoing Director Mr Min Jae Hwang with immediate effect.

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

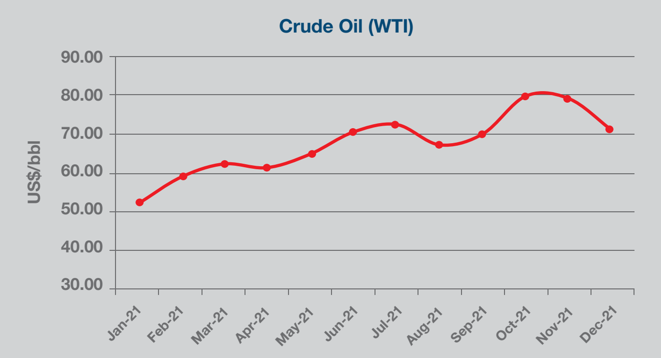
Business Overview

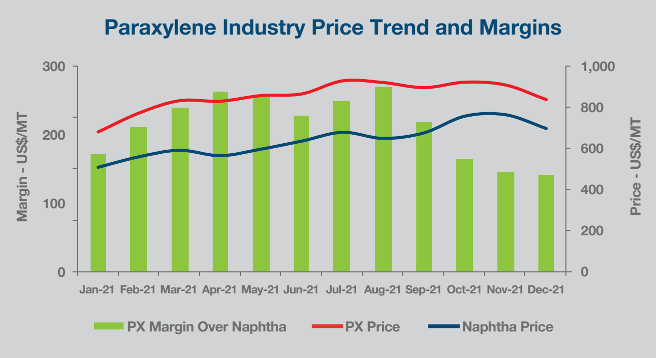
Crude Oil

Crude Oil (WTI) prices experienced a bullish trend in the first quarter as global economies gradually recovered from the Covid-19 virus and lifted travel bans. This trend was further fueled by the production cuts of Saudi Arabia, and the optimism surrounding talks of the stimulus package in the US. However, the said growth slowed down at the start of the second quarter when Southeast Asia and the Indian subcontinent witnessed a surge in Covid-19 cases. Nevertheless, as the situation in the aforementioned region improved, oil demand regained strength and prices continued to trend upward. Furthermore, the negotiations of the US-Iran nuclear deal that could add additional Iranian barrels in the market remained inconclusive providing an additional thrust to the prices. However, the prices lost earlier gained strength in the third quarter as the OPEC+ announced its plan to add a total of 2 million barrels per day by the end of 2021. The prices were further weighed down by the resurgence of Covid-19 virus cases around the World followed by the imposition of a zero-tolerance policy in China to contain the spread of the virus. Towards the last quarter of the year, Crude Oil prices regained strength on the back of supply disruptions from the US amid the hurricane season. Moreover, an increase in Coal and Gas prices led to the use of Crude Oil as an alternate for heating fuel during winters that acted as a catalyst for the rising trend. Lack of action from OPEC+ on the surging oil prices led to a coordinated release of Crude Oil from Strategic Petroleum Reserves (SPR) by the United States, China, India, South Korea, Japan, and the UK. Towards the end of the year, oil demand concerns reemerged as the World feared the impact of the Omicron Covid-19 variant on global economies. The year ended with Crude Oil prices at US$ 75.21 /bbl., while the average price for the year was at US$ 67.83 /bbl.

Paraxylene (PX) Industry

Paraxylene (PX) prices experienced a sharp increase at the start of the year on the back of a strong recovery of Crude prices and improved downstream demand. The market was further incentivized by several planned and unplanned shutdowns in the region. However, the upward trend was capped in the second quarter of the year as Covid-19 cases resurged in the Southeast Asian and Indian subcontinent weakening the market sentiment. Nevertheless, the delays of a new PX plant start-up amid

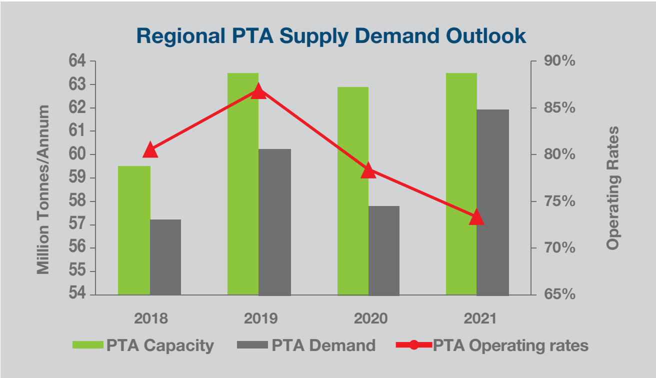


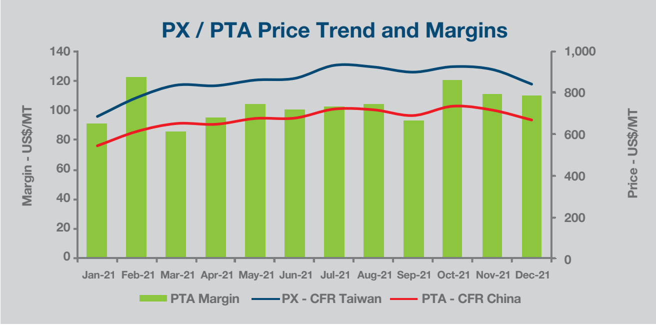


PTA capacity additions provided some support to the prices. PX demand deteriorated in the second half of the year when the downstream PTA and polyester producers in China were forced to curtail operations to cater the government's energy-saving targets. The recovery of Crude prices in the last quarter assisted the PX market but high operating rates amid ample supply in the region limited the upward movement resulting in break-even margins. This consistent weakness in margins forced producers in China to reduce PX production rates as well as shift production to more lucrative products such as gasoline. The average PX margin over Naphtha for the year was US$ 214 per tonne and the average price of PX was US$ 858.78 per tonne compared to US$ 578.25 per tonne in 2020.

PTA Industry

The PTA industry mirrored the upstream feedstock markets and showed strength at the start of the year. PTA demand improved significantly as major global economies recovered from the pandemic. However, prices stagnated as the second quarter approached amid the resurgence of Covid-19 cases in Southeast Asia and the Indian continent. Moreover, the start-up of a new PTA capacity in China during the same timeline resulted in ample supply in the region and further limited the upward movement in price. During the third quarter of the year, several polyester producers in China were forced to reduce throughput in order to meet the government's energy savings targets leading to an inventory build-up and consequently downward price movement. However, the market resisted the bearish trend to cope with rising Acetic Acid prices that nearly doubled from the start of the year. As the last quarter of the year commenced, PTA prices regained some strength on the back of strong feedstock prices. Additionally, as the aforementioned energy consumption controls eased in China, the downstream polyester producers ramped up their operating rate, providing further support to prices. Towards the end of the year, prices experienced a bearish trend as the World struggled to cope with a more contagious variant of the COVID-19. Several parts of China enforced lockdowns forcing the polyester producers to slash their operating rates that deteriorated the market sentiment.





PTA producers operated at an average rate of 73.4% in 2021 while the average PTA price for the year was US$ 668.94 per tonne. The PTA margin over PX averaged at US$ 103 per tonne for 2021 compared to US$ 86 per tonne in the previous year.

Domestic Downstream Industry

The polymer industry of Pakistan regained strength in 2021 and experienced a healthy demand growth of almost 25% compared to the previous year owing to resilient domestic and export demand. However, the global supply chain disruptions in the second half of the year led to delayed arrivals of raw materials forcing producers to rationalize operations. Additionally, disruptions in the energy supply to the industries during the winter season further restricted the operations of the textile sector. Nevertheless, the polymer industry exhibited significant signs of recovery compared to last year and operated at an average rate of 86% during the year, compared to 70% in 2020.

Operations

The Board is pleased to report that Production and Sales volume for the year at 520,047 tonnes and 519,079 tonnes, respectively, were the highest ever since the commencement of PTA operations in 1998.

Production and Sales volume during the year were 25% and 21% higher than the corresponding period last year due to suspension of Plant operations for almost 54 days during Q2 2020 as a result of lockdowns to contain outbreak of COVID-19 pandemic.

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 64.6 million man-hours as of 31st December 2021, without any injury to own or to contractors' employees. This is an impeccable record by any global standards.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.

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.

A detailed report on HSE performance and development in 2021 is available on page 62 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 effluent. To further improve our waste management the Company has implemented a project to install Anaerobic Reactor, installation of which was completed in Q4 2021. 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 66 of the Annual Report.

Financial Performance

Amount in Rs million	Year ended 31 December	
	2021	2020
Revenue	**67,165**	38,965
Gross profit	**7,581**	2,642
Profit before taxation	**6,499**	2,999
Taxation	**(1,856)**	(874)
Profit after taxation	**4,643**	2,125
Earnings per share (in Rupees)	**3.07**	1.40

Revenue of Rs 67,165 million for the year was higher by 72% compared to Rs 38,965 million of previous year mainly due to higher PTA price. The Company posted a gross profit of Rs 7,581 million for the year as compared to gross profit of Rs 2,642 million during the same period last year. Distribution and selling expenses were 12% higher than last year due to overall impact of high inflation. Other operating expenses were higher than last year mainly due to higher provision for Workers' Profit Participation and Workers' Welfare Funds on the back of higher profit.

The taxation charge for the year 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 year increased to Rs 3.07 per share as compared to Rs 1.40 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 2021 as approved by Board of Directors, was paid to the shareholders of the Company.

Human Resources

Throughout 2021, 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 positive culture of employee engagement in order to maintain the Company's market position, attracting, retaining and developing talent across. 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 2021 is available on page 52 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. In order to better organize CSR activities the Company has established LOTTE Pakistan Foundation (LPF).

A detailed report on CSR activities undertaken by the Company in 2021 is available on page 68 of the Annual Report.

Future Outlook

Crude Oil (WTI) prices are expected to continue trending upwards amid consistent improvement in oil demand as the world evades drastic lockdown decisions owing to the less severity of the COVID-19, Omicron variant. Furthermore, the overall Crude Oil market is expected to remain tight as OPEC+ struggles to meet its commitment on improving output. However, the prices may witness some correction if the cartel decides to add more barrels to the market. Additionally, the market awaits the conclusion of the US-Iran nuclear talks that may significantly influence the oil market balance in 2022.

PX market is expected to gain strength in 2022 mainly driven by the projected increase in Crude prices and gradual recovery from the downstream polyester sector as the threat of severity of the Omicron variant begins to fade. Capacity additions of approximately 11.8 million metric tonnes and 11.3 million metric tonnes in the PX and PTA market respectively are planned in China for the upcoming year that may exert downward pressure on the price and add further length to the market. Nevertheless, growing polyester demand and new plant start-ups of almost 6 million metric tonnes in the region may help in balancing the supply-demand equation.

The domestic Polymer industry is projected to continue operating at a healthy rate amid significant planned investments in the textile industry. Moreover, the expected approval of the Government's incentives to the Textile sector in the Textile and Apparel Policy 2020-25, may further improve the market sentiment. Additional demand for PTA is expected from the downstream polymer sector as a new producer expects to come online towards the end of 2022. However, the prevalent energy crisis may continue to pose a challenge for producers struggling to achieve consistent operations.

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 37 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	3
Non-executive Directors	2
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 IL Kyu Kim	Member
Mr Adnan Afridi	Member

HR and Remuneration Committee	
Mr Pervaiz Akhtar	Chairman
Mr Sang Hyeon Lee	Member
Mr Young Dae Kim	Member

The names of the persons, who at any time during the financial year ended 31 December 2021, 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.

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.

A statement summarizing remuneration of Chief Executive and Directors is disclosed in note 37 to the financial statements.

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 2021.

The online assessment was carried out by engaging external independent facilitator, THK Associates (Pvt.) Ltd.

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 75 of the Annual Report.

Name of Director		Board of Directors meetings	Audit Committee meetings	HR & Remuneration Committee meetings
Mr. Min Jae Hwang		4	-	-
Mr. Humair Ijaz		4	-	-
Mr. Sang Hyeon Lee		4	4	1
Mr. In Goo Park	(resigned w.e.f 25 Jan 2021)	-	-	-
Mr. Young Dae Kim	(appointed w.e.f 25 Jan 2021)	4	-	1
Ms. Won Lee		3	-	-
Mr. Pervaiz Akhtar		4	4	1
Mr. Adnan Afridi		4	4	-
Mr. Mohammad Zubair		4	-	-

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

Investment in Retirement Benefits

The value of net assets of the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2020 is as follows:

	Value (Rs '000)
Lotte Chemical Pakistan Management Staff Provident Fund	614,172
Lotte Chemical Pakistan Management Staff Gratuity Fund	360,493
Lotte Chemical Pakistan Management Staff Defined Contribution Superannuation Fund	465,026
Lotte Chemical Pakistan Non-Management Staff Provident Fund	10,158
Lotte Chemical Pakistan Non-Management Staff Gratuity Fund	5,359

Pattern of Shareholding

The statement of Pattern of Shareholding in the Company as at 31 December 2021 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 M/s EY Ford Rhodes, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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 Young Dae Kim.

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 2021 and the date of this report.

External Auditors

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board has recommended the re-appointment of the retiring auditors for the year ending 31 December 2022, 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.

Sang Hyeon Lee
Chairman

Humair Ijaz
Chief Executive

Date: 17 February 2022
Karachi

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

Lotte Chemical Pakistan Limited
Year ended 31 December 2021

The Company has complied 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 the Board is as follows:

Category	Names
Independent Directors	Mr Pervaiz Akhtar Mr Adnan Afridi Mr Muhammad Zubair
Non-Executive Directors	Mr Min Jae Hwang (Chairman) Mr Sang Hyeon Lee
Executive Directors	Mr Humair Ijaz Mr Young Dae Kim
Female Director	Ms Won Lee (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. As at 31 December 2021, six directors namely Mr Humair Ijaz, Mr Sang Hyeon Lee, Mr Pervaiz Akhtar, Mr Adnan Afidi, Mr Muhammad Zubair and Mr Yound Dae Kim along with the Chief Financial Officer have completed the required certification of Directors Training Course from authorized institutions.

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 Sang Hyeon Lee	Member
Mr Adnan Afridi	Member

HR and Remuneration Committee	
Mr Pervaiz Akhtar	Chairman
Mr Sang Hyeon Lee	Member
Mr Young Dae Kim	Member

13. 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 EY Ford Rhodes, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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.

Sang Hyeon Lee
Chairman

Humair Ijaz
Chief Executive

Date: 17 February 2022
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road,
Karachi 75530 Pakistan
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Independent Auditors' Review Report

To the members of Lotte Chemical Pakistan Limited

Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Lotte Chemical Pakistan Limited ("the Company") for the year ended 31 December 2021 in accordance with the requirements of regulation 36 of the Regulations.

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.

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 2021.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 23 February 2022
Karachi
UDIN: CR202110096OJoNCW4qs

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 Excellence

Human Resources (HR)

We believe that 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 help the 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 modern 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.

Training and Development

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

In light of the ongoing pandemic and COVID-19 SOPs in place, only essential trainings were identified and imparted via class room and on-line to the employees during the year.

Talent Acquisition

The Company hires fresh and talented graduates from a range of professional and academic disciplines. We perceive them as future business and industry leaders and nurture them within our organization by providing them with training and development opportunities.

Several Graduate Trainee Engineer Recruitment Drives were conducted in 2021. The recruitment drives follow rigorous selection criteria through which we hire young and talented individuals from top engineering universities of Pakistan.

We provide opportunities to our trainees to network with the leaders and decision makers in their fields. Such networking opportunities serve as an excellent means to gain insight and practical knowledge from experienced industry practitioners. Furthermore, our personnel development plans ensure we offer the appropriate support, training and coaching so that our employees succeed at all levels.

The Company also extends internship opportunities to students from various universities offering technical and business management programs. The internship program provides them with an opportunity to gain familiarity with the corporate culture and business practices of the Company, while working alongside highly professional and supportive staff. Compared to previous years, the internship program was vastly scaled down due to concerns around health and wellbeing of the interns and LCPL staff.

Our structured Apprenticeship Program, under the guidelines of Government of Pakistan rules and regulations, is also one of the talent acquisition sources. Under this program, apprentices are provided with an opportunity to gain 24 months of training in different areas and functions of the plant. Through this process, they not only gain a thorough understanding about the technical know-how of the plant, but also a comprehensive understanding of processes related to occupational health and safety.

New Career Portal

The Company continuously improves its recruitment system by leveraging technology. In the year 2021, a new career portal was developed and implemented. By making use of this portal, the Company's HR personnel, post job vacancies online and electronically sift through resumes of eligible candidates. 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 voices and help ease their concerns. The Human Resources department maintained focus on the key HR areas and undertook various initiatives to encourage and enhance the virtual engagement of employees.

Dialogue Sessions

Communication sessions provide a platform for employees to interact with Management which improves communication and engagement. Keeping in view the safety of employees, limited sessions were held during the year due to COVID-19.

Recreational Activities

LCPL understands the importance of recreational activities. These activities provide help to improve the physical well-being, emotional health, and cognitive functioning of employees. Unfortunately, due to strict social distancing policy implementation to reduce the spread of COVID-19, no such kind of activities arranged in 2021.

Newsletter

We publish a Company's Newsletter 'Connect', in which important events are shared with employees and other stakeholders. Topics such as HR development, social events, business performance, CSR interventions, HSE performance, and continual improvement initiatives are regularly featured in the newsletter.

Employee Satisfaction

We believe that employee satisfaction plays an important role in engagement with the Company. We carried out food and transport related surveys to obtain valuable feedback on these services from our employees. Actions for improvement were subsequently implemented.

Diversity and Inclusion

We welcome diversity in terms of gender, ethnicity, beliefs, 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 possess a progressive perspective and continuously improve and inspire themselves and others, remain our key strengths, and ultimately, our business drivers. A number of measures including strategic workforce planning, as well as program and 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.

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 as in 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 2021, 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.

Transparency and Ethics

We expect our employees to adhere to the highest standards of integrity, discipline and ethics, which are fundamental 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)

COVID-19 has significantly altered the routine life both at home and the workplace. In these trying times, the IT department took extraordinary measures to support the policy of “Work from Home” and provided excellent facilities to users to allow them to work from home without any interruptions which helped us ensuring business continuity.

The role of Information Technology is very important and has touched every aspect of the business. Today, IT is providing information to the 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, and 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 suggestions on its future plans 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 training 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 2021, two major systems were upgraded to the latest version.

MAXIMO Upgrade

In April 2021 the IT department had started a project to upgrade Maximo software from version 6.2.8 to version 7.6.1.2 and successfully completed it in August 2021.

InfoPlus.21 Upgrade

InfoPlus.21 Upgrade Project In August 2021 the IT department had started another upgrade project of InfoPlus.21 from version 8.8.3 to version 11 and was successfully completed in August 2021.

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 platforms such as Oracle, IBM Notes and Web.

IT infrastructure was also upgraded to provide efficient service to users. The upgrade included servers, routers, switches and internet bandwidth, which resulted in minimizing the downtime of the systems and maximizing the productivity of the users. Video conferencing facility was improved which has enhanced communication and reduced expense.

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 organization. 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 developed 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. These policies and procedures are audited by internal and external auditors annually.

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 functions, which plays a critical role for our business.

Manufacturing Excellence

LCPL is always committed to continuously raising the benchmarks in order to elevate it's performance in every aspect of operations. LCPL takes lots of pride for establishing a system and culture within the Company that commands it's employees to realise their true potential and at the same time motivates them to work with sheer dedication, commitment and highest standards of professionalism. This has resulted in manufacturing and delivering the product of world class quality day in day out and thus meeting the expectations of it's customers flawlessly, leading to a long term stronger growing bond.

LCPL believes in empowering it's employees and gives them freedom to work freely and encourages them to bring up new ideas and initiatives. LCPL always sets challenging and stretched targets every year that motivate the team to pursue excellence and immaculate delivery in manufacturing.

LCPL's efficient Plant operations and adherence to highest International standards of safety, health and environment not only ensures a quality product but also makes sure that all it's employees and contractors working within it's premises are well protected against all hazards and risks.

The year 2021 was a year that led to achieving ever highest Production of PTA in more than 23 years of operational history of the Plant. Despite the fact that Plant is aging, this feat speaks volumes of the capabilities and professional skills of the Manufacturing team, upkeep of the Plant and the way the Plant and it's equipment is being maintained and modernized with new advancements in technology. A record breaking milestone of 520 KT PTA in a year manifests manufacturing team's unwavering dedication and hard work. In 2021, Manufacturing team also broke previously set up record of highest ever production of PTA in a single month.

HSE:

- Successfully sustained the business goal of Zero injury
- Successfully achieved 64.6 Million Man-hours without Lost Time Case
- 100% Compliance achieved in CWC (Chemical Weapons Convention) internal audit
- 100 % Compliance in Fire Insurance Audit -2021
- 100% Compliance of IMS Systems (Integrated Management System) - No NC (Non-Compliance) reported in IMS Surveillance Audit -2021

- LCPL achieved 18th Annual Environmental Excellence Award and 11th Annual Fire & Safety awards by National Forum of Environment & Health Pakistan

Plant Availability - LCPL always emphasizes on maximizing Plant availability and this year was no different, engineering team's proactive and predictive maintenance approach led to achieving ever best Plant availability figures of 97.25 %.

CTA Dryer caustic wash interval was enhanced to 4 months from 2 months with innovative and out of box solutions by the team. The caustic wash duration of Dryer was reduced by 10 hours so all these innovations also contributed to enhancing Plant availability.

The performance of Gas Turbine Generator (GTG) is very sensitive to its environmental conditions; therefore keeping dirt free air intake of gas turbine in a contaminated atmosphere is a massive challenge. During first quarter of this year, Gas Turbine had to face extremely harsh smoky and dusty atmosphere from our neighboring industries that caused its multiple shutdowns for water washes and replacement of air intake filters. Co.Gen. team always strives for the maximum availability of gas turbine despite having inescapable challenging surroundings; therefore brainstorming was carried out to minimize the downtime of gas turbine for water washes and its air intake filters replacement. An initiative was taken to replace combustion filters in parallel with the water wash activity without taking additional 06 hours which were earlier planned for this job. The job was closely supervised and filters replacement activity was completed within the planned duration. Team also decided to replace ventilation filters online, without shutting the turbine down. Both initiatives helped in reducing downtime of GTG and at the same time also minimized variable cost of Plant in terms of power, natural gas and diesel consumptions.

AETP Commissioning - By year end of 2021, a remarkable achievement was made in the form of completion and commissioning of AETP Project (Anaerobic Effluent Treatment Plant), which is now converting all waste streams from the plant to fuel gas which shall be used as a substitute of natural gas in Boilers. Earlier all plant waste was only being processed in aerobic effluent reactor with the utilization of high energy.

During the year-2021, LCPL has modified the catalyst recovery unit aiming to 99% catalyst recovery. This was successfully commissioned and gave desired results. This was in-house development which resulted best in class performance comparable to latest technology plants.

Gas Turbine Engine Exchange: The 48MW GE LM6000 PD Aero-derivative Gas Turbine is the most critical asset at our Plant as it not only powers base plant thereby saving valuable variable cost on account of power import but is now also a source of additional revenue for the business through the export of surplus power to K-Electric. Gas turbine engine was replaced successfully and efficiently as per plan, which will ensure sustained and reliable availability of power to the Plant for it's own consumption plus for export to KE.

Technical Training Centre (TTC)

Since 2009, LCPL's Technical Training Centre (TTC) has been providing 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 the manufacturing staff, offers training and Orientation sessions on LCPL best HSE practices to neighboring industries and providing road map to incoming apprentices and engineering graduates, in turn playing a key role since its inception to achieve business objectives.

Training centre is equipped with a variety of state-of-the-art facilities. There are number of training rooms of various sizes, to cater to the requirement of individual training/trainer. The display area contains models of plant equipments 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 2021, continued focus was maintained on TTC activities with compliance of Covid-19 SOPs. A total of 72 Technical & HSE trainings were conducted at the Company. Overall training man-days (for both LCPL and contractors staff) were 2669.75 days in comparison to the year 2021 where it was 993.

Orientation Training for Trainee Engineers and Apprentices

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 the plant before they start their formal training in their respective sections. In 2021, two batches of 12 Trainee Engineers (TEs) completed their HSE orientation training at TTC, which was conducted by its internal Company staff.

An 8-week orientation program has been developed for apprentices, which provides basic training on different areas of the plant, during 2021 one batch of apprentices completed their orientation at TTC.

Internal Faculty Recognition Programme

In line with Company's strategy to enhance and hone people' skills and abilities, LCPL has developed a talented pool of in-house trainers through Internal Faculty Recognition Programme (IFRP). Launched in August 2013 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.

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 designed for graduate engineers of all disciplines-ranging from chemical, mechanical, electrical , Instrumentation etc - who have started their careers or have up to 5 years' work experience with 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 2013.

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, and Technical teams working together to maintain basic conditions on shop floor, optimal performance of machines, and skill enhancement of the staff. The intent is to keep plant operation effective and stable to achieve production targets.

A new chapter of AM was started this year, where the core focus has now been shifted to the skill enhancement of the teams and revision of routine activities and operating procedures. In the new AM phase teams are working on resolving long standing waste factors and concerns, and eliminating losses and potential risks.

TPM Planned Maintenance

Planned Maintenance (PM) is the pillar of TPM that aims to achieve zero breakdowns and improve machine reliability. 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.

Engineering team has been divided into 8 smaller groups for the implementation of this pillar. The pillar was started in 2020 and during 2021, we have been able to reap benefits of the system at various levels.

TPM Quality Maintenance

TPM Quality Maintenance (QM) was started at LCPL 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 2021 the teams worked on developing operation and maintenance manuals of laboratory equipment, on skill enhancement of team members, and on development of training materials for individual laboratory equipment. Special focus was on efficient management of storage spaces in Laboratory.

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.

This year 300 suggestions were raised in the system and 102 were implemented, resulting in significant cost saving for business. This is the highest ever number for SRS since the launch of database.

Health, Safety and Environment

LCPL's performance of 64.6 million man-hours (as at 31 December 2021) without LTC is a landmark achievement by global standards. It places LCPL amongst the best Petrochemical companies and is a testament to Company's commitment towards compliance to world class safe systems & practices, and active participation of the employees & contractors staff.

Health, Safety and Environment (HSE) management forms an integral part of LCPL's core values and company remains committed to instill these values amongst its employees and contractors. To achieve world class standards, the Company has developed HSE management systems which comply with international guidelines and local legislative requirements.

Throughout the years, LCPL has maintained exceptional safety records. Currently, amongst petrochemical industry, the LCPL is one of the leaders in terms of maintaining highest standards in Health, Safety and Environmental performance in all aspects of its operations. During its twenty three years of operation, LCPL has sustained an excellent safety record. The Company crossed a milestone of 64 million man-hours without Lost Time Case (LTC) in 2021. The long-term objective of "zero injury" remains unchanged because we believe that every occupational accident is one too many.

The continued success in HSE field is indicative of company management's resolve and the commitment by the teams beneath at all levels. At LCPL , management , non management and contractor staff work together to ensure conformance to highest safety standards The management's focus on Health, Safety and Environment defines company' vision and success criteria for the future.

LCPL reemphasizes the importance of safety within its staff by organizing capacity building workshops and hands on trainings to ensure its workforce

conducts its business safely, correctly and in tune with world class safety standards. Use of first aid kits for medical emergencies and CPR are part of its routine training plans. Additionally, LCPL formulates health and hygiene monitoring plans at the beginning of the year which is religiously followed during the course of the year which entails regular medical examinations in order to ensure occupational illness free environment for its employees.

2021 HSE Highlights

- Completed 64.6 Million Man-Hours without Lost Time Case (LTC) for our employees and all contractor staff
- Successfully completed An-Aerobic Treatment Plant (AETP) Project without any major injury or incident
- Achieved 18th Annual Environmental Excellence Award from National Forum for Environment and Health (NFEH)
- Achieved 11th Annual Fire & Safety Award from National Forum for Environment and Health (NFEH)
- Successfully maintained certifications of IMS standards (ISO 9001:2015, 14001:2015 & 45001:2018) without any Non Compliance
- Fully compliant in legislative requirements of sealed radiation sources implemented by Pakistan Nuclear Regulatory Authority (PNRA)

Occupational Health and Safety Management System

In 2012, Company embarked on aligning its comprehensive HSE&S Management System with the International OHSAS-18001(Now ISO 45001:2018) Health & Safety Management System and ISO-14001 Environment Management System. Since March 2012, LCPL is ISO-45001 and ISO-14001 certified. Independent auditors from the internal HSE department monitor compliance with the systems.

An ISO 45001:2018 system provides the Company regular updates and benchmarking to Industry's best practices. The ISO 45001:2018 Occupational Health and Safety Management System reduces harm to employees and other personnel, therefore reducing overall liability.

The Company's ISO 45001:2018 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. Company identifies assess, control and monitors various hazards at workplace. In 2021, LCPL carried out multiple hazard studies, including modifications & Periodic Hazards Reviews (PHR) related to process improvement, variable cost reduction, system upgrade and new initiatives.

Accident Prevention

Industrial accidents not only cause suffering and distress amongst the workers and their families, but also represent a significant material loss to the 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, Company has a comprehensive HSE system that incorporates training, risk assessment and monitoring.

LCPL identifies and prioritizes key risks, strengthens control over contractors working at site extends its safety programmes beyond manufacturing facility to the sales, Administration and distribution portfolios.

Internal Audits

Company has a thorough internal audit system which monitors possible safety violations and wrong practices and identifies corrective measures. Safety officers conduct daily field audits, ensuring workers are practicing safe working protocols. The safety officers work towards identifying and eliminating immediate safety concerns that could otherwise lead to incidents, or eventually to greater grave 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 and identify both safe and unsafe acts that employees may engage in, while performing their duties. Company appreciates and acknowledges 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 up in weekly meetings so they serve as learning opportunities for others, in turn avoiding future occurrence.

Process Safety

Company's commitment to protect the environment and the 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 the prime objective in order to reduce exposure of the employees and communities. Company engages in risk assessment and management – right from design and construction to start-up and operation, to maintenance and training. LCPL measures performance, conduct audits, and improves 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 hazard associated with process-related changes and incorporates 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: LCPL collects data to ensure safety management systems are consistently updated in order to ensure their efficacy.

Employee Training on HSE

Health and Safety training plays a pivotal role in ensuring that staff is equipped with the required 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 encompasses talks from supervisors to their staff on any safety topics or learning events from the previous week, all help to improve behavior-based safety and system compliance.

Training involves external as well as internal training. Company has developed its own internal faculty members who are vastly experienced in their respective fields. External subject specialists are also invited to conduct training as per requirement.

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 sustainability strategy and HSE standards reflects Company's leadership behavior at the local level. This is why company is particularly concerned about training site managers to detect hazards early and avoid potential accidents.

The programme content ranges from risk assessment, warehousing procedures to emergency management and management systems. Additionally, Company conducts training sessions for contractors' staff working at sites. During 2021, various trainings for LCPL and Contractors staff were conducted to enhance their awareness and understanding on HSE.

Computerised HSE System

LCPL has invested in a computerized HSE database system to report personal as well as process safety, incidents, accidents, injuries, occupational diseases and environmental accidents. This system is very helpful in analyzing data, determining the root cause of incidents and taking necessary preventative measures. The statistics compiled with the help of this advanced system are analyzed and reported to senior management at a pre-defined frequency.

Energy Conservation

Pakistan is suffering from an energy crisis, affecting the lives of millions of people. To conserve energy, LCPL is always actively trying to optimize and further reduce its processes energy and resource consumption.

LCPL has 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, LCPL integrated production process provides:

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

LCPL has always focused to operate every equipment at its best efficiency to conserve energy and ultimately minimize the material losses. LCPL Co-generation Power Plant has started exporting its surplus power to K-Electric in the middle of last year. This year gas turbine operated at its best efficiency throughout the year resulting in optimization of natural gas consumption which is very dominant fuel source in Pakistan.

LCPL has observed and monitored energy consumption on a daily basis and report results to higher management at an agreed frequency. It 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. LCPL is also gradually replacing fluorescent lights in its office buildings and plant site with energy efficient LED lights.

Environmental Protection

Protection of the environment remains a critical component of LCPL sustainability vision. LCPL ongoing efforts to minimize any impact on the environment, whether it is 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.

LCPL is committed to ensuring that its operations remain environment friendly - taking an avid interest in reducing its 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 installed the project of An-aerobic Reactor on Effluent Treatment Plant that generates bio gas and hence reduces the natural gas consumption on the Plant Site. The project was carried out to convert aerobic effluent treatment plant to an-aerobic effluent treatment plant with the intent of conversion of waste into energy .This will meet 5% of site energy requirements .

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

LCPL has also made great strides in lowering the 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 one steam boiler, diesel generators, and an incinerator and installing a project for recovering metals. Up gradation of metal recovery unit was also done in 2021 which has further helped in recovery of metals, while commissioning activities of another such module at Utilities Plant is well underway, which shall have the same function.

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. LCPL water management practices are based on principles including, efficient usage, pollution prevention, and maximizing reusing and recycling.

LCPL continuously monitor its water intake and control its use. LCPL 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.

Another initiative was taken to recycle the Reverse Osmosis Plant reject water for resource conservation and financial benefit.

The industrial process that LCPL has in place helps minimize its water usage by treating it to meet specific purposes within the manufacturing cycle, and recycling water where ever possible.

LCPL waste water treatment plants at its manufacturing facilities are designed and operated to meet and exceed environmental standards, securing the health of our employees, communities and the local eco-systems in which we operate.

LCPL 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

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

In the past, LCPL was 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. LCPL 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 its reverse osmosis plant.

Emissions Management

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

Regulatory Compliance

LCPL report its processes 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 and education - 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 programs. We remain supportive towards promoting organisations and programs, 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 assistance and other programs that enhance employee volunteerism.

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 has been busy in making efforts to maintain and spread the green culture not only at LOTTE but also promote it in other industries as well. During the year 2021, several thousand plants have been planted and a few thousand plants were distributed among the employees and nearby industries.

Furthermore, a “Go-Green” intranet website has been developed. The website helps to select the variety of plants online and informs Administration Team for their delivery at the requested site.

Health

LOTTE Pakistan Foundation pledged assistance to support Al-Khidmat Foundation Pakistan and Memon Health & Education Foundation.

Education

As a responsible entity in the Pakistani business community, LCPL also supports different charitable organizations throughout the year in the education sector through scholarships for example Dar-Ul -Sukun, TFC foundation, NED University and Holy Mountain School students.

LCPL aims to continue its CSR efforts to play a positive role in the society.

Labour Relations, Freedom of Association and Collective Bargaining

Good labour relations and freedom of association are good for employees, business and morale. Collective bargaining involves a process of a joint decision. LCPL Management believes and promotes harmonious labour and management relations, productive work environment, the fair and equitable treatment of employees through the consistent application of collective agreements, labour relations legislation and company policies.

The world is changing and facing equally fundamental changes to the way we live and work. It is a revolution in work culture. The global Covid-19 pandemic has forever changed our experiences, attitudes and behaviors. In this critical situation, LCPL has given safeguard to its employees.

Agreement 2021-22 process was concluded in a record time which is the result of a good understanding and level of trust between management and CBA. Our management ensures workplace security social protection, better prospects for personal development and social integration.

Partnering with workers and upholding freedom of association and the right to collective bargaining can contribute to more effective industrial relations.

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 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 falls under our core value "Beyond Customer Expectation" and plays an integral role in our 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

	2021	2020
Suppliers		
Cost of material, services and facilities	**58,339,584**	34,434,242
Employees		
Cost of employees' salaries and benefits	**1,028,337**	918,808
Government		
Tax paid, including remittance taxes and excise taxes	**14,424,075**	8,389,208
Shareholders		
Dividend	**2,271,311**	1,135,655
Community		
Voluntary contributions and investment of funds in the broader community	**-**	130,078
Retained within Company		
Depreciation, amortisation and retained earnings	**3,709,039**	2,256,345
Total Economic Contribution	**79,772,346**	47,264,336

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 14,424.1 million (2020: Rs 8,389.2 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.

BEYOND CUSTOMER EXPECTATION

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

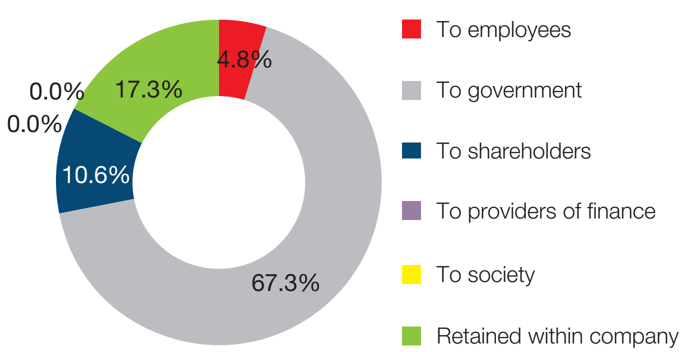
LOTTE CHEMICAL PAKISTAN LTD

Financial Summary

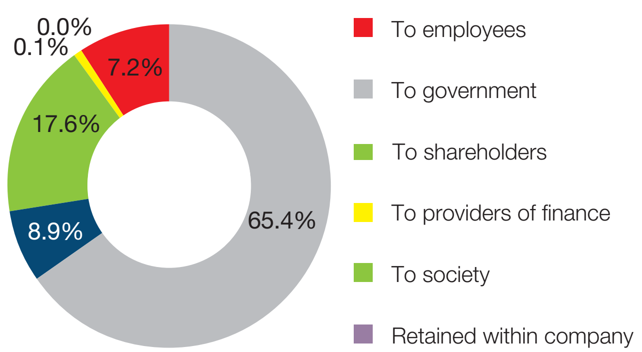
Statement of Value Addition and Its Distribution

	2021		2020	
	Rs ('000)	**%**	Rs ('000)	%
Wealth generated				
Total revenue (including other income)	**79,772,346**		47,264,336	
Bought-in material and services	**(58,339,584)**		(34,434,242)	
	21,432,762	**100.0%**	12,830,094	100.0%
Wealth distribution				
To employees				
Salaries, wages and other benefits	**1,028,337**	**4.8%**	918,808	7.2%
To government				
Income tax, sales tax, excise duty,WWF and WPPF	**14,424,075**	**67.3%**	8,389,208	65.4%
To shareholders				
Dividend	**2,271,311**	**10.6%**	1,135,655	8.9%
To providers of finance				
Finance costs	**-**	**0.0%**	-	0.0%
To society as donations				
Donations towards education,health and environment	**-**	**0.0%**	130,078	1.0%
Retained within company				
Depreciation, amortisation and retained earnings	**3,709,039**	**17.3%**	2,256,345	17.6%
	21,432,762	**100.0%**	12,830,094	100.0%

Wealth Distribution 2021



Wealth Distribution 2020



Statement of Charity Account

Amounts in Rs '000

Description	2021	2020
Community Projects	-	128,408
Education	-	1,670
Total	-	130,078

Key Operational and Financial Data

Six Years at a Glance

		2021	2020	2019	2018	2017	2016
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	**3,832**	2,605	466	(2,625)	(4,467)	(4,869)
Non-current liabilities	Rs m	**1,690**	3,432	1,838	125	98	75
Current liabilities	Rs m	**15,807**	10,315	11,698	8,629	9,766	7,188
Fixed assets	Rs m	**7,263**	6,439	6,379	5,143	5,652	5,149
Other non-current assets	Rs m	**1,056**	905	778	561	1,737	1,728
Current assets	Rs m	**28,154**	24,152	21,989	15,570	13,152	10,661
Statement of Profit or Loss Summary							
Revenue - net	Rs m	**67,165**	38,965	60,540	57,400	37,034	34,785
Cost of sales	Rs m	**(59,584)**	(36,323)	(52,509)	(50,019)	(35,837)	(34,080)
Gross profit / (loss)	Rs m	**7,581**	2,642	8,030	7,382	1,198	705
Distribution and selling expenses	Rs m	**(120)**	(107)	(104)	(102)	(93)	(78)
Administrative expenses	Rs m	**(491)**	(572)	(423)	(388)	(351)	(332)
Other expenses	Rs m	**(488)**	(236)	(643)	(555)	(55)	(28)
Other income	Rs m	**990**	1,422	1,229	515	249	214
Finance (costs) / income	Rs m	**(974)**	(150)	(567)	(505)	(52)	(10)
Profit / (loss) before taxation	Rs m	**6,499**	2,999	7,523	6,346	895	470
Taxation	Rs m	**(1,856)**	(874)	(2,163)	(1,914)	(483)	(147)
Profit / (loss) after taxation	Rs m	**4,643**	2,125	5,360	4,431	412	324
EBITDA	Rs m	**8,810**	4,416	9,166	7,697	1,597	1,695
Statement of Cash Flow Summary							
Net cash generated from operating activities	Rs m	**6,172**	5,186	12,123	237	2,878	1,764
Net cash used in investing activities	Rs m	**(1,455)**	1,520	(3,854)	(209)	(1,154)	(234)
Net cash used in financing activities	Rs m	**(3,785)**	(389)	(4,422)	(851)	(0)	(0)
Cash and cash equivalents at year end	Rs m	**15,306**	14,374	8,057	4,221	5,043	3,319
Key Ratios							
Gross profit ratio	%	**11.29**	6.78	13.26	12.86	3.23	2.03
EBITDA margin to sales	%	**13.12**	11.33	15.14	13.41	4.31	4.87
Net profit margin	%	**6.91**	5.45	8.85	7.72	1.11	0.93
ROE	%	**24.47**	11.97	34.34	35.39	3.86	3.15
ROCE	%	**22.63**	10.99	30.96	35.39	3.86	3.15
Inventory turnover	times	**11.74**	8.27	10.80	11.63	11.02	10.69
Inventory turnover in days	days	**31.08**	44.12	33.79	31.38	33.13	34.16
Debtors turnover	times	**17.89**	12.10	17.70	18.46	15.73	18.96
Average collection period	days	**20.41**	30.16	20.62	19.77	23.21	19.25
Creditors turnover	times	**9.65**	7.75	19.11	17.70	9.30	10.61
Payable turnover in days	days	**37.83**	47.11	19.10	20.62	39.25	34.39
Operating cycle	days	**13.65**	27.17	35.31	30.53	17.08	19.02
Total asset turnover	times	**1.98**	1.29	2.40	2.75	1.95	2.00
Fixed asset turnover	times	**9.80**	6.08	10.51	10.63	6.86	6.17
Current ratio	times	**1.78**	2.34	1.88	1.80	1.35	1.48
Quick ratio	times	**1.33**	1.83	1.39	1.10	0.92	0.92
Cash to current liabilities	times	**0.00**	0.00	0.00	0.18	0.00	0.00
Cash flow from operation to sales	times	**0.09**	0.13	0.20	0.00	0.08	0.05
Interest cover	times	**27.88**	12.44	29.69	225.63	16.88	22.81
Debt equity ratio	times	**1.09**	1.19	1.12	1.01	1.01	1.01
Price earnings ratio	times	**4.45**	10.73	3.96	5.77	26.33	38.90
EPS	Rs	**3.07**	1.40	3.54	2.93	0.27	0.21
Cash dividend per share	Rs	**1.50**	0.75	1.50	1.50	0.20	-
Dividend yield ratio	%	**10.98**	4.98	10.70	8.88	2.79	-
Dividend payout ratio	%	**48.92**	53.44	42.37	51.26	73.45	-
Dividend cover ratio	times	**2.04**	1.87	2.36	1.95	1.36	-
Breakup value per share	Rs	**12.53**	11.72	10.31	8.27	7.05	6.79
Market value per share - 31 December	Rs	**13.66**	15.06	14.02	16.89	7.17	8.32
Market value per share – High	Rs	**17.48**	16.25	18.50	20.67	12.89	9.49
Market value per share – Low	Rs	**12.70**	8.23	12.90	7.08	5.77	5.00
Market capitalization	Rs m	**20,684.07**	22,803.96	21,229.19	25,574.96	10,856.87	12,598.20

Vertical Analysis

	2021	2020	2019	2018	2017	2016
	%					
Statement of Financial Position						
Fixed assets	**19.9**	20.4	21.9	24.2	27.5	29.4
Other non-current assets	**2.9**	2.9	2.7	2.6	8.5	9.9
Current assets	**77.2**	76.7	75.4	73.2	64.0	60.8
Total Assets	**100.0**	100.0	100.0	100.0	100.0	100.0
Shareholders equity	**52.0**	56.4	53.6	58.8	52.0	58.6
Non-current liabilities	**4.6**	10.9	6.3	0.6	0.5	0.4
Current liabilities	**43.4**	32.8	40.1	40.6	47.5	41.0
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	**(88.7)**	(93.2)	(86.7)	(87.1)	(96.8)	(98.0)
Gross profit / (loss)	**11.3**	6.8	13.3	12.9	3.2	2.0
Distribution and selling expenses	**(0.2)**	(0.3)	(0.2)	(0.2)	(0.3)	(0.2)
Administrative expenses	**(0.7)**	(1.5)	(0.7)	(0.7)	(0.9)	(1.0)
Other expenses	**(0.7)**	(0.6)	(1.1)	(1.0)	(0.1)	(0.1)
Other income	**1.5**	3.6	2.0	0.9	0.7	0.6
Finance (costs) / income	**(1.5)**	(0.4)	(0.9)	(0.9)	(0.1)	(0.0)
Profit / (loss) before taxation	**9.7**	7.7	12.4	11.1	2.4	1.4
Taxation	**(2.8)**	(2.2)	(3.6)	(3.3)	(1.3)	(0.4)
Profit / (loss) after taxation	**6.9**	5.5	8.9	7.7	1.1	0.9

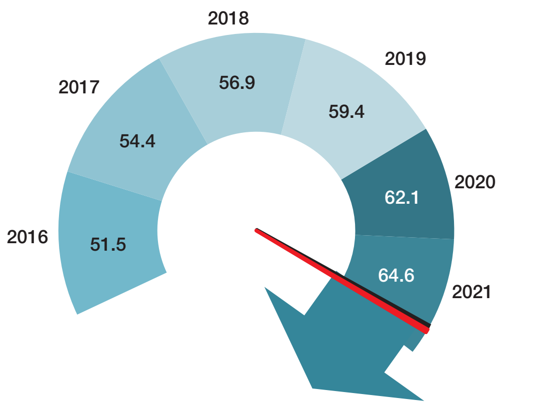
Horizontal Analysis

Year on Year

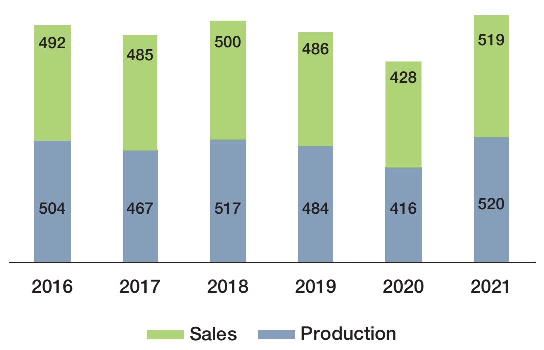
	2021 over 2020	2020 over 2019	2019 over 2018	2018 over 2017	2017 over 2016	2016 over 2015
			%			
Statement of Financial Position Analysis (%)						
Fixed assets	**12.8**	0.9	24.0	(9.0)	9.8	(16.0)
Other non-current assets	**16.7**	16.4	38.6	(67.7)	0.5	13.8
Current assets	**16.6**	9.8	41.2	18.4	23.4	11.0
Total Assets	**15.8**	8.1	37.0	3.6	17.1	1.7
Shareholders equity	**6.9**	13.7	24.7	17.3	3.9	3.2
Non-current liabilities	**(50.8)**	86.7	1,364.8	27.7	30.4	22.7
Current liabilities	**53.2**	(11.8)	35.6	(11.6)	35.9	(0.6)
Total Equity and Liabilities	**15.8**	8.1	37.0	3.6	17.1	1.7
Statement of Profit or Loss (%)						
Revenue - net	**72.4**	(35.6)	5.5	55.0	6.5	2.7
Cost of sales	**64.0**	(30.8)	5.0	39.6	5.2	(0.1)
Gross profit / (loss)	**186.9**	(67.1)	8.8	516.3	69.9	(374.5)
Distribution and selling expenses	**11.6**	3.6	1.1	9.6	19.8	(4.0)
Administrative expenses	**(14.2)**	35.4	9.0	10.5	5.7	(3.3)
Other expenses	**107.0**	(63.4)	15.8	917.4	92.0	40.7
Other income	**(30.4)**	15.7	138.8	107.0	16.4	115.3
Finance (costs) / income	**548.3**	(73.5)	12.3	864.0	449.3	(63.1)
Profit / (loss) before taxation	**116.7**	(60.1)	18.6	609.1	90.2	(174.9)
Taxation	**112.4**	(59.6)	13.0	296.7	229.2	22.9
Profit / (loss) after taxation	**118.5**	(60.4)	21.0	974.7	27.3	(143.3)

Graphical Presentation

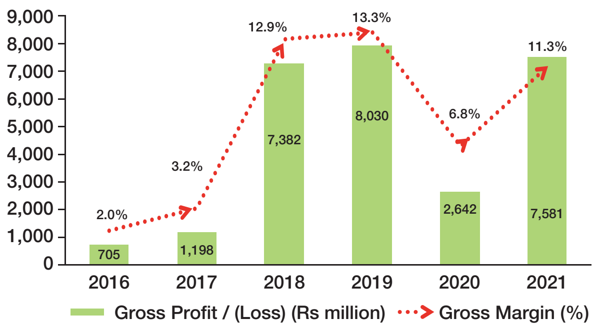
Million man-hours without Lost Time Case (employees + contractors)



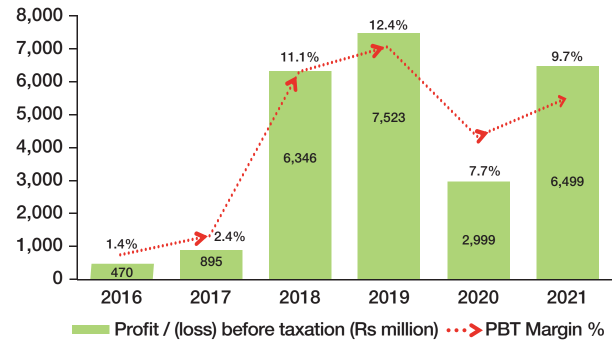
Production & Sales (000 tes)



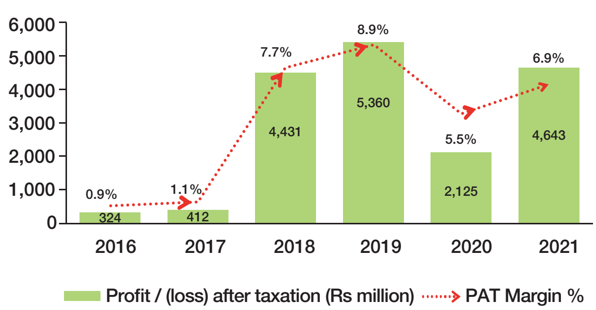
Gross Profit /(Loss) (Rs million) & Gross Margin (%)



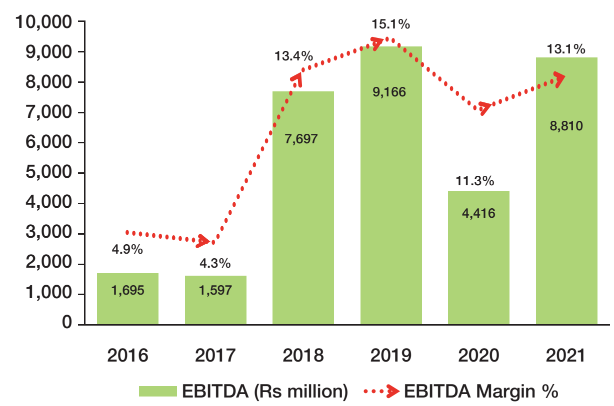
PBT (Rs million) & PBT Margin (%)



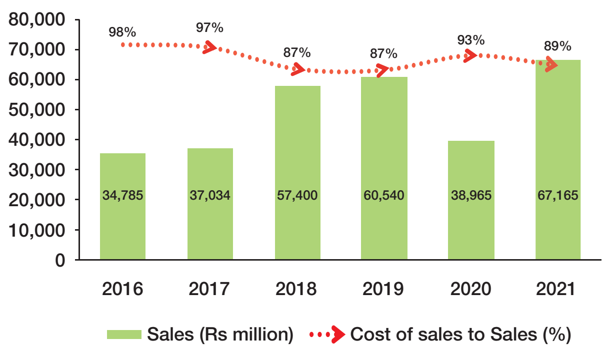
PAT (Rs million) & PAT Margin (%)



EBITDA (Rs million) & EBITDA Margin (%)

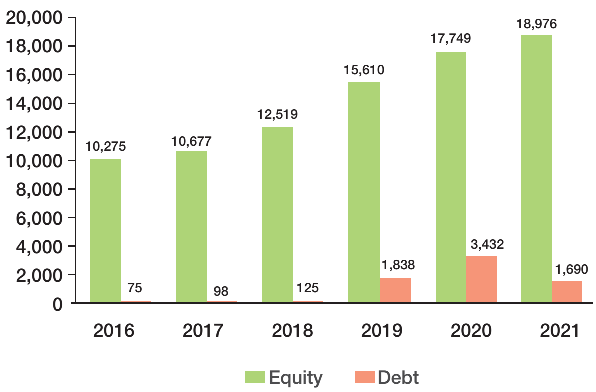


Sales (Rs million) & Cost of sales to Sales (%)

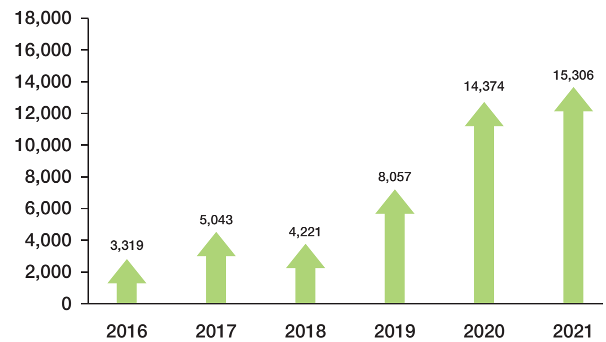


Liquidity Ratios (times)

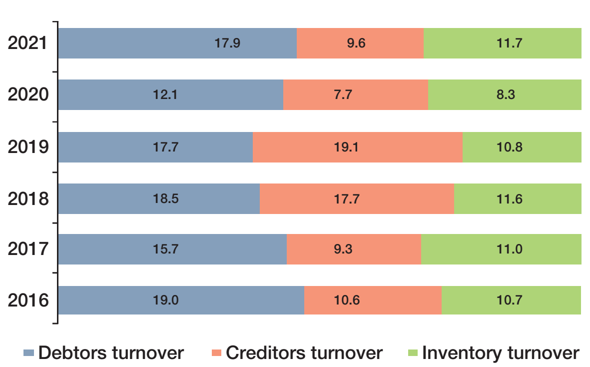
Debt Equity (Rs million)



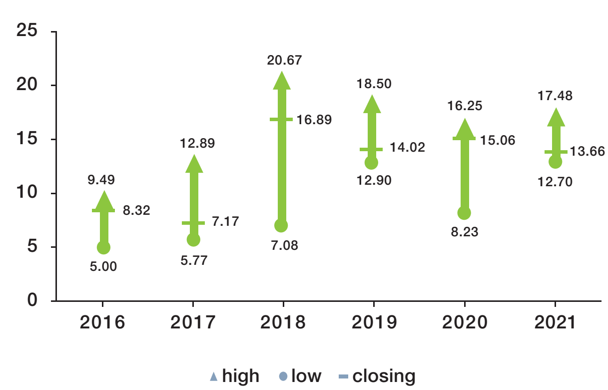
Cash & Cash Equivalents at Year End (Rs million)



Debtors, Creditors & Inventory Turnover (times)

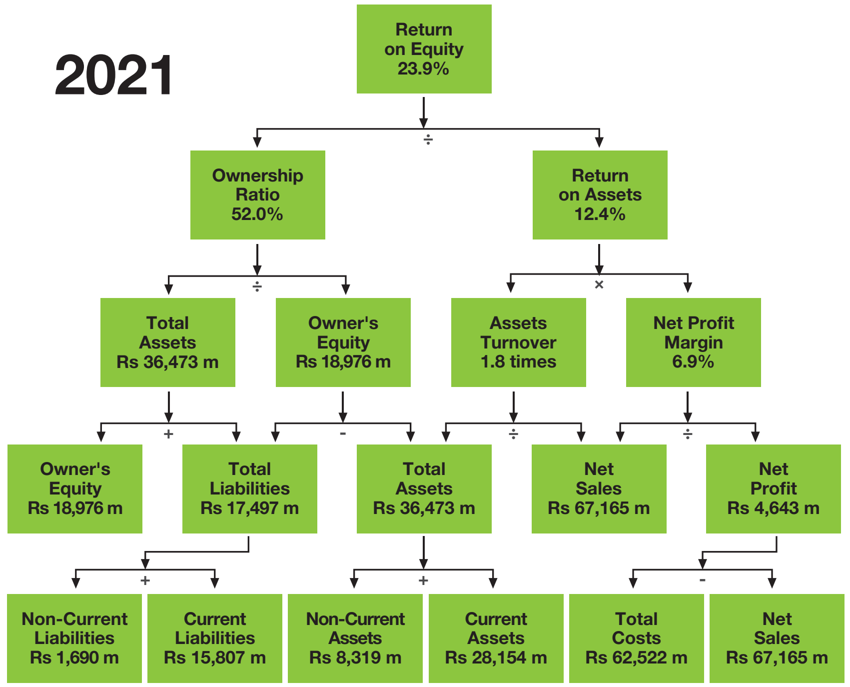


Market Value per Share (Rs)

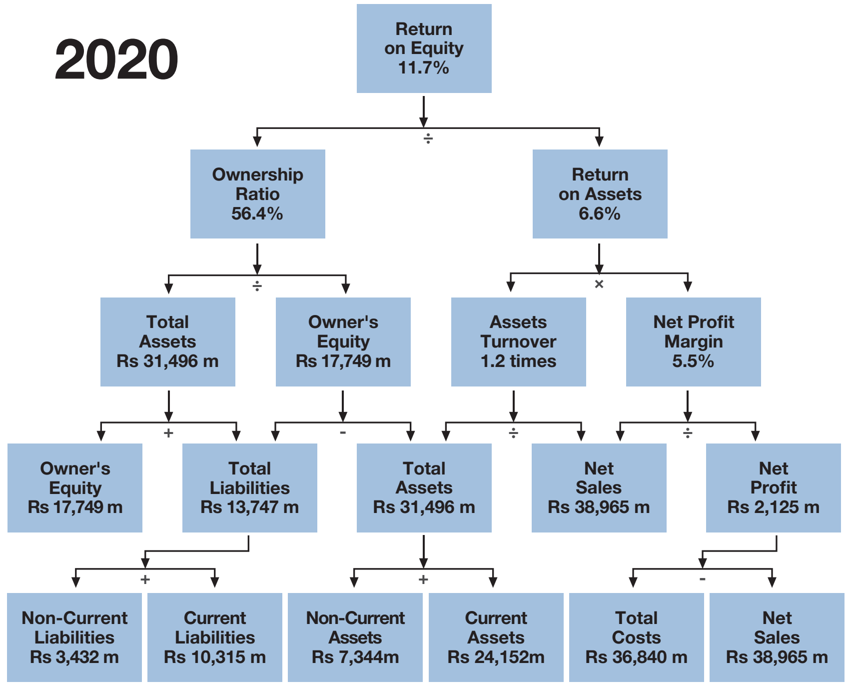


DuPont Chart Analysis

2021



2020



Analysis:

Net Sales increased by 72% due to higher average PTA price per tonne as well as the higher PTA margin over PX, which consequently increased the net margin from 5.5% to 6.9%. Total assets increased by 16% due to higher stock-in-trade and trade debts at year end, which consequently increased the return on assets to 12.4% from 6.6%. This resulted in 23.9% retun on equity as compared to 11.7% in 2020.

Variation Analysis in Quarterly Results

Amounts in Rs '000

	Q1	Q2	Q3	Q4	2021
Revenue	14,671,880	16,250,364	17,298,872	18,943,849	**67,164,965**
Gross profit	2,263,711	1,648,610	1,393,970	2,275,084	**7,581,375**
Profit before taxation	2,295,483	1,377,839	858,558	1,967,127	**6,499,007**
Profit after taxation	1,639,001	962,863	627,782	1,413,264	**4,642,910**

Q1

- Crude prices trended higher in the first quarter on positive sentiment from the US stimulus package and the voluntary cut by Saudi Arabia. The market sentiment was further supported by hopes of recovery due to the initiation of the Covid-19 vaccine distribution.
- PX prices showed bullishness throughout the quarter owing to strong upstream Crude prices and prompt recovery of the downstream PTA industry. The market was further supported by several planned and unplanned shutdowns in the region restricting any downward movement in price.
- The PTA market trended in line with the upstream feedstock market and found support through low Polyester inventory levels and healthy operating rates in the industry. Nevertheless, towards the end of the quarter, fears of reduced demand due to the third wave of the virus weighed on the market and pushed the prices lower.
- The domestic polymer market experienced healthy demand in Q1 2021 as textile operations and exports experienced significant recovery. However, logistical constraints at the end of the quarter forced the local producers to curtail operations.
- Production volume during the quarter was 128,995 tonnes, 22% higher than the corresponding period last year due to planned Overhaul in Feb-March 2020.
- Sales volume, comprising of domestic sales only, for Q1 2021 was 128,351 tonnes, 11% higher than the corresponding quarter last year.

Q2

- The Crude market experienced sluggish growth at the start of the quarter amid the alarming Covid-19 situation in Southeast Asia and the Indian subcontinent. However, as the situation in the aforementioned region improved the market regained strength and trended upwards. The price increase was further fueled by the inconclusive US-Iran negotiations on the nuclear deal that could add additional barrels to the market.
- Paraxylene (PX) prices remained range bound at the start of the quarter due to the resurgence of Covid-19 cases in Southeast Asia. Nevertheless, as the quarter progressed, the prices regained some strength on the back of strong Crude prices. Additionally, rationalized operations in the region and delays in the start-up of a new PX plant kept spot availability tight and further supported the prices.
- PTA prices stagnated in the second quarter due to the rampant spread of the pandemic in the region. Additionally, fears of increased supply resulting from the start-up of a new PTA plant in China restricted the price movement.
- Domestic polymer demand remained strong amid consistent export requirements. Availability of the vaccine and ease of Covid-19 restrictions further supported the market.
- The domestic polyester operations improved from 79% to 96% compared to the previous quarter.
- Production volume during the quarter was 133,270 tonnes, significantly higher than the corresponding period last year due to suspended operations during Q2-2020.
- Sales volume for Q2 2021 was 131,737 tonnes, 138% higher than the corresponding period last year.

Q3

- Crude Oil (WTI) prices trended lower at the start of the quarter as OPEC+ announced its plan to ease production curbs. Additionally, the resurgence of Covid-19 cases and the implementation of the 'zero-tolerance' policy in China crippled the oil demand outlook as the country reduced its refinery throughput. However, towards the end of the quarter, the prices regained strength due to disruption in the US Crude Oil supply from the Gulf of Mexico due to the hurricane season.
- PX prices exhibited a bullish trend at the start of the third quarter owing to the delays in start-up of a new PX capacity in China. However, the prices soon lost strength on the supply-demand imbalance amid weak downstream demand resulting from the rise of Covid-19 cases. Additionally, production curbs enforced by the Chinese government under the dual-control policy further weighed on the market sentiment.
- PTA prices trended lower in Q3 – 2021 owing to the imposition of a zero-tolerance policy in China that weakened the downstream demand and ensued poor PX-PTA spot margins. However, by the end of the quarter, PTA prices managed to resist the downward trend as the co-feedstock, Acetic Acid market witnessed a price hike reaching record-high levels.
- The domestic polyester market was forced to reduce throughput in Q3-2021 as global supply chain constraints and rising freight hampered PTA imports in the country.
- Production volume during the quarter was 122,067 tonnes, 3% lower than the corresponding period last year.
- Sales volume, comprising of domestic sales only, for Q3 2021 was 128,949 tonnes, 4% higher than the corresponding quarter last year due to consistent demand from the domestic market.

Q4

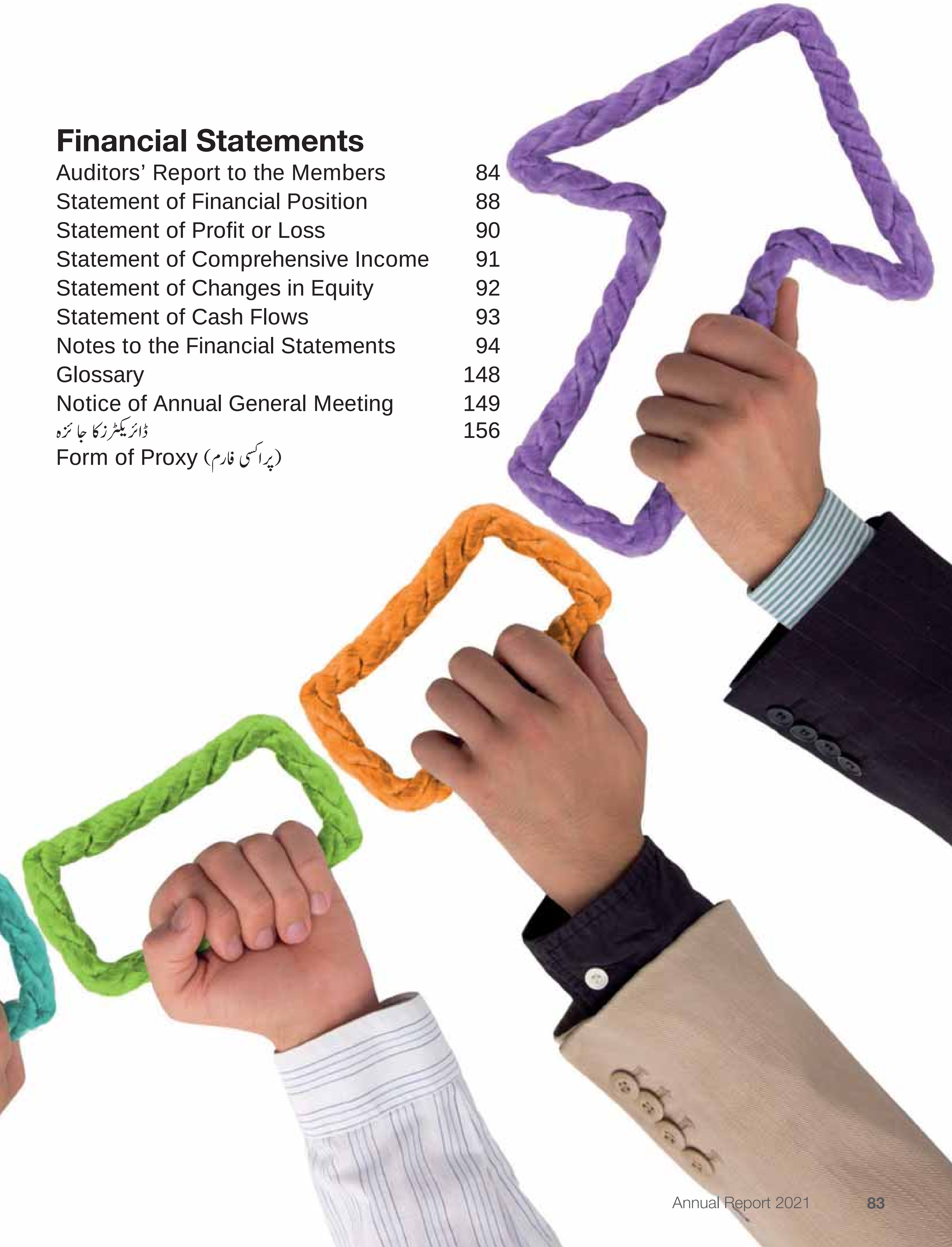
- Crude Oil (WTI) prices exhibited a bullish trend in the last quarter of the year on supply concerns as high coal and gas prices led to the utilization of Crude Oil as an alternate for heating fuel during winters. Lack of action from OPEC+ on the oil price hike led to a coordinated release of Crude Oil from Strategic Petroleum Reserves (SPR) by the United States, China, India, South Korea, Japan, and the UK. As the year approached its end, demand concerns reemerged as the World feared the impact of the Omicron Covid-19 variant on global economies.
- PX prices trended higher at the start of the quarter on the back of firm Crude prices. However, the market was soon weighed down by high operating rates in an already long market. Moreover, weakness in the PX-Naphtha margins forced PX producers in China to reduce throughput and shift production to more lucrative products.
- PTA prices followed the feedstock market and experienced a bullish trend at the start of the quarter. Additionally, the suspension of energy-saving policies in China enabled the polyester producers to ramp up their operating rates providing additional support to the market. However as the quarter progressed, PTA prices were weighed down due to the resurgence of Covid-19 cases globally. Several parts of the World including China and Europe enforced lockdowns weakening the market sentiment.
- The domestic Polymer industry operated at 91% during Q4 – 2021 due to healthy downstream demand and consistent import arrivals of key feedstock, PTA.
- Production volume during the quarter at 135,715 tonnes was 1.5% higher than the corresponding period last year.
- Sales volume, comprising of domestic sales only, for Q4 2021 was 130,042 tonnes, 3% lower than the corresponding quarter last year.

ORIGINALITY

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

LOTTE CHEMICAL PAKISTAN LTD

Financial Statements



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road,
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITORS' REPORT

To the members of Lotte Chemical Pakistan Limited

Report on the Audit of 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 2021, and the statement of profit or loss, the statement of 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, the statement of profit or loss, the statement of 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 2021 and of the profit, the 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 judgement, 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:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	**Revenue Recognition**	
	Refer notes 3.15 and 27 to the financial statements. The Company's revenue for the year ended 31 December 2021 was Rs. 67.16 billion. The Company's revenue is principally generated from the sale of chemical - PTA, under the contractual arrangements.	Our audit procedures to assess the recognition of revenue included the following: • assessed the design, implementation and operating effectiveness of the key internal controls over the Company's systems which govern the revenue recognition;

S. No.	Key audit matters	How the matter was addressed in our audit
	Revenue is recognized at the point in time when the control of the goods is transferred to the customer i.e. when goods are dispatched. Accordingly, there is a risk that revenue is recognized before the control of the goods have passed to the customers. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company and therefore there is an inherent risk that revenue may not have been recognized in the appropriate period or may have been subject to manipulation in order to achieve financial targets and expectations.	• inspected sales contracts with customers to understand and assess the terms and conditions therein which may affect the recognition of revenue; • compared revenue transactions recorded during the current year, on a sample basis, with invoices, sales contracts and goods delivery notes to assess whether the related revenue was recognized in accordance with the Company's revenue recognition accounting policies; • compared on a sample basis, revenue transactions recorded just before and after the year end with the underlying goods delivery notes and other relevant documents to assess whether the revenue had been recognized in the appropriate accounting period; and • assessed the adequacy of the related disclosures in the notes to the financial statements in accordance with the requirement of IFRS 15.
2.	**Valuation of Stock-in-trade**	
	Refer notes 3.5 and 11 to the financial statements. The Company's stock-in-trade as at 31 December 2021 was Rs. 5.85 billion. Stock-in-trade comprised of raw materials and finished goods amounting to Rs. 4.49 billion and Rs. 1.36 billion respectively, which are stated at lower of cost and estimated net realizable value. We identified the valuation of stock-in-trade as a key audit matter because stock-in-trade is material to the Company's financial statements and determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost involves significant management judgement and estimation.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • obtained an understanding of and assessed the design and implementation of management's controls designed to identify the net realizable value of inventories; • attended management's inventory count and observed the process at material inventory locations, including the process implemented by management to identify and monitor obsolete inventories; • obtained an understanding of and tested the management's determination of NRV and the key estimates adopted, including future selling prices and costs necessary to make the sales, their basis of calculation, justification for the amount of the write-downs and provisions; and • assessed the adequacy of the related disclosures in the notes to the financial statements.

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 Company's 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 are 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:

- 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, the statement of 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 **Amyn Malik.**

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: 23 February 2022
Karachi
UDIN: AR2021100963STEFgeaA

Statement of Financial Position
As at 31 December 2021

Amounts in Rs '000

	Note	2021	2020
Assets			
Non-current assets			
Property, plant and equipment	4	**6,042,602**	4,990,862
Intangible assets	5	**2,615**	20
Right-of-use assets	6	**1,217,305**	1,448,323
Long-term loans	7	**124,336**	125,302
Long-term prepayments	8	**662**	1,222
Deferred taxation - net	9	**931,370**	778,519
		8,318,890	7,344,248
Current assets			
Stores and spare parts	10	**1,244,627**	965,528
Stock-in-trade	11	**5,848,592**	4,298,785
Trade debts	12	**4,511,528**	2,998,642
Loans and advances	13	**50,616**	42,833
Trade deposits and short-term prepayments	14	**80,178**	99,098
Interest accrued	15	**45,954**	120,908
Other receivables	16	**721,706**	12,277
Short-term investments - at amortised cost	17	**15,259,350**	14,999,418
Sales tax refunds due from government	18	**330,918**	362,923
Taxation - net	19	**14,490**	215,885
Cash and bank balances	20	**46,323**	35,588
		28,154,282	24,151,885
Total assets		**36,473,172**	31,496,133

Amounts in Rs '000

	Note	2021	2020
Equity and liabilities			
Share capital and reserves			
Issued, subscribed and paid up capital	21	**15,142,072**	15,142,072
Capital reserve	22	**2,345**	2,345
Revenue reserve - Unappropriated profit		**3,832,102**	2,604,574
Total equity		**18,976,519**	17,748,991
Liabilities			
Non-current liabilities			
Retirement benefit obligations	23	**150,166**	125,787
Provision for Gas Infrastructure and Development Cess (GIDC)	24.2	**-**	1,723,961
Lease liability	6	**1,539,767**	1,582,188
		1,689,933	3,431,936
Current liabilities			
Trade and other payables	24	**15,276,420**	9,863,361
Lease liability	6	**220,118**	177,625
Accrued interest	25	**268,571**	242,930
Unclaimed dividend		**11,014**	10,316
Unpaid dividend	45	**30,597**	20,974
		15,806,720	10,315,206
Total liabilities		**17,496,653**	13,747,142
Contingencies and commitments	26		
Total equity and liabilities		**36,473,172**	31,496,133

The annexed notes 1 to 49 form an integral part of these financial statements.

Sang Hyeon Lee
Chairman

Humair Ijaz
Chief Executive

Ashiq Ali
Chief Financial Officer

Statement of Profit or Loss
For the year ended 31 December 2021

Amounts in Rs '000

	Note	2021	2020
Revenue - net	27	**67,164,965**	38,964,851
Cost of sales	28	**(59,583,590)**	(36,322,627)
Gross profit		**7,581,375**	2,642,224
Distribution and selling expenses	29	**(119,677)**	(107,275)
Administrative and general expenses	30	**(490,989)**	(572,159)
Other operating expenses	31	**(487,502)**	(235,526)
Operating profit		**6,483,207**	1,727,264
Other income	32	**989,844**	1,422,069
Finance costs	33	**(974,044)**	(150,248)
Profit before taxation		**6,499,007**	2,999,085
Taxation	34	**(1,856,097)**	(873,980)
Profit after taxation		**4,642,910**	2,125,105
		Rupees	
Earnings per share - basic and diluted	36	**3.07**	1.40

The annexed notes 1 to 49 form an integral part of these financial statements.

Sang Hyeon Lee
Chairman

Humair Ijaz
Chief Executive

Ashiq Ali
Chief Financial Officer

Statement of Comprehensive Income
For the year ended 31 December 2021

Amounts in Rs '000

	Note	2021	2020
Profit after taxation for the year		**4,642,910**	2,125,105
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement (loss) / gain on defined benefit plans	23	**(11,853)**	19,430
Related deferred tax	9.2	**3,437**	(5,635)
Other comprehensive income for the year		**(8,416)**	13,795
Total comprehensive income for the year		**4,634,494**	2,138,900

The annexed notes 1 to 49 form an integral part of these financial statements.

Sang Hyeon Lee	**Humair Ijaz**	**Ashiq Ali**
Chairman	Chief Executive	Chief Financial Officer

Statement of Changes in Equity
For the year ended 31 December 2021

Amounts in Rs '000

	Share capital	Reserves			
	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit / accumulated losses	Sub-total	Total equity
Balance as at 01 January 2020	15,142,072	2,345	465,674	468,019	15,610,091
Total comprehensive income for the year ended 31 December 2020					
- Profit for the year	-	-	2,125,105	2,125,105	2,125,105
- Other comprehensive income	-	-	13,795	13,795	13,795
	-	-	2,138,900	2,138,900	2,138,900
Balance as at 31 December 2020	**15,142,072**	**2,345**	**2,604,574**	**2,606,919**	**17,748,991**
Total comprehensive income for the year ended 31 December 2021					
- Profit for the year	**-**	**-**	**4,642,910**	**4,642,910**	**4,642,910**
- Other comprehensive loss	**-**	**-**	**(8,416)**	**(8,416)**	**(8,416)**
	-	**-**	**4,634,494**	**4,634,494**	**4,634,494**
Transactions with owners of the Company					
Distributions					
Final dividend for the year ended 31 December 2020 @ Rs 0.75 per share	**-**	**-**	**(1,135,655)**	**(1,135,655)**	**(1,135,655)**
Interim dividend for the year ended 31 December 2021 @ Rs 1.50 per share	**-**	**-**	**(2,271,311)**	**(2,271,311)**	**(2,271,311)**
Balance as at 31 December 2021	**15,142,072**	**2,345**	**3,832,102**	**3,834,447**	**18,976,519**

The annexed notes 1 to 49 form an integral part of these financial statements.

Sang Hyeon Lee
Chairman

Humair Ijaz
Chief Executive

Ashiq Ali
Chief Financial Officer

Statement of Cash Flows
For the year ended 31 December 2021

Amounts in Rs '000

	Note	2021	2020
Cash flows from operating activities			
Cash generated from operations	35	**7,203,313**	5,506,634
Finance costs paid		**(35,793)**	(39,068)
Payments to retirement benefit obligations		**(25,286)**	(27,037)
Long-term loans and advances - net		**966**	(12,220)
Long-term deposits and prepayments - net		**560**	(221)
Taxes paid		**(2,206,634)**	(1,342,198)
Interest received		**1,234,815**	1,100,249
Net cash generated from operating activities		**6,171,941**	5,186,139
Cash flows from investing activities			
Payments for capital expenditure		**(2,314,845)**	(1,327,261)
Proceeds from disposal of property, plant and equipment		**198,279**	3,172
Redemption of short-term investments (net of purchases)		**661,118**	2,844,009
Net cash (used in) / generated from investing activities		**(1,455,448)**	1,519,920
Cash flows from financing activities			
Dividend paid		**(3,396,645)**	(3,633)
Payment of lease liability		**(388,063)**	(385,560)
Net cash used in financing activities		**(3,784,708)**	(389,193)
Net increase in cash and cash equivalents		**931,785**	6,316,866
Cash and cash equivalents at beginning of the year		**14,373,888**	8,057,022
Cash and cash equivalents at end of the year	20.2	**15,305,673**	14,373,888

The annexed notes 1 to 49 form an integral part of these financial statements.

Sang Hyeon Lee Chairman	**Humair Ijaz** Chief Executive	**Ashiq Ali** Chief Financial Officer

Notes to the Financial Statements
For the year ended 31 December 2021

1. Status and nature of business

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

1.3 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 the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Company. All figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

2.4 Key judgments and estimates

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan, requires management to make judgments, estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting polices, management has made the following accounting estimates and judgments which are significant to the financial statements and estimates with a significant risk of material adjustment in future years:

- Useful lives and depreciation rates of property, plant and equipment (notes 3.1 and 4);
- Useful lives and amortization rates of intangible assets (notes 3.2 and 5);
- Right-of-use asset and its related lease liability (notes 3.3 and 6);
- Provision for stores and spare parts and stock-in-trade (notes 3.4, 3.5, 10 and 11);
- Provision for impairment of financial and non-financial assets (notes 3.8.5 and 3.9);
- Provision for Gas Infrastructure Development Cess (notes 3.10 and 24.2);
- Taxation (notes 3.13, 9, 19 and 34);
- Retirement benefits (notes 3.11 and 23); and
- Contingencies (note 26.1).

2.5 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Annual Improvements to IFRS standards 2018-2020.

  The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022 :

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf, when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

    - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

    - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

    - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above standards, interpretations and amendments are not likely to have an impact on the Company's financial statements.

3 Summary of Significant accounting policies

3.1 Property, plant and equipment

Property, plant and equipment are measured 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.

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.

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 property, plant and equipment in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of operating property, plant and equipment when they are available for use.

3.2 Intangible assets

Intangible assets that are acquired by the Company and have finite lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is calculated to charge the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives (refer note 5), and is recognised in profit or loss. Amortisation on additions during the financial year is charged from month in which the asset is put to use, whereas no amortization is charged from the month the asset is disposed off.

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

3.3 Leases (as a lessee)

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

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. At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

i) Right-of-use asset

The Company recognises right-of-use asset (ROU asset) at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

ii) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing source and makes certain adjustments, if needed to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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 cost and net realisable value. Cost is determined using the weighted average method and 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 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 Finance income and finance cost

Finance income or finance cost is recognised using the effective interest rate method which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

In calculating finance income or finance cost, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit impaired subsequent to initial recognition, finance income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of finance income reverts to the gross basis.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, short-term fixed deposits having original maturity up to 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.

3.8 Financial instruments

3.8.1 Recognition and initial measurement

Trade debts and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade debt without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.8.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as: amortised cost, FVOCI - debt investment, FVOCI - equity investment, or FVTPL (if any).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets- Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;`

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets- Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.8.3 Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.8.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.8.5 Impairment on financial assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt instruments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime Expected Credit Losses (ECLs), except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and inducing forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its balance to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is past due on the agreed terms.

The company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 - month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (for a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired ' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

"Based on management assessment, no ECL was required, since the Company's financial assets at amortized cost are generally short-term in nature and held with counterparties with low credit risk."

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.9 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.

3.10 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.

3.11 Staff retirement benefits

3.11.1 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.

When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.11.2 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.

3.11.3 Compensated absences

The Company makes provisions in the financial statements for its liabilities towards compensated absences accumulated by its employees. This liability for employees is estimated on the basis of actuarial valuation.

3.12 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.

3.13 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.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. 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; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.14 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in statement of profit or loss and presented within finance cost.

3.15 Revenue from contracts with customers

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.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Standard products - Sale of goods	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at the point in time. The Company provides discounts and volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract.	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 dispatched and invoice is raised. 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 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.

3.16 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.

3.17 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose results are regularly reviewed by the segment to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The segment information is not generated by the Company and the Chief Executive reviews the Company as a single entity. Hence, segment disclosures are not included in these financial statements.

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 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosure require the measurement of fair values, for both financial and non-financial assets and liabilities (Refer note 43).

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidence neither by a quoted price in an active market for an identical asset or liability not based to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed.

Amounts in Rs '000

4	Property, plant and equipment	Note	2021	2020
	Operating property, plant and equipment	4.1	**5,608,683**	4,562,599
	Capital work-in-progress	4.2	**433,919**	428,263
			6,042,602	4,990,862

4.1 Operating property, plant and equipment

The following is a statement of property, plant and equipment:

	Leasehold land	Buildings on leasehold land	Plant and machinery	Motor vehicles	Furniture and equipment	Total
31 December 2021						
Net carrying value basis						
Opening net book value (NBV)	**39,119**	**55,096**	**4,437,355**	**716**	**30,313**	**4,562,599**
Additions* (at cost)	**-**	**2,003**	**2,246,894**	**440**	**57,052**	**2,306,389**
Disposal / written off (at NBV)	**-**	**-**	**(154,088)**	**-**	**-**	**(154,088)**
Depreciation charge - note 28	**(1,422)**	**(5,064)**	**(1,072,570)**	**(223)**	**(26,938)**	**(1,106,217)**
Closing net book value (NBV)	**37,697**	**52,035**	**5,457,591**	**933**	**60,427**	**5,608,683**
Gross carrying value basis						
Cost	**90,278**	**1,012,134**	**35,451,545**	**51,460**	**257,905**	**36,863,322**
Accumulated depreciation	**(52,581)**	**(758,388)**	**(28,735,840)**	**(50,527)**	**(197,478)**	**(29,794,814)**
Accumulated impairment losses	**-**	**(201,711)**	**(1,258,114)**	**-**	**-**	**(1,459,825)**
Net book value (NBV)	**37,697**	**52,035**	**5,457,591**	**933**	**60,427**	**5,608,683**
31 December 2020						
Net carrying value basis						
Opening net book value (NBV)	40,541	54,491	4,190,529	-	39,018	4,324,579
Additions* (at cost)	-	5,230	1,259,955	781	7,952	1,273,918
Disposal / written off (at NBV)	-	-	-	-	(375)	(375)
Depreciation charge - note 28	(1,422)	(4,625)	(1,013,129)	(65)	(16,282)	(1,035,523)
Closing net book value (NBV)	39,119	55,096	4,437,355	716	30,313	4,562,599
Gross carrying value basis						
Cost	90,278	1,010,131	33,832,815	53,005	220,114	35,206,343
Accumulated depreciation	(51,159)	(753,324)	(28,137,346)	(52,289)	(189,801)	(29,183,919)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	(1,459,825)
Net book value (NBV)	39,119	55,096	4,437,355	716	30,313	4,562,599
Depreciation % per annum	2	3 - 25	4 - 50	25	10 - 50	

* Included herein assets of Rs 2,249.5 million (2020: Rs 1,265.18 million) transferred from capital work-in-progress (note 4.2.1).

4.1.1 Particulars of immovable operating property, plant and equipment

The details of immovable operating property, plant and equipment i.e. leasehold land and buildings on leasehold land of the Company are as follows:

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

Amounts in Rs '000

4.1.2 The cost of fully depreciated assets of the Company are as follows:

	Leasehold land	Buildings on leasehold land	Plant and machinery	Motor vehicles	Furniture and equipment	Total
As at 31 December 2021	**-**	**561,681**	**5,589,616**	**50,675**	**106,804**	**6,308,776**
As at 31 December 2020	-	561,681	5,539,763	52,224	121,360	6,275,028

4.1.3 The operating property, plant and equipment disposed off during the year include items having book value exceeding Rs 500,000 or more is as follows.:

Description	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers / others	Relationship with Purchaser
GTG Engine	628,164	474,076	154,088	195,712	Trade-in	GE International	None

4.1.4 **Useful life of property, plant and equipment**

During September 2021, the remaining useful lives of the Company's plant and machinery were reviewed by an independent evaluator, Joseph Lobo (Pvt) Ltd, Pakistan. The previous and revised remaining useful life is as under:

	Average remaining useful life (years)	
	Previously estimated	Revised as at 01 October 2021
Plant and machinery	5	9.7

The effect of these changes on depreciation charge, in cost of sales, in current and future period is as follows:

	2021 (Current)	2022	2023	2024	2025	Till September 2026	From October 01, 2026 and onwards
	-----Amounts in Rs million-----						
(Decrease) / Increase in depreciation charge	(103)	(413)	(413)	(413)	(413)	(310)	878
Decrease / (Increase) in tax expense	30	120	120	120	120	90	(255)
Increase / (Decrease) effect on profit	73	293	293	293	293	220	(624)

Amounts in Rs '000

		Note	2021	2020
4.2	**Capital work-in-progress**			
	Civil works and buildings		**76**	21,999
	Plant and machinery		**429,571**	349,130
	Other equipment		**1,468**	22,144
	Advances to suppliers		**2,804**	34,990
		4.2.1	**433,919**	428,263
4.2.1	**Capital work-in-progress - movement**			
	Opening balance		**428,263**	374,920
	Capital expenditure		**2,255,160**	1,318,527
	Transferred to operating property, plant and equipment	4.1	**(2,249,504)**	(1,265,184)
	Closing balance		**433,919**	428,263

5 Intangible assets - softwares & licenses

		Note	2021	2020
5.1	**Net carrying value basis**			
	Opening net book value		**20**	374
	Additions during the year		**2,800**	-
	Amortisation charge	28	**(205)**	(354)
	Closing net book value		**2,615**	20
5.2	**Gross carrying value basis**			
	Cost		**218,849**	216,049
	Accumulated amortisation		**(216,234)**	(216,029)
	Net book value		**2,615**	20
	Amortisation % per annum		**20**	20

5.3 The cost of fully amortised assets of the Company amounted to Rs 216 million (2020: Rs 216 million).

6 Right-of-use assets and Lease liability (IFRS 16)

The Company leases its office premises and storage capacity at Engro Vopak Terminal. The leases provide the Company with the option to extend the lease term. Lease payments are renegotiated after every lease term to reflect prevailing market rentals.

		Note	2021	2020
6.1	**Net carrying value basis**			
	Balance as at 1 January		**1,448,323**	1,679,341
	Depreciation charge	6.3	**(231,018)**	(231,018)
	Balance as at 31 December	6.2	**1,217,305**	1,448,323

Amounts in Rs '000

		Note	2021	2020
6.2	**Gross carrying value basis**			
	Cost		**1,910,359**	1,910,359
	Accumulated depreciation		**(693,054)**	(462,036)
	Net book value		**1,217,305**	1,448,323
	Depreciation - Life in years		**3.5 - 9**	3.5 - 9
6.3	Depreciation charge has been allocated as follows:			
	Cost of sales	28	**200,326**	200,326
	Administrative and general expenses	30	**30,692**	30,692
			231,018	231,018
6.4	**Lease liability**			
	Balance as at 01 January		**1,759,813**	1,858,893
	Interest on lease liability	33	**205,911**	223,118
	Payments made during the year		**(388,063)**	(385,560)
	Re-measurement of lease liability - exchange loss		**182,224**	63,362
	Balance as at 31 December	6.5	**1,759,885**	1,759,813

6.5 The amount of future lease payments and the period in which these become due are as follows:

	2021			2020		
	Future minimum lease payments	**Interest expense on lease liability**	**Present value of minimum lease payments**	Future minimum lease payments	Interest expense on lease liability	Present value of minimum lease payments
Not later than one year	**420,921**	**200,803**	**220,118**	378,420	200,795	177,625
Later than one year but not later than five years	**2,104,604**	**564,837**	**1,539,767**	1,892,100	649,576	1,242,524
Later than five years	**-**	**-**	**-**	378,420	38,756	339,664
	2,525,525	**765,640**	**1,759,885**	2,648,940	889,127	1,759,813

7 **Long-term loans** ***- considered good***

	Note	**2021**				2020
		Motor car and Personal assistance loan	**House building assistance**	**Others**	**Total**	Total
Due from executives	7.1	**34,603**	**34,175**	**67**	**68,845**	72,688
Less: receivable within one year	13	**(5,181)**	**(13,097)**	**(67)**	**(18,345)**	(18,491)
		29,422	**21,078**	**-**	**50,500**	54,197
Due from employees		**84,117**	**2,730**	**-**	**86,847**	83,727
Less: receivable within one year	13	**(12,071)**	**(940)**	**-**	**(13,011)**	(12,622)
		72,046	**1,790**	**-**	**73,836**	71,105
		101,468	**22,868**	**-**	**124,336**	125,302

Amounts in Rs '000

7.1 Reconciliation of carrying amount of loans to executives

	Note	2021	2020
Balance as at 1 January		**72,688**	71,358
Disbursement	7.3	**18,449**	19,655
Repayments	7.3	**(22,292)**	(18,325)
Balance at 31 December	7.3	**68,845**	72,688

7.2 Loans for personal assistance, motor cars and house building assistance are repayable between two to ten years in equal monthly installments. 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.

7.3 In 2019, The Company had 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 4.2 million has been repaid in the current year and Rs 9.8 million is outstanding as of reporting date.

7.4 The maximum aggregate amount of loans due from executives at the end of any month during the year was Rs 72.87 million (2020: Rs 82.96 million).

8 Long-term prepayments	Note	2021	2020
Prepayments		**662**	1,222

9 Deferred taxation - net

9.1 Deferred tax comprises of:

	Note	2021	2020
Taxable temporary difference arising in respect of property, plant and equipment		**(431,776)**	(469,850)
Deductible temporary difference arising in respect of:			
- Right-of-use assets (net)		**154,252**	105,311
- Provisions for:			
- sales tax refundable		**42,993**	42,993
- retirement benefit obligations		**27,988**	28,775
- unrealised exchange loss		**24,829**	-
- slow moving, obsolete and rejected items of stores and spare parts		**-**	1,191
- salaries and leave encashment		**-**	7,124
- Gas Infrastructure Development Cess and Sindh Infrastructure Development Cess		**1,113,084**	1,062,975
		1,363,146	1,248,369
	9.2	**931,370**	778,519

Amounts in Rs '000

9.2 Analysis of change in deferred tax

(Taxable) / deductible temporary differences	2020				**2021**			
	Balance at 01 January	Recognized in profit or loss (Note 34)	Recognized in OCI	Balance at 31 December	**Balance at 01 January**	**Recognized in profit or loss (Note 34)**	**Recognized in OCI**	**Balance at 31 December**
- Property, plant and equipment	(531,521)	61,671	-	(469,850)	**(469,850)**	**38,074**	**-**	**(431,776)**
- Right-of-use assets (net)	77,036	28,275	-	105,311	**105,311**	**48,941**	**-**	**154,252**
- Provision for sales tax refundable	42,993	-	-	42,993	**42,993**	**-**	**-**	**42,993**
- Provision for retirement benefit obligations	26,739	7,671	(5,635)	28,775	**28,775**	**(4,224)**	**3,437**	**27,988**
- Provision for unrealised exchange loss	-	-	-	-	**-**	**24,829**	**-**	**24,829**
- Provision for slow moving, obsolete and rejected items of stores and spare parts	1,452	(261)	-	1,191	**1,191**	**(1,191)**	**-**	**-**
- Provision for salaries & leave encashment	-	7,124	-	7,124	**7,124**	**(7,124)**	**-**	**-**
- Provision for Gas Infrastructure Development Cess and Sindh Infrastructure Development Cess claim	1,046,964	16,011	-	1,062,975	**1,062,975**	**50,109**	**-**	**1,113,084**
	663,663	120,491	(5,635)	778,519	**778,519**	**149,414**	**3,437**	**931,370**

10 Stores and spare parts

	Note	**2021**	2020
Stores		**148,513**	106,271
Spare parts		**1,096,114**	863,580
		1,244,627	969,851
Provision for slow moving, obsolete, and rejected items	10.1	**-**	(4,323)
		1,244,627	965,528

10.1 Provision for slow moving, obsolete and rejected items

	Note	**2021**	2020
Provision at 1 January		**4,323**	5,269
Charge for the year		**-**	4,323
Reversal of provision	10.2	**(1,502)**	(1,521)
		2,821	8,071
Write-offs		**(2,821)**	(3,748)
Provision at 31 December		**-**	4,323

10.2 These were written off during the year.

Amounts in Rs '000

11	**Stock-in-trade**	**2021**	2020
	Raw and packing materials [including in-transit Rs 664.6 million (2020: Rs 1,285.9 million)]	**4,489,456**	3,644,232
	Finished goods		
	- Manufactured goods	**899,009**	506,676
	- Trading goods [including in-transit Rs 412.8 million (2020: Rs 141.4 million)]	**460,127**	147,877
		1,359,136	654,553
		5,848,592	4,298,785

11.1	Cost of stock-in-trade held with the third parties include the following:		
	Paraxylene and Acetic acid held for consumption		
	- Engro Vopak Terminal Limited	**2,569,381**	1,512,583
	Acetic acid held for trading		
	- Chempro Pakistan (Private) Limited	**8,589**	2,074
	- Engro Vopak Terminal Limited	**38,753**	4,387
		47,342	6,461
	Cobalt held for consumption		
	- Chempro Pakistan (Private) Limited	**115,496**	59,409
		2,732,219	1,578,453

12 Trade debts

12.1 All of the Company's trade debts are secured by letters of credit of 30 to 90 days issued by various banks except for receivable from K-Electric against the sale of electricity.

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

13	**Loans and advances -** *considered good*	Note	**2021**	2020
	Loans due from:			
	- Executives	7	**18,345**	18,491
	- Employees	7	**13,011**	12,622
			31,356	31,113
	Advances to:			
	- Executives		**8,838**	9,285
	- Employees		**1,070**	1,789
	- Employees against expenses		**-**	646
	- Contractors and suppliers		**9,352**	-
			19,260	11,720
			50,616	42,833

13.1 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs 8.88 million (2020: Rs 9.28 million).

Amounts in Rs '000

13.2 All of the above loans and advances are secured against retirement benefit funds, except for advances to contractors and suppliers and advances to employees against expenses.

14	**Trade deposits and short-term prepayments**	Note	**2021**	2020
	Trade deposits			
	Deposits - unsecured and considered good	14.1	**45,096**	42,435
	Margin on import letters of credit		**2,285**	14,860
			47,381	57,295
	Short-term prepayments		**32,797**	41,803
			80,178	99,098

14.1 These include Rs 14.42 million (2020: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2020: Rs 24.27 million) paid to K-Electric Limited.

15	**Interest accrued**	Note	**2021**	2020
	Term deposits receipts	17.1	**45,954**	120,908

16	**Other receivables** - ***considered good***			
	Rebates receivable - net	16.1	**682,125**	-
	Insurance claims - net		**36,485**	8,276
	Others		**3,096**	4,001
			721,706	12,277

16.1 This represented amount receivable from suppliers on account of price and exchange rate differentials in respect of paraxylene and acetic acid settlements. The same is payable in the prior year and is disclosed in the note 24.

17	**Short-term investments - at amortised cost**	Note	**2021**	2020
	Term Deposit Receipts	17.1	**15,259,350**	14,338,300
	Treasury Bills		**-**	661,118
			15,259,350	14,999,418

17.1 The interest rates on term deposits ranged from 5.8% to 13.5% (2020: 6% to 14%) per annum and had original maturities of less than three months.

18	**Sales tax refunds due from government**	Note	**2021**	2020
	Sales tax refundable	18.1	**486,971**	518,976
	Provision for impairment	18.2	**(156,053)**	(156,053)
			330,918	362,923

Amounts in Rs '000

18.1 This includes Rs 27.65 million (2020: Rs 27.65 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. In the prior year, the Company had received a refund of Rs 46.04 million from FBR, hence no provision has been recognised in the current period.

18.2 Reconciliation of provision for impairment	Note	**2021**	2020
Balance as at 1 January		**156,053**	156,053
Provision for the year		**-**	-
Balance as at 31 December		**156,053**	156,053

19 Taxation - net

Advance income tax		**2,339,122**	1,539,214
Corporate taxes payable		**(2,324,632)**	(1,323,329)
		14,490	215,885

20 Cash and bank balances

Cash in hand		**61**	387
With banks in local currency:			
Current accounts		**42,123**	32,204
Saving account	20.1	**4,139**	2,997
		46,262	35,201
		46,323	35,588

20.1 These carry interest at 5.5% to 7.25% per annum (31 December 2020: 5.5% to 11.25% per annum).

20.2 Cash and cash equivalents	Note	**2021**	2020
Cash and bank balances		**46,323**	35,588
TDRs with banks having maturity less than three months	17	**15,259,350**	14,338,300
		15,305,673	14,373,888

Amounts in Rs '000

		Note	2021	2020
21	**Share capital**			
21.1	**Authorised share capital**			
	Authorised capital 2,000,000,000 ordinary shares of Rs 10 each		**20,000,000**	20,000,000
21.2	**Issued, subscribed and paid up capital**			
	504,735,636 ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash	21.3	**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
		21.5	**15,142,072**	15,142,072

21.3 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 Honorable High Court of Sindh, in consideration for ordinary shares of the Company.

21.4 Lotte Chemical Corporation, South Korea holds 1,135,860,105 ordinary shares of Rs 10 each representing 75.01% shareholding of the Company.

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

21.6 Each nominee director hold one share and no dividends were paid during the year.

22 Capital reserve

Capital reserve represent the amount received from various overseas companies of AkzoNobel Group (then group companies), for purchase of property, plant and equipment. The remitting companies have no claim to their repayments.

23 Retirement benefit obligations

23.1 Staff retirement benefits

23.1.1 As stated in note 3.11.1 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 2021.

23.1.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 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.

Amounts in Rs '000

23.1.3 Valuation Results

The latest actuarial valuations of the Fund as at 31 December 2021 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

	Note	2021			2020		
		Funded Gratuity	**Unfunded Medical**	**Total**	Funded Gratuity	Unfunded Medical	Total
23.1.4 Statement of financial position							
Present value of defined benefit obligation at 31 December	23.1.5	**(448,952)**	**(101,590)**	**(550,542)**	(386,389)	(104,448)	(490,837)
Fair value of plan assets at 31 December	23.1.6	**400,376**	**-**	**400,376**	365,050	-	365,050
		(48,576)	**(101,590)**	**(150,166)**	(21,339)	(104,448)	(125,787)
23.1.5 Movement in the present value of defined benefit obligations							
Balances as at 1 January		**386,389**	**104,448**	**490,837**	344,734	97,055	441,789
Benefits paid by the plan		**(15,134)**	**(1,849)**	**(16,983)**	(6,475)	(1,232)	(7,707)
Current service costs		**22,684**	**3,814**	**26,498**	20,478	3,412	23,890
Interest cost		**37,882**	**10,352**	**48,234**	41,833	11,814	53,647
Remeasurement (gain) / loss		**17,131**	**(15,175)**	**1,956**	(14,181)	(6,601)	(20,782)
Balance as at 31 December		**448,952**	**101,590**	**550,542**	386,389	104,448	490,837
23.1.6 Movement in the fair value of plan assets							
Fair value of plan assets at 1 January		**365,050**	**-**	**365,050**	308,141	-	308,141
Contributions paid into the plan		**23,437**	**-**	**23,437**	25,805	-	25,805
Benefits paid by the plan		**(15,134)**	**-**	**(15,134)**	(6,475)	-	(6,475)
Interest income		**36,920**	**-**	**36,920**	38,931	-	38,931
Remeasurement (loss) / gain		**(9,897)**	**-**	**(9,897)**	(1,352)	-	(1,352)
Fair value of plan assets at 31 December		**400,376**	**-**	**400,376**	365,050	-	365,050
23.1.7 Expense recognised in Statement of profit or loss							
Current service costs		**22,684**	**3,814**	**26,498**	20,478	3,412	23,890
Net interest cost		**962**	**10,352**	**11,314**	2,902	11,814	14,716
Expense recognised in Statement of profit or loss		**23,646**	**14,166**	**37,812**	23,380	15,226	38,606
23.1.8 Remeasurement (gain) / loss recognised in Statement of comprehensive income							
Experience (gain) / loss		**17,131**	**(15,175)**	**1,956**	(14,181)	(6,601)	(20,782)
Remeasurement of fair value of plan assets		**9,897**	**-**	**9,897**	1,352	-	1,352
Remeasurement (gain) / loss		**27,028**	**(15,175)**	**11,853**	(12,829)	(6,601)	(19,430)

Amounts in Rs '000

	Note	2021			2020		
		Funded Gratuity	**Unfunded Medical**	**Total**	Funded Gratuity	Unfunded Medical	Total
23.1.9 Net recognised liability							
Net liability at beginning of the year		**21,339**	**104,448**	**125,787**	36,593	97,055	133,648
Charge for the year	23.1.7	**23,646**	**14,166**	**37,812**	23,380	15,226	38,606
Contribution made during the year to the fund		**(23,437)**	**(1,849)**	**(25,286)**	(25,805)	(1,232)	(27,037)
Remeasurement (gain) / loss recognised in Statement of comprehensive income	23.1.8	**27,028**	**(15,175)**	**11,853**	(12,829)	(6,601)	(19,430)
Net liability at end of the year		**48,576**	**101,590**	**150,166**	21,339	104,448	125,787
23.1.10 Principal Actuarial assumptions used							
Discount rate at 31 December		**11.50%**	**11.50%**		10.00%	10.00%	
Future salary increases		**9.50%**	**-**		8.00%	-	
Medical cost trend rate		**-**	**6.00%**		-	4.50%	

23.1.11 Plan assets comprise of following

	2021 (Un-audited)	2020
31 December		
Government bonds	**151,260**	132,961
Term Finance Certificates	**168,455**	154,353
Shares of listed companies	**78,492**	67,745
Term deposits	**2,169**	9,991
Total as at 31 December	**400,376**	365,050

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

23.1.13 Funding

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 2021 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.

23.1.14 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.

Amounts in Rs '000

The Company's contribution to the gratuity funds in 2022 is expected to be Rs 32.22 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.

23.1.15 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.

23.2 Sensitivity analysis / risk 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%	(39,883)	45,880
Future salary increases	1%	30,811	(28,019)
Medical cost trend	1%	16,080	(13,279)

If longevity increases by 1 year, obligation increases by Rs 0.79 million.

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.

Amounts in Rs '000

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

23.3 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.

23.4 The Company's contributions towards the provident fund and defined contribution superannuation fund for the year ended 31 December 2021 amounted to Rs 35.15 million (2020: Rs 31.86 million) and Rs 28.72 million (2020: Rs 26.25 million) respectively.

23.5 The weighted average duration of the defined benefit obligations is 8.9 years.

Maturity analysis

Expected maturity analysis of undiscounted retirement benefit plans.

At 31 December 2021	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefit plans	**10,959**	**71,125**	**150,625**	**524,592**	**757,301**

24 Trade and other payables	Note	**2021**	2020
Trade creditors including bills payable		**7,594,274**	4,758,150
Accrued expenses		**812,682**	771,006
Contract liabilities - advances from customers		**25,063**	21,114
Withholding tax payable		**2,536**	2,528
Infrastructure Cess	24.1	**3,364,687**	2,901,748
Current portion of provision for GIDC	24.2	**3,113,744**	1,142,213
Workers' Profit Participation Fund	24.3	**39,290**	22,829
Workers' Welfare Fund	24.5	**156,489**	87,939
Retention money		**19,817**	626
Others	24.4	**147,838**	155,208
		15,276,420	9,863,361

24.1 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 up to 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.

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 up to 27 December 2006 have been cancelled and returned to the Company.

Amounts in Rs '000

In the year 2019, 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 Honorable SHC granted interim arrangement in line with its order dated 02 June 2011 in this case as well.

In the current year, the appeal filed by the Company at Sindh High Court in respect of Development and Maintenance of Infrastructure Cess was dismissed by the Sindh High Court on 04 June 2021 in favor of the Government of Sindh. An appeal has been filed in the Honorable Supreme Court of Pakistan on 28 July 2021. Leave to appeal and stay order was granted by the Honorable Supreme Court of Pakistan on 01 September 2021. As a matter of abundant caution, full amount of provision has been made in this financial statements in this respect.

	2021	2020
Balance as at 1 January	**2,901,748**	2,708,976
Charge for the year	**462,939**	192,772
Balance as at 31 December	**3,364,687**	2,901,748

24.2 As per the Gas Infrastructure and Development Cess Act, 2011 ('the Act'), certain companies as specified in the Act including Sui Southern Gas Company ('SSGC') shall collect Gas Infrastructure and Development Cess ('GIDC') from sectors. As per the second schedule of the Act, GIDC of Rs. 13 per MMBTU was applicable on the Company. Subsequently, through Finance Bill 2012 – 2013, an amendment was made to the Act, whereby the rate of GIDC applicable on the Company was increased to Rs. 100 per MMBTU. On 16 August 2014, the Company filed a suit bearing number 1282 of 2014 wherein it impugned the Act on the ground that the rate of GIDC has been enhanced without any lawful justification and authority. The Honorable High Court of Sindh vide its ad-interim order dated 18 August 2012 has restrained SSGC from charging GIDC beyond Rs. 13 per .MMBTU. As a result, SSGC invoiced GIDC to the Company at Rs. 13 per MMBTU till the month of July 2014, which has been recorded and paid.

Further, Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction therefore under the constitution, hence, are declared as such and set at naught. The judgment was referred in the Supreme Court of Pakistan which vide its order dated 22 August 2014 has upheld the decision of the Peshawar High Court stating that the GIDC Act, 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

In order to circumvent the decision of the Supreme Court, the Federal Government promulgated GIDC Ordinance No. VI of 2014, imposing GIDC at Rs.150 per MMBTU. Furthermore, the GIDC Act, 2015, was promulgated and also made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014 whereby cess rate of Rs. 100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumers, respectively. The Company again filed a suit on the plea that the Honorable Supreme Court has already held that GIDC or any fee on gas is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and thus the Federal Government has no powers to impose GIDC. Further, no amount in relation to GIDC was billed by SSGC from the month of August 2014 till July 2020.

Amounts in Rs '000

In the prior year, Supreme Court of Pakistan (SCP) vide its judgment dated 13 August 2020 dismissed all the previous appeals filed by various industrial and commercial entities with respect to the legality and validity of levy and demand of GIDC and decided the case against the industry. Further, on 6th November 2020, the SCP dismissed all the review petitions with a relief for payment of GIDC in 48 installments and applicability of section 8(2) of the GIDC Act, 2015. During the year SSGC has revised the billing based on 24 monthly installments in line with the notification issued by the Ministry of Energy based on legal grounds.

In view of the above judgment of Supreme Court of Pakistan, the Company again filed a suit in the High Court of Sindh for allowing benefit of provision 8(2) of the GIDC Act, 2015, which is related to the government waiving its right to collect GIDC for the period from 2011 to 2015 from industries where the same was not passed on through supply chain. While the appeal of the Company is pending in the High Court of Sindh, the Company has recognised provision of Rs. 2,866 million till 31 July 2020. During the year, the provision has been remeasured over 24 installments.

The movement of balance is as follows:

	Note	**2021**	2020
Balance as at 1 January		**2,866,174**	2,904,230
Charge for the year		**-**	209,514
Unwinding / (Discounting) of GIDC provision	32	**247,570**	(247,570)
Balance as at 31 December		**3,113,744**	2,866,174
Non-current portion of provision for GIDC		**-**	1,723,961
Current portion of provision for GIDC		**3,113,744**	1,142,213
		3,113,744	2,866,174

24.3 Reconciliation of Workers' Profit Participation Fund

	Note	**2021**	2020
Balance as at 1 January		**22,829**	18,290
Allocation for the year	31	**348,191**	162,702
Interest on funds utilised	33	**116**	26
Amount paid to the Fund		**(331,846)**	(158,189)
Balance as at 31 December		**39,290**	22,829

24.4 This includes stale cheques amounting to Rs 140.78 million (2020: Rs 142.99 million).

24.5 Reconciliation of Workers' Welfare Fund

	Note	**2021**	2020
Balance as at 1 January		**87,939**	183,067
Allocation for the year	31	**139,311**	72,824
Amount paid to the Fund		**(70,761)**	(167,952)
Balance as at 31 December		**156,489**	87,939

25 Accrued interest

	Note	**2021**	2020
Interest payable on long-term loans	25.1	**268,571**	242,930

Amounts in Rs '000

25.1 This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (2020: 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.

26 Contingencies and commitments

26.1 Contingencies

26.1.1 Income tax matters

Tax year 2013-2014

On 15 February 2021, an Assessment Order was passed for tax year 2014, whereby an amount of Rs. 31.4 million pertaining to unrealized losses was disallowed. The Company has filed an appeal which was decided in favor of the Company by Commissioner Inland Revenue (Appeals) [CIR(A)] vide its Order dated 10 November 2015. However, the tax department has filed an appeal against the Appellate Order before the Tribunal who vide its Order dated 15 February 2021 has remanded back the matter to the CIR(A) for readjudication of the proceedings which are pending. On 10 January 2022 and 7 January 2022 latest orders were issued in respect of tax year 2013 and tax year 2014. Refund and its adjustment were determined against the advance tax due for the tax year 2023 amounting to Rs 41 million and Rs 30 million respectively.

Tax year 2015 - Lotte Powergen

In the year 2020, the return for the year ended 31 December 2014 (tax year 2015) was amended after completion of audit proceedings through Order dated 27 November 2020 under section 122(1) of the Ordinance. In that order, the brought forward depreciation losses of Rs 1,717 million relating to the amalgamated entity Lotte Powergen (Pvt) Limited were disallowed against which the Company has preferred an appeal before the CIR(A). The consequential liability if any would be around Rs. 515 million.

Tax years 2002-03 to 2012 and 2016 to 2020

On 29 April 2021, Assessment Orders were passed in respect of Tax years 2016 to 2020 which created additional tax liability of Rs. 1.71 billion and consequently tax refundable of Rs. 0.75 billion was converted to a tax liability of Rs. 0.96 billion.

On 14 December 2021, Appeal Order effects for tax years 2002-03 to 2012 was received in favour of the Company creating a net refundable of Rs. 363 million. The significant matters were similar in all the Orders which includes allowance of exchange losses and related effects of WWF. Both the additional liability and the refunds were not recognised as the Company is currently reviewing its tax position and filed appeals against the additional demand for tax years 2016 to 2020.

Details of the demand raised and major issues for tax years 2016 to 2020 are as follows:

Tax year 2016: Tax refundable of Rs. 369 million was reduced to Rs. 204.7 million as the amount of Rs. 164 million has been adjusted by the tax department. However, Tax Order was raised mainly on account of consequential effect of disallowance of unabsorbed tax depreciation and apportionment of expenditures.

Amounts in Rs '000

Tax year 2017: Tax refundable of Rs. 15 million has been substituted by a tax liability of Rs. 23.6 million mainly on account of levy of super tax.

Tax Year 2018: Tax refundable of Rs. 241 million was substituted by a tax liability of Rs. 516 million mainly by disallowing unabsorbed tax depreciation Rs. 420 million, WPPF/WWF Rs. 24 million and levy of Super tax Rs. 95 million .

Tax Year 2019: Tax refundable of Rs. 113 million was substituted by a tax liability of Rs. 634 million mainly on account of short adjustment of minimum turnover tax non-filing of Rs. 467 million, disallowance of WPPF/WWF expense Rs. 107.7 million and a levy of super tax charge amounting to Rs. 138.8 million.

Tax Year 2020: Tax refundable of Rs. 14 million was substituted by a tax liability of Rs. 150 million mainly by disallowing expenses on account of WPPF/WWF and apportionment of expenses.

The Company has filed appeals for tax years 2014-2020, before the Commissioner Inland Revenue (Appeals) [CIR(A)] in respect of the aforementioned Orders which are pending adjudication. The Company along with its tax advisor, is confident that decisions will be in favor of the Company and hence, no provision has been recognized in these financial statements.

Undistributed profits

In 2017, the Company has filed suit against under section 5A i.e. tax on undistributed profits of the Income Tax Ordinance 2001, implemented through Finance Act 2017 which is pending in the High Court of Sindh. On 30 April 2021, the High Court of Sindh has passed the order in favor of tax payers. no appeal has been filled in the Honorable Supreme Court of Pakistan by the department. The Company also challenged the judgment passed by the Honorable High Court of Sindh with regard to the imposition of Super Tax vide Section 4B of the Income Tax Ordinance, 2001 for Tax Year 2019. The Honorable Supreme Court has granted an interim order and the said interim order is operating.

Monitoring of withholding taxes

In respect of tax years 2017, 2018 and 2019, tax authorities issued withholding tax monitoring show-cause notices for explanation / information, which were fulfilled and replied by the Company. No future communication or adverse action has been made.

26.1.2 Sales tax / FED

The Company has received show-cause notices in respect of certain tax periods against certain discrepancies in the sales tax returns filed. Replies to the said show cause notices had been made along with supporting evidences but no order has been received yet. Further, the contingency relating to sales tax has been disclosed in note 18.1.

The Deputy Commissioner Inland Revenue (DCIR) passed an Order, whereby sales tax demand of Rs. 153.7 million along with penalty of Rs. 7.7 million has been raised on account of certain discrepancies in the sales tax return filed for tax period 2019. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) [CIR(A)] which was remanded back by the CIR(A) for reconsideration on 18 October 2021. The department has initiated remand back proceedings vide notice dated 16 November 2021 which was responded on 28 December 2021.

In 2008, the company was called for information / explanations on account of FED. A reply to the said show-cause notice had been made along with supporting evidences but no order has been received.

Amounts in Rs '000

26.1.3 Legal matters / cases

K-Electric (KE)

The suit has been filed against K-Electric (KE) for declaration, permanent injunction and specific performance. The dispute arises from the Power Purchase Agreement ("PPA"), dated 29 August 1996. Under the suit, the Company has sought compliance by the KE in respect of the PPA including continuous supply of electricity and permanently restraining KE from taking any coercive actions. A stay application was filed praying for the abovementioned matters with the Honorable High Court. An interim order dated 27 August 2012, was passed by Honorable High Court restraining the KE from taking any coercive action. The matter was last discharged on 04 March 2020, since then no new date has been fixed.

Another case was filed by KE against the Company and Lotte PowerGen (Pvt) Limited (Lotte PowerGen) subsequently amalgamated in the Company, National Electric Power Regularity Authority (NEPRA) and Sui Southern Gas Company Limited (SSGC) for declaration, cancellation, mandatory and permanent injunction. It is alleged the Company has been using KE's power supply as a standby and the power generation license granted by NEPRA is unlawful and should be declared illegal. KE also filed a stay application in the Honorable High Court to restrain the Company from supplying, selling or disbursing electricity. A stay was granted in favor of KE vide order dated 17 June 2014 against which the Company preferred an appeal. Under the appeal, the operation of the Impugned Order was suspended by the Honorable High Court vide order dated 25 June 2014. The case was last heard on 05 November 2018. The case is now fixed for settlement of issues.

Minimum wage

The suit has been filed to challenge the Amendments contained in Act VII of 2016 against enhancement of minimum wage with the plea that the Minimum Wages for Unskilled Workers amendment Act, 2016 does not apply to Province of Sindh in which stay has been granted. The management along with its legal advisor is confident that the suit will be decided in Company's favor. Therefore, no provision has been recognised in these financial statements.

26.2 Commitments and Guarantees

- Commitments for capital expenditure amounted to Rs 34.45 million (2020: Rs 12.42 million).
- Commitments for rentals under Ijarah contracts for vehicles as at 31 December are as follows:

	2021	2020
Not later than 1 year	**27,961**	22,561
Later than 1 year and not later than 5 years	**55,407**	34,469
	83,368	57,030

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

	2021	2020
Not later than 1 year	**541,184**	536,020
Later than 1 year and not later than 5 years	**90,197**	639,686
	631,381	1,175,706

Amounts in Rs '000

- 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.

- Outstanding guarantees of the Company as at 31 December 2021 were Rs 3,944.1 million (2020: Rs 3,232.6 million).

- Letters of credit issued on behalf of the Company as at 31 December 2021 were Rs 2,366.8 million (2020: Rs 2,191.2 million).

27 Revenue - net

	2021				2020			
	Manufactured goods	**Trading goods**	**Sale of electricity**	**Total**	Manufactured goods	Trading goods	Sale of electricity	Total
Local sales	**75,844,658**	**2,952,383**	**1,158,947**	**79,955,988**	46,012,882	970,541	349,316	47,332,739
Less: Sales tax and excise duty	**(11,020,164)**	**(428,979)**	**(168,394)**	**(11,617,537)**	(6,685,632)	(141,029)	(50,755)	(6,877,416)
Price settlements and discounts / rebates	**(1,154,484)**	**(19,002)**	**-**	**(1,173,486)**	(1,476,792)	(13,680)	-	(1,490,472)
	63,670,010	**2,504,402**	**990,553**	**67,164,965**	37,850,458	815,832	298,561	38,964,851

27.1 Four (2020: four) of the Company's customers contributed towards 86% (2020: 91%) of the revenue during the year amounting to Rs 55,037.13 million (2020: Rs 34,319.82 million) and each customer individually exceeded 10% of the revenue.

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

27.3 Included herein revenue recognized of Rs 16.97 million (2020: Rs 5.08 million) from amounts included in contract liabilities (advance from customers).

27.4 The Company has commenced sale of surplus electricity to K-Electric with effect from 30 July 2020, in accordance with NEPRA approval RLNG fuel based tariff.

Amounts in Rs '000

28	Cost of sales	Note	2021	2020
	Manufactured goods			
	Raw and packing materials consumed:			
	Opening stock	11	**3,644,232**	2,411,469
	Purchases		**52,392,935**	30,260,318
	Closing stock	11	**(4,489,456)**	(3,644,232)
			51,547,711	29,027,555
	Salaries, wages and benefits	28.1	**690,183**	608,358
	Stores and spares consumed		**264,247**	235,689
	Rentals under ijarah arrangements	28.2	**13,503**	11,059
	Insurance		**91,724**	64,430
	Oil, gas and electricity		**2,615,825**	2,317,377
	Travelling		**78,425**	65,182
	Depreciation and amortisation	4.1, 5.1 & 6.3	**1,306,748**	1,236,203
	Repairs and maintenance		**375,030**	337,230
	Others		**60,803**	48,104
	Cost of goods manufactured		**57,044,199**	33,951,187
	Opening stock of manufactured goods	11	**506,676**	1,912,025
			57,550,875	35,863,212
	Closing stock of manufactured goods	11	**(899,009)**	(506,676)
	Cost of goods manufactured sold		**56,651,866**	35,356,536
	Trading goods			
	Opening stock	11	**147,877**	158,974
	Purchases		**2,315,533**	683,598
	Closing stock	11	**(460,127)**	(147,877)
	Cost of trading goods sold		**2,003,283**	694,695
	Cost to produce electricity		**928,441**	271,396
			59,583,590	36,322,627

28.1 Salaries, wages and benefits include Rs 43.73 million (2020: Rs 27.45 million) and Rs 41.99 million (2020: Rs 38.02 million) in respect of defined benefit and defined contribution plans respectively.

28.2 The Company has entered into Ijarah Agreement with Askari Bank Limited for acquisition of vehicles. Under the agreement, the term of Ijarah is 5 years and Ujrah payments are payable quarterly in arrears.

Amounts in Rs '000

29	Distribution and selling expenses	Note	2021	2020
	Salaries and benefits	29.1	**78,486**	72,117
	Outward freight and handling		**16,147**	12,849
	Rentals under ijarah arrangements	28.2	**1,891**	1,986
	Repairs and maintenance		**6,071**	5,875
	Travelling		**3,281**	2,267
	Postage and telephone		**1,092**	1,122
	Advertising and sales promotion		**905**	96
	Others		**11,804**	10,963
			119,677	107,275

29.1 Salaries and benefits include Rs 5.83 million (2020: Rs 3.46 million) and Rs 6.21 million (2020: Rs 5.82 million) in respect of defined benefit and defined contribution plans respectively.

30	Administrative and general expenses	Note	2021	2020
	Salaries and benefits	30.1	**237,449**	218,305
	Legal, professional and consultancy		**14,350**	12,051
	Rentals under ijarah arrangements	28.2	**6,825**	6,983
	Travelling		**11,124**	7,846
	Depreciation on ROUA	6.3	**30,692**	30,692
	Repairs and maintenance		**35,358**	32,977
	IT related expenses		**21,244**	19,663
	Security		**28,839**	23,589
	Rent, rates and taxes		**15,005**	13,508
	Publication and subscriptions		**3,464**	3,248
	Postage and telephone		**6,050**	6,242
	Printing and stationary		**3,745**	4,084
	Auditors' remuneration	30.2	**5,008**	4,991
	Donations	30.3	**-**	130,078
	Obsolete and slow moving stores and spare parts			
	- Provision		**-**	2,802
	- Write off		**2,821**	-
	Others		**69,015**	55,100
			490,989	572,159

30.1 Salaries and benefits include Rs 14.15 million (2020: Rs 7.69 million) and Rs 15.66 million (2020: Rs 14.27 million) in respect of defined benefit and defined contribution plans respectively.

30.2	Auditors' remuneration	2021	2020
	Audit fee	**2,150**	2,150
	Limited scope review, code of corporate governance, certifications and review and audit of group reporting packages etc	**2,436**	2,436
	Out of pocket expenses	**422**	405
		5,008	4,991

Amounts in Rs '000

30.3 Donations include payments in respect of the following:

	2021	2020
Community services	-	128,408
Education	-	1,670

30.3.1 Donations to a single party exceeding 10% of total donation or Rs. 1 million, whichever is higher are as follows:

	Note	2021	2020
Lotte Pakistan Foundation	30.3.2	-	128,163

30.3.2 This 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.

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

31 Other operating expenses

	Note	2021	2020
Workers' Profit Participation Fund	24.3	348,191	162,702
Workers' Welfare Fund	24.5	139,311	72,824
		487,502	235,526

32 Other income

	Note	2021	2020
Income from financial assets			
Interest income		1,159,861	1,156,121
Liabilities no longer payable written back		1,402	80
		1,161,263	1,156,201
Income from non-financial assets			
(Unwinding) / Discounting of GIDC provision	24.2	(247,570)	247,570
Indenting commission - net	32.1	9,260	8,250
Gain on disposal of property, plant and equipment		44,191	2,797
Scrap sales		6,123	2,030
Income from sale of water		15,568	4,359
Rental income from tower on leasehold land		896	862
Others		113	-
		(171,419)	265,868
		989,844	1,422,069

32.1 This includes indenting commission expense paid by the Company amounting to Rs 1.7 million (2020: Rs 2.7 million).

33 Finance costs

	Note	2021	2020
Interest on lease liability	6.4	205,911	223,118
Exchange loss - net		732,224	(111,964)
Bank, LCs and other charges		35,793	39,068
Interest on Workers' Profit Participation Fund		116	26
		974,044	150,248

Amounts in Rs '000

34	Taxation	Note	2021	2020
	Current - for the year		**2,012,954**	997,818
	- for prior year	34.1	**(7,443)**	(3,347)
			2,005,511	994,471
	Deferred - for the year	9.2	**(149,414)**	(120,491)
	- for prior year		**-**	-
			(149,414)	(120,491)
			1,856,097	873,980

34.1	Reconciliation of income tax expense for the year	2021	2020
	Profit before taxation	**6,499,007**	2,999,085
	Applicable tax rate (as per tax laws)	**29%**	29%
	Tax calculated at the applicable tax rate	**1,884,712**	869,735
	Tax effect of :		
	- permanent differences	**-**	(278)
	- income chargeable to tax under FTR basis	**(25,990)**	1,165
	- prior year tax charge	**(7,443)**	(3,347)
	- others	**4,818**	6,705
		1,856,097	873,980

35	Cash generated from operations	Note	2021	2020
	Profit before taxation		**6,499,007**	2,999,085
	Adjustments for non-cash charges and other items:			
	Depreciation and amortisation	28 & 30	**1,337,440**	1,266,895
	Provision for obsolete and slow moving stores and spare parts		**-**	2,802
	Gain on disposal of property, plant and equipment	32	**(44,191)**	(2,797)
	Provision for retirement benefit obligations	23.1.7	**37,812**	38,606
	Finance cost		**449,569**	333,402
	Interest income	32	**(1,159,861)**	(1,156,121)
	Infrastructure Cess	24.1	**462,939**	192,772
	(Unwinding) / Discounting of GIDC provision	32	**247,570**	(247,570)
	Provision for Gas Infrastructure and Development Cess	24.2	**-**	209,514
			1,331,278	637,503
			7,830,285	3,636,588
	Effect on cash flows due to working capital changes			
	(Increase) / decrease in current assets			
	Stores and spare parts		**(279,099)**	233,148
	Stock-in-trade		**(1,549,807)**	183,683
	Trade debts		**(1,512,886)**	441,616
	Loans and advances		**(7,783)**	16,580
	Trade deposits and short-term prepayments		**18,920**	(19,701)
	Other receivables		**(709,429)**	446,190
	Tax refunds due from government - sales tax		**32,005**	83,562
			(4,008,079)	1,385,078
	Increase in trade and other payables		**3,381,107**	484,968
	Cash generated from operations		**7,203,313**	5,506,634

Amounts in Rs '000

36 Earnings per share - basic and diluted

36.1 Basic earnings per share

The calculation of basic earnings per share has been based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

	2021	2020
Profit after taxation	**4,642,910**	2,125,105
	Number of shares	
Weighted average ordinary shares in issue during the year	**1,514,207,208**	1,514,207,208
	Rupees	
Earnings per share	**3.07**	1.40

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

37 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	
	2021	2020	**2021**	2020	**2021**	2020
Managerial remuneration	**24,140**	21,909	**6,619**	10,754	**290,281**	247,233
Retirement benefits	**5,146**	3,127	**-**	-	**86,000**	48,149
Group insurance	**8**	9	**8**	9	**895**	822
House rent and maintenance	**11**	16	**2,944**	3,076	**106,979**	87,299
Utilities	**-**	-	**-**	-	**23,574**	20,409
Medical	**81**	3	**94**	37	**19,065**	18,346
	29,386	25,064	**9,665**	13,876	**526,794**	422,258
Number of persons	**1**	1	**1**	1	**107**	93

Amounts in Rs '000

37.1 The Company has provided furnished accomodation to the Expats.

37.2 Fees and allowances paid for board meetings & committees

S. No.	Name of Director	Board and General meetings		Audit Committee meetings		HR & Remuneration Committee meeting	
		2021	2020	**2021**	2020	**2021**	2020
1	Mr. Pervaiz Akhtar	**350**	300	**275**	200	**50**	50
2	Mr. Adnan Afridi	**350**	100	**275**	100	**-**	-
3	Mr. Mohammad Zubair	**350**	100	**-**	-	**-**	-
4	Mr. Istaqbal Mehdi	**-**	150	**-**	100	**-**	-
		1,050	650	**550**	400	**50**	50

37.3 An amount of Rs 148.58 million (2020: Rs 100.89 million) on account of variable pay (i.e. bonus) has been recognised in these financial statements. This amount is payable in 2022 after verification of target achievements.

Out of variable pay recognised for 2020 and 2019, following payments were made:

	Paid in 2021 relating to 2020	Paid in 2020 relating to 2019
Chief Executive	**5,346**	10,584
Executives	**60,452**	89,266
Other employees	**14,507**	28,429
	80,305	128,279

37.4 The Chief Executive, Executive Director and certain Executives are provided with free use of Company maintained cars in accordance with their entitlements.

Amounts in Rs '000

38 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:

Relationship	**Nature of Transactions**	**2021**	2020
Parent company	Dividend paid	**2,555,685**	-
	Legal and professional charges	**2,755**	-
Associates	Purchase of services from Lotte Academy	**50**	-
	Purchase of goods from Lotte Kolson (Private) Limited	**161**	-
Key management personnel	Salaries and other short term benefits	**61,006**	60,279
	Retirement benefits	**8,449**	5,583
	Loans repaid	**4,200**	4,200
Others	Payment to retirement benefit funds	**116,430**	68,657
	Donation paid to Lotte Pakistan Foundation	**-**	128,163

38.1 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% (2020: 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 (2020: 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 (2020: 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 (2020: 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. Young Dae Kim (Executive Director) Mr. Ashiq Ali (Chief Financial Officer) Mr. Faisal Abid (Company Secretary)

Amounts in Rs '000

39 Capacity and production / generation	Note	Annual name plate capacity		Actual production / generation	
		2021	2020	**2021**	2020
Pure Terephthalic Acid - in metric tonnes	39.1	**506,750**	506,750	**520,047**	416,092
Electricity - in thousands of Kw	39.2	**421,356**	421,356	**273,159**	203,398

39.1 The current production is based on 94% plant availability. The actual production is as per the requirements / demand of the Company.

39.2 Actual generation of electricity is as per the requirements / demand of the Company.

40 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities			
	Lease liability	**Unclaimed dividend**	**Unpaid dividend**	**Total**
Balance as at 1 January 2021	**1,759,813**	**10,316**	**20,974**	**1,791,103**
Changes from financing cash flows				
Payment of lease rentals	**(388,063)**	**-**	**-**	**(388,063)**
Dividend paid	**-**	**(79)**	**(3,396,566)**	**(3,396,645)**
	(388,063)	**(79)**	**(3,396,566)**	**(3,784,708)**
Liability - related other changes				
Interest on lease liability	**205,911**	**-**	**-**	**205,911**
Dividend declared	**-**	**-**	**3,406,966**	**3,406,966**
Dividend reclassification	**-**	**777**	**(777)**	**-**
Exchange loss	**182,224**	**-**	**-**	**182,224**
Total liability - related other changes	**388,135**	**777**	**3,406,189**	**3,795,101**
Balance at 31 December 2021	**1,759,885**	**11,014**	**30,597**	**1,801,496**

41 Financial Risk Management

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 2021.

41.1 Risk management framework

The Board of Directors have overall responsibility for the establishment and oversight 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 meet and any change and compliance issues are reported to the Board of Directors through the audit committee.

Amounts in Rs '000

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:

	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	
	2021						
Financial assets							
Loans and advances	-	-	-	41,264	124,336	165,600	165,600
Trade debts	-	-	-	4,511,528	-	4,511,528	4,511,528
Deposits	-	-	-	47,381	-	47,381	47,381
Interest accrued	-	-	-	45,954	-	45,954	45,954
Other receivables	-	-	-	721,706	-	721,706	721,706
Short-term investments	15,259,350	-	15,259,350	-	-	-	15,259,350
Cash and bank balances	4,139	-	4,139	42,184	-	42,184	46,323
31 December 2021	15,263,489	-	15,263,489	5,410,017	124,336	5,534,353	20,797,842
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	8,574,611	-	8,574,611	8,574,611
Accrued interest	-	-	-	268,571	-	268,571	268,571
Unclaimed dividend	-	-	-	11,014	-	11,014	11,014
Unpaid dividend	-	-	-	30,597	-	30,597	30,597
Lease liability	220,118	1,539,767	1,759,885	-	-	-	1,759,885
31 December 2021	220,118	1,539,767	1,759,885	8,884,793	-	8,884,793	10,644,678

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	
	---- 2020 ----						
Financial assets							
Loans and advances	-	-	-	42,187	125,302	167,489	167,489
Trade debts	-	-	-	2,998,642	-	2,998,642	2,998,642
Deposits	-	-	-	57,295	-	57,295	57,295
Interest accrued	-	-	-	120,908	-	120,908	120,908
Other receivables	-	-	-	12,277	-	12,277	12,277
Short-term investments	14,999,418	-	14,999,418	-	-	-	14,999,418
Cash and bank balances	2,997	-	2,997	32,591	-	32,591	35,588
31 December 2020	15,002,415	-	15,002,415	3,263,900	125,302	3,389,202	18,391,617
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	5,684,990	-	5,684,990	5,684,990
Accrued interest	-	-	-	242,930	-	242,930	242,930
Unclaimed dividend	-	-	-	10,316	-	10,316	10,316
Unpaid dividend	-	-	-	20,974	-	20,974	20,974
Lease liability	177,625	1,582,188	1,759,813	-	-	-	1,759,813
31 December 2020	177,625	1,582,188	1,759,813	5,959,210	-	5,959,210	7,719,023
On Statement of Financial position date gap							
December 31, 2021	**15,043,371**	**(1,539,767)**	**13,503,604**	**(3,474,776)**	**124,336**	**(3,350,440)**	**10,153,164**
December 31, 2020	14,824,790	(1,582,188)	13,242,602	(2,695,310)	125,302	(2,570,008)	10,672,594

Off Statement of Financial position date gap	**2021**	2020
Letter of credits / guarantees	**3,321,358**	2,944,207
Ijarah and service contracts	**714,749**	1,232,736

The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

41.2 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, loans and advances, short-term investments and deposits with banks.

Trade debts 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 32% (2020: 33%) of the Company's revenue is attributable to sales to single customer. However, geographically there is no concentration of credit risk.

Amounts in Rs '000

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:

Financial assets	Note	**2021**	2020
Loans and advances	7 & 13	**165,600**	167,489
Trade debts	12	**4,511,528**	2,998,642
Deposits	14	**47,381**	57,295
Interest accrued	15	**45,954**	120,908
Other receivables	16	**721,706**	12,277
Short-term investments	17	**15,259,350**	14,338,300
Bank balances	20	**46,262**	35,201
		20,797,781	17,730,112
Secured		**4,619,157**	3,068,394
Unsecured		**16,178,624**	14,661,718
		20,797,781	17,730,112
Not past due		**20,797,781**	17,730,112

The maximum exposure to credit risk for trade debts as at 31 December by geographic region was:

	2021	2020
Domestic	**4,511,528**	2,998,642

The Company has placed its funds (i.e. term deposits receipts and bank balances) with banks having sound credit ratings. The credit quality of company's major balances can be assessed with reference of external credit ratings as follows:

Bank	**Rating Agency**	**Short term rating**	**Long term rating**
Standard Chartered Bank Pakistan Limited	PACRA	**A1+**	**AAA**
MCB Bank Limited	PACRA	**A1+**	**AAA**
Askari Bank Limited	PACRA	**A1+**	**AA+**
Habib Bank Limited	JCR VIS	**A1+**	**AAA**
Meezan Bank Limited	JCR VIS	**A1+**	**AA+**
National Bank of Pakistan	PACRA	**A1+**	**AAA**
United Bank Limited	JCR VIS	**A1+**	**AAA**
Faysal Bank Limited	PACRA	**A1+**	**AA**

Amounts in Rs '000

41.3 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.

	2021					
	Carrying amount	**Contractual cash flows**	**Less than one year**	**1-2 years**	**2-3 years**	**More than 3 years**
Financial liabilities						
Trade and other payables	**8,574,611**	**8,574,611**	**8,574,611**	**-**	**-**	**-**
Accrued interest	**268,571**	**268,571**	**268,571**	**-**	**-**	**-**
Unclaimed dividend	**11,014**	**11,014**	**11,014**	**-**	**-**	**-**
Unpaid dividend	**30,597**	**30,597**	**30,597**	**-**	**-**	**-**
Lease liability	**1,759,885**	**2,525,525**	**420,921**	**420,921**	**420,921**	**1,262,762**
	10,644,678	**11,410,318**	**9,305,714**	**420,921**	**420,921**	**1,262,762**
Off balance sheet						
Ijarah / service contracts	**-**	**714,749**	**569,145**	**112,619**	**15,054**	**17,931**

	2020					
	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-3 years	More than 3 years
Financial liabilities						
Trade and other payables	5,684,990	5,684,990	5,684,990	-	-	-
Accrued interest	242,930	242,930	242,930	-	-	-
Unclaimed dividend	10,316	10,316	10,316	-	-	-
Unpaid dividend	20,974	20,974	20,974	-	-	-
Lease liability	1,759,813	2,648,940	378,420	378,420	378,420	1,513,680
	7,719,023	8,608,150	6,337,630	378,420	378,420	1,513,680
Off balance sheet						
Ijarah / service contracts	-	1,232,736	558,581	336,715	331,241	6,199

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 2021, the Company had financial assets of Rs 20,798 million (2020: Rs 17,731 million), which include Rs 15,306 million (2020: Rs 14,373 million) of cash placed in bank accounts.

As at reporting date, the facilities amounting to Rs 2,280 million (2020: 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

Amounts in Rs '000

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 16.96 million (2020: USD 18.75 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.

41.4 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.

41.4.1 Foreign 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.

The currency exposure at the year end was as follows:

	2021			2020		
	GBP	**Euro**	**US$**	GBP	Euro	US$
Financial liabilities						
Trade payables	**(65,245)**	**(299,668)**	**(38,600,597)**	(13,139)	(730,012)	(26,885,884)
Lease liability	**-**	**-**	**(9,950,864)**	-	-	(11,000,722)
Accrued interest	**-**	**-**	**(1,518,573)**	-	-	(1,518,574)
	(65,245)	**(299,668)**	**(50,070,034)**	(13,139)	(730,012)	(39,405,180)
Service contract (off balance sheet)	**-**	**-**	**(3,569,998)**	-	-	(7,349,426)
	------ Equivalent Rs '000 ------					
Financial liabilities						
Trade payables	**(15,577)**	**(59,977)**	**(6,826,805)**	(2,866)	(143,490)	(4,301,002)
Lease liability	**-**	**-**	**(1,759,885)**	-	-	(1,759,813)
Accrued interest	**-**	**-**	**(268,571)**	-	-	(242,930)
	(15,577)	**(59,977)**	**(8,855,261)**	(2,866)	(143,490)	(6,303,745)
Service contract (off balance sheet)	**-**	**-**	**(631,381)**	-	-	(1,175,706)

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at 31 December	
	2021	2020	**2021**	2020
PKR / US Dollar	**163.05**	162.00	**176.86**	159.97
PKR / Great Britain Pound Sterling	**224.92**	209.00	**238.74**	218.15
PKR / Euro	**192.98**	186.22	**200.15**	196.56

Amounts in Rs '000

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 89.3 million (2020: Rs 64.5 million).

41.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises from bank balances and investments in term deposit receipts (TDRs) in profit or loss.

At the reporting date, the interest rate profile of Company's interest-bearing financial instruments are as follows:

	Note	**2021**	2020
Fixed rate instruments			
Investment in TDRs	17	**15,259,350**	14,338,300
Lease liability	6	**1,759,885**	1,759,813
		17,019,235	16,098,113
Variable rate instruments			
Saving account	20	**4,139**	2,997

a) Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not have affected the after tax profit of the Company.

b) Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for December 2020.

	Profit or loss		**Equity**	
	100 bps increase	**100 bps decrease**	**100 bps increase**	**100 bps decrease**
As at 31 December 2021				
Cash flow sensitivity - variable rate instruments	**41**	**(41)**	**41**	**(41)**
As at 31 December 2020				
Cash flow sensitivity - variable rate instruments	30	(30)	30	(30)

41.4.3 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.

Amounts in Rs '000

42 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 2021 and is also not subject to any regulatory capital requirements.

43 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).

43.1 Accounting classifications and fair values of financial insturments

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.

		2021								
		Carrying amount					Fair value			
	Note	Financial assets 'at fair value through other comprehensive income	Financial assets 'at fair value through profit or loss	Financial assets 'at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets - not measured at fair value										
Loans and advances	43.1.1	-	-	165,600	-	165,600				
Trade deposits	43.1.1	-	-	47,381	-	47,381				
Trade debts	43.1.1	-	-	4,511,528	-	4,511,528				
Other receivables	43.1.1	-	-	721,706	-	721,706				
Short-term investments										
- TDRs		-	-	15,259,350		15,259,350				
- T-Bills		-	-	-	-	-		-		
Interest accrued	43.1.1	-	-	45,954	-	45,954				
Cash and bank balances	43.1.1	-	-	46,323	-	46,323				
		-	-	20,797,842	-	20,797,842				
Financial liabilities - not measured at fair value										
Trade and other payables	43.1.1	-	-	-	8,574,611	8,574,611				
Accrued interest	43.1.1	-	-	-	268,571	268,571				
Unclaimed dividend	43.1.1	-	-	-	11,014	11,014				
Unpaid dividend	43.1.1	-	-	-	30,597	30,597				
Lease liability	43.1.1	-	-	-	1,759,885	1,759,885				
		-	-	-	10,644,678	10,644,678				

Amounts in Rs '000

		2020								
		Carrying amount					Fair value			
	Note	Financial assets 'at fair value through other comprehensive income	Financial assets 'at fair value through profit or loss	Financial assets 'at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets - not measured at fair value										
Loans and advances	43.1.1	-	-	167,489	-	167,489				
Trade deposits	43.1.1	-	-	57,295	-	57,295				
Trade debts	43.1.1	-	-	2,998,642	-	2,998,642				
Other receivables	43.1.1	-	-	12,277	-	12,277				
Short-term investments										
- TDRs		-	-	14,338,300	-	14,338,300				
- T-Bills		-	-	661,118	-	661,118		661,118		
Interest accrued	43.1.1	-	-	120,908	-	120,908				
Cash and bank balances	43.1.1	-	-	35,588	-	35,588				
		-	-	18,391,617	-	18,391,617				
Financial liabilities - not measured at fair value										
Trade and other payables	43.1.1	-	-	-	5,684,990	5,684,990				
Accrued interest	43.1.1	-	-	-	242,930	242,930				
Unclaimed dividend	43.1.1	-	-	-	10,316	10,316				
Unpaid dividend	43.1.1	-	-	-	20,974	20,974				
Lease liability	43.1.1	-	-	-	1,759,813	1,759,813				
		-	-	-	7,719,023	7,719,023				

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

44 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.

Geographically, all the sales were carried out in Pakistan. Non-current assets of the Company are confined within Pakistan.

45 This represent unclaimed dividend outstanding for less than three years.

46 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.

47	**Number of employees**	**2021**	2020
	Number of employees at 31 December	**230**	231
	Average number of employees during the year	**230**	232
	Employees working in the factory at 31 December	**180**	181
	Average employees working in the factory during the year	**180**	182

48 General

Figures have been rounded-off to the nearest thousand rupees except as stated otherwise.

49 Date of authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on 17 February 2022.

Sang Hyeon Lee
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 24th Annual General Meeting

Notice is hereby given that the 24th Annual General Meeting (AGM) of Lotte Chemical Pakistan Limited ("the Company") will be held on Thursday, 21 April 2022 at 11:00 a.m. at the Institute of Bankers Pakistan (IBP), M.T. Khan Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Company's audited financial statements together with Directors' and Auditors' reports for the year ended 31 December 2021.

2. To appoint the Auditors of the Company for the year ending 31 December 2022 and to fix their remuneration.

By Order of the Board

25 March 2022 — **Faisal Abid**

Karachi — Company Secretary

Notes:

1. Book closure. The Share Transfer books of the Company will remain closed from Friday, 15 April 2022 to Thursday, 21 April 2022 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, Famco Associates (Pvt) Ltd, 8-F, near Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, by the close of business on 14 April 2022, will be treated in time for the purpose of attending the AGM.

2. Participation in AGM through video-conferencing. In compliance with circulars issued by Securities and Exchange Commission of Pakistan (SECP) on corona virus contingency planning, the Company has made arrangements for participation of shareholders in AGM through video-conferencing. For this purpose, members are requested to register themselves by providing the following information through email at companysecretary@lottechem.pk at least 48 hours before the time of AGM.

Name of Shareholder	CNIC/ NTN Number	Folio Number / CDC Account No.	Mobile Number	Email Address

Members will be registered, after necessary verification as per the above requirement and will be provided a video-link by the Company via email. The login facility will remain open from 10.30 a.m till the end of AGM. Members can also share their comments and suggestions on the agenda by email at companysecretary@lottechem.pk

3. 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 valid 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 valid 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 valid 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.

4. **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 Bank 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).

5. **Transmission of Annual Financial Statements through email.** Members who wish to receive annual Financial Statements and notice of General Meetings via email can communicate their email addresses to the Company's Share Registrar on the standard Request Form available on the Company's website.

6. **Conversion of physical shares into CDC account.** As per Section 72 of the Companies Act, 2017 ("the Act"), every listed company is required to replace its physical shares with book-entry form within four years of the promulgation of the Act. Therefore, the shareholders having physical shares are requested to convert the shares into book entry at the earliest.

7. Audited Financial Statements of the Company for the year ended 31 December 2021 have been provided on the Company's website: www.lottechem.pk

8. **Unclaimed/Unpaid Dividend and Share Certificates**. As per the provisions of Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed/unpaid for a period of three years from the date on which it was due and payable (list available at Company's website) required to be deposited with SECP for the credit of Federal Government after issuance of notices to the shareholders to file their claim. Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged promptly. In case, no claim is lodged, the Company shall proceed to deposit the unclaimed/unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of Companies Act, 2017.

آن لائن جائزے کا انتظام بیرونی آزاد سہولت کار، THK ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کی جانب سے انجام دیا گیا۔

اہم انتظامی و مالیاتی ڈیٹا

انتظام اور مالیات کی تفصیل سے متعلق کمپنی کی گزشتہ 6 سال پر مبنی اہم معلومات سالانہ رپورٹ کے صفحہ نمبر 75 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 2020 کو ختم شدہ سال کی تفصیل درج ذیل ہے:

	(قدر '000 روپے)
Lotte کیمیکل پاکستان مینجمنٹ اسٹاف پراویڈنٹ فنڈ	614,172
Lotte کیمیکل پاکستان مینجمنٹ اسٹاف گریجویٹی فنڈ	360,493
Lotte کیمیکل پاکستان مینجمنٹ اسٹاف ڈیفائنڈ کنٹری بیوشن سپر اینیویشن فنڈ	465,026
Lotte کیمیکل پاکستان نان مینجمنٹ اسٹاف پراویڈنٹ فنڈ	10,158
Lotte کیمیکل پاکستان نان مینجمنٹ اسٹاف گریجویٹی فنڈ	5,359

پیٹرن آف شیئر ہولڈنگ

کمپنی میں پیٹرن آف شیئر ہولڈنگ سے متعلق اسٹیٹمنٹ برائے 31 دسمبر 2021 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 کے موثر ہونے اور نافذ ہونے سے متعلق جانچ جاری رہتی ہے۔ اندرونی ضابطے کے نظام کو جانچنے کے لیے باہر سے انٹرنل آڈٹ کرانے کے لیے میسرز EY فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس کی خدمات حاصل کی گئیں جنہیں ان امور کی انجام دہی کے لیے مناسب تصور کیا جاتا ہے اور یہ کمپنی کی پالیسیوں اور عملدرآمد کے امور سے واقف بھی ہوتے ہیں۔

کمپنی کے شیئرز میں کاروبار

زیر جائزہ سال کے دوران جناب ینگ ڈے کم 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 2021 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 اثرانداز ہونے والی صورتحال پیش نہیں آئی۔

بیرونی آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس، کمپنی کے آڈیٹرز کے طور پر ریٹائر ہو رہے ہیں اور اہلیت کی بنا پر خود کو دوبارہ انتخاب کے لیے پیش کیا ہے۔ بورڈ نے آڈٹ کمیٹی کی تجویز کے مطابق میسرز کے پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس، کو 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے کمپنی کے قانونی 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۔

سانگ ہیون لی
چیئرمین

حمیر اعجاز
چیف ایگزیکٹو

تاریخ: 17 فروری 2022
کراچی

کمپنی کو درپیش ممکنہ خطرات کی تفصیلات اور غیر یقینی کے پیش نظر اٹھائے جانے والے اقدامات سے متعلق بیانیہ سالانہ رپورٹ کے صفحہ نمبر 37 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	3
نان ایگزیکٹو ڈائریکٹرز	2
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 ال کیو کم	ممبر
جناب عدنان آفریدی	ممبر

ایچ آر اینڈ ریمونریشن کمیٹی	
جناب پرویز اختر	چیئرمین
جناب سانگ ہیون لی	ممبر
جناب ینگ ڈے کم	ممبر

31 دسمبر 2021 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 من جے ہوانگ	4	-	-
جناب حمیر اعجاز	4	-	-
جناب سانگ ہیون لی	4	4	1
جناب ان گو پارک (25 جنوری 2021 کو مستعفی ہوئے)	-	-	-
جناب ینگ ڈے کم (25 جنوری 2021 کو منتخب ہوئے)	4	-	1
مس وون لی	3	-	-
جناب پرویز اختر	4	4	1
جناب عدنان آفریدی	4	4	-
جناب محمد زبیر	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۔ تمام بورڈ میٹنگز پاکستان میں منعقد کی گئیں۔

ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کے بورڈ نے نان ایگزیکٹو ڈائریکٹرز (بڑے شیئر ہولڈر کی نامزدگیوں 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۔

چیف ایگزیکٹیو اور ڈائریکٹرز کے مشاہرے کی تفصیلات پر مبنی اسٹیٹمنٹ مالیاتی گوشواروں کے نوٹ نمبر 37 پر ملاحظہ کریں۔

بورڈ کا جائزہ

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز کے تحت مطلوب, بورڈ کے اپنے جائزے، بورڈ ممبران اور Lotte کیمیکل پاکستان لمیٹڈ کی کمیٹیوں کا جائزہ برائے سال ختم شدہ 31 دسمبر 2021 کے لیے مکمل کر لیا گیا ہے۔

کاروباری سماجی بہبود (CSR) کے اقدامات

کاروباری طور پر 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۔ سماجی بہبود کے اقدامات کو مزید منظم کرنے کے پیش نظر، کمپنی نے LOTTE پاکستان فاؤنڈیشن (LPF) قائم کی ہے۔

کاروباری سماجی بہبود (CSR) کے اقدامات سے متعلق تفصیلی رپورٹ برائے سال 2021 کے لئے سالانہ رپورٹ کا صفحہ نمبر 68 ملاحظہ کریں۔

مستقبل پر نظر

کروڈ آئل (WTI) کی قیمتوں میں تیل کی طلب میں اضافے کی بدولت تیزی کے امکانات ہیں کیونکہ کرونا کے نئے ویرینٹ اومیکرون کی کم شدت سے دنیا بھر میں بحالی کے امور جاری ہیں۔ اس کے علاوہ، کروڈ آئل کی مجموعی مارکیٹ دباؤ کو شکار رہنے کی امید ہے کیونکہ اوپیک پلس کی جانب سے پیداوار میں اضافے کی کوششیں جاری ہیں۔ تاہم اگر مارکیٹ میں مزید بیرل کے اضافے سے قیمتوں میں بہتری آسکتی ہے۔ علاوہ ازیں، مارکیٹ کو امریکہ، ایران نیوکلیئر معاہدے کی تکمیل کا انتظار ہے جس سے 2022 میں آئل مارکیٹ میں توازن پیدا ہو سکتا ہے۔

2022 میں اپ اسٹریم کروڈ کی قیمتوں میں بحالی کی امیدوں سے PX مارکیٹ میں بھی تیزی کی توقع ہے اور اسی سے ڈاؤن اسٹریم پولیسٹر کے شعبے میں بتدریج بحالی آئے گی کیونکہ اومیکرون کی شدت ختم ہوتی جا رہی ہے۔ آنے والے سال میں چین میں PX اور PTA مارکیٹ میں تقریباً 11.8 ملین میٹرک ٹن کی اضافی پیداوار شامل ہونے جا رہی ہے جس سے قیمت پر ڈاؤن اسٹریم دباؤ کم ہو سکتا ہے اور مارکیٹ کو مزید تقویت ملنے کے امکانات ہیں۔ اس کے باوجود، پولیسٹر کی بڑھتی ہوئی طلب اور ریجن میں تقریباً 6 ملین میٹرک ٹن کے اضافی پیداواری صلاحیتوں سے طلب اور رسد میں توازن آنے کی توقع ہے۔

پولیسٹر کی مقامی مارکیٹ میں تیزی کے امکانات ہیں کیونکہ ٹیکسٹائل کی صنعت میں سرمایہ کاری بڑھنے کا رجحان دیکھا جا رہا ہے۔ چینی ویکسین جو ٹیسٹنگ کے مرحلے میں ہے، توقع ہے کہ 2021 کے دوران پاکستان بھر میں تقسیم کر دی جائے گی۔ مزید براں، حکومت کی جانب سے ٹیکسٹائل کے شعبے کو تقویت دینے والے اقدامات کی متوقع منظوری اور ٹیکسٹائل پالیسی برائے 2020-2025 سے اس شعبے کی اہلیت میں مزید بہتری آئے گی۔ ڈاؤن اسٹریم پولیسٹر کے شعبے سے PTA کی متوقع اضافی طلب سے 2022 کے اختتام تک کچھ نئے پروڈیوسرز آنے کے امکانات ہیں۔ تاہم توانائی کے موجودہ مسائل سے پروڈیوسرز کو اپنے آپریشنز میں تسلسل کی مشکلات رہیں گی۔

کارپوریٹ گورننس

ڈائریکٹرز درج ذیل اُمور بیان کرتے ہوئے خوشی محسوس کرتے 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 نظام بہترین ہے اور اس پر موثر 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 موثر 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 پر قابو پانے کا نظام

آڈٹ کمیٹی کی طرف سے کمپنی کے رسک مینجمنٹ انتظام کی نگرانی اور رسک مینجمنٹ فریم ورک کی فعالیت کا جائزہ لیا جاتا ہے۔ بورڈ خطرات کے انتظام اور انٹرنل کنٹرول کے ضوابط کا مکمل ذمہ دار 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 جا سکے، اور اس طرح وقت پر بورڈ اور اعلیٰ انتظامیہ کو رپورٹ دینا بھی یقینی بنایا جائے۔ ادارے کے ڈھانچے سے 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 کنٹرولز کے موثر ہونے کی ذمہ دار ہے۔

دوران سال قوانین اور معیارات 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۔

2021 میں HSE کارکردگی اور ڈیولپمنٹ سے متعلق تفصیلی رپورٹ سالانہ رپورٹ کے صفحہ نمبر 62 پر ملاحظہ کریں۔

ماحول پر کمپنی بزنس کے اثرات

ماحول کی حفاظت ہمارے کاروباری استحکام کے 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 اینا ایروبک ری ایکٹر کی تنصیب کا پروجیکٹ شروع کیا ہے، جس کی تنصیب 2021 کی چوتھی سہ ماہی میں مکمل کی گئی۔ ایک ISO14001 سرٹیفائیڈ مایہ ناز ادارے کی صورت میں، ماحولیاتی تحفظ سے طویل المدتی تجارتی استحکام حاصل ہونے کے یقین کے بعد، فضلہ جات کو کم سے کم کرنا ہماری ترجیحات میں شامل رہا ہے۔

ہمارے ماحولیاتی تحفظ سے متعلق تفصیلی رپورٹ سالانہ رپورٹ کے صفحہ نمبر 66 پر ملاحظہ کریں۔

مالیاتی کارکردگی

(روپے ملین میں)	ختم شدہ سال 31 دسمبر 2021	2020
آمدنی	**67,165**	38,965
مجموعی منافع	**7,581**	2,642
منافع قبل از ٹیکس	**6,499**	2,999
ٹیکسیشن	**(1,856)**	(874)
منافع بعد از ٹیکس	**4,643**	2,125
ہر ایک شیئر پر منافع (روپے میں)	**3.07**	1.40

PTA کی قیمت میں اضافے کے سبب گزشتہ سال کے 38,695 ملین روپے کے مقابلے میں 72 فیصد اضافہ سے 67,165 ملین روپے آمدنی حاصل کرنے میں کامیاب رہے۔ زیر جائزہ سال کے لیے مجموعی منافع گزشتہ سال کی اسی مدت کے 2,642 ملین روپے کے مقابلے میں 7,581 ملین روپے رہا۔ مجموعی طور پر مہنگائی بڑھنے سے ڈسٹری بیوشن اور سیلز کے اخراجات 12 فیصد زئد رہے جبکہ انتظامی اخراجات گزشتہ سال کے مقابلے میں زائد رہے۔ کمپنی نے زیادہ منافع حاصل کرنے کے بعد دیگر اخراجات، ورکرز پرافٹ پارٹیسی پیشن اور ورکرز ویلفیئر فنڈ کے لیے گزشتہ سال کے مقابلے میں زائد رقم فراہم کی۔

حکومتی انکم ٹیکس ریٹ اور ڈیفرڈ ٹیکس اکاؤنٹ میں فائنل ٹیکس ریجیم (FTR) کی بنیاد پر سال کے لیے ٹیکسیشن چارج عائد ہوتا ہے۔

سال کے لیے ہر ایک شیئر پر منافع (EPS) گزشتہ سال کے ہر ایک شیئر کے منافع 1.40 روپے کے مقابلے میں بڑھ کر 3.07 روپے فی شیئر ہو گیا۔

منافع منقسمہ (ڈیویڈنڈ)

بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2021 کو ختم شدہ سال کے لیے ہر ایک شیئر کے لیے عبوری منافع منقسمہ 1.50 روپے (15٪) دینے کی منظوری کے بعد کمپنی کے شیئر ہولڈرز کو ادا کیا جا چکا ہے۔

ہیومن ریسورسز

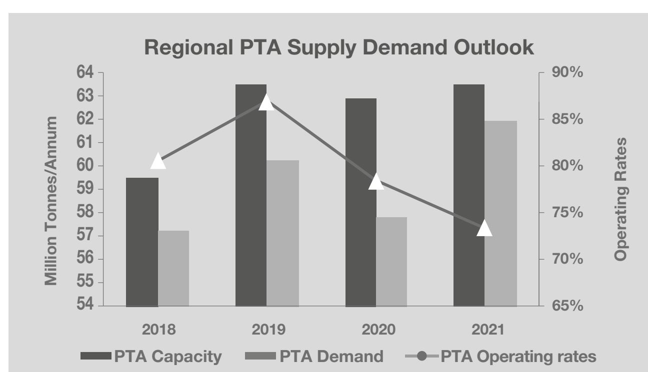
2021 کے دوران، ہیومن ریسورسز کے اعلیٰ معیاروں کے مطابق صلاحیت میں اضافے اور احتساب کے لیے بھرپور کوششیں جاری رکھنے کے ساتھ اپنے صارفین کو فراہم کی جانے والی خدمات اور انتظامیہ کو اعتماد میں لینے کے امور میں بہتری لائی گئی۔ آپ کی کمپنی ملازمین کی ہمت افزائی اور اعتماد کے ماحول کو فروغ دے کر ان کے کاموں 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 کی منصوبہ بندی کے تحت کمپنی ملازمت کے یکساں مواقع فراہم کرتی ہے، ہم نافذ لیبر قوانین پر عمل درآمد کرتے ہیں، ہم صنعتی تعلقات میں بہترین تجربات کی پیروی کرتے ہیں اور تمام ملازمین کے لیے تعمیری اور مثبت ماحول کو یقینی بناتے ہیں۔

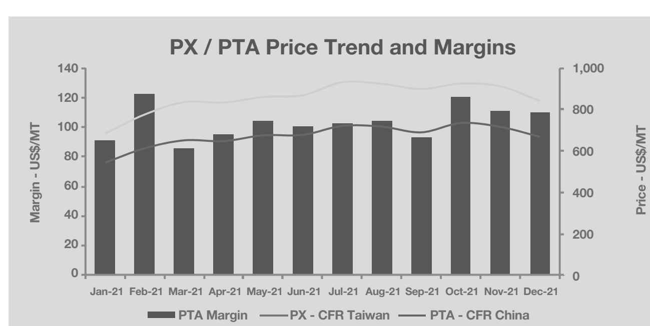
ہیومن ریسورسز کی کارکردگی اور بہتری سے متعلق تفصیلی رپورٹ برائے سال 2021 کے لیے سالانہ رپورٹ کا صفحہ نمبر 52 ملاحظہ کریں۔

PTA انڈسٹری

PTA انڈسٹری میں اپ اسٹریم فیڈ اسٹاک مارکیٹ والی صورتحال رہی اور سال کے آغاز میں بہتری دکھائی دی۔ طلب میں مناسب بہتری دیکھی گئی کہ دنیا کی بڑی معیشتوں میں وباء سے بحالی کا سفر شروع ہوا۔۔ البتہ سال کی دوسری سہ ماہی میں قیمتوں میں عدم توازن آیا جب ساؤتھ ایسٹ ایشیا اور بھارت کے علاقے میں کرونا کے نئے کیسیز ظاہر ہوئے، جس سے مارکیٹ میں کمی واقع ہوئی۔ اس کے علاوہ اسی دوران چین میں کچھ نئے پلانٹس کے شروع ہونے سے ریجن میں فراہمی بڑھی اور قیمتوں میں تیزی کی صورتحال میں استحکام پیدا ہوا۔ سال کی تیسری سہ ماہی کے دوران، چین کے کئی پولیئسٹر پروڈیوسرز کو حکومتی سطح پر توانائی کی بچت کے ٹارگٹ پورے کرنے کے لیے اپنی پیداوار میں کمی لانے پر مجبور کیا گیا اور انوینٹری میں اضافے کے نتیجے میں قیمت میں کمی کا رجحان دیکھا گیا۔ تاہم مارکیٹ نے ایسٹک ایسڈ کی دوہری قیمتوں کے بوجھ سے خود کو بچانے میں کامیابی حاصل کی۔ سال کی آخری سہ ماہی کے آتے ہی، پی ٹی اے کی قیمتوں میں کچھ بہتری آئی کیونکہ فیڈ اسٹاک کی قیمتوں میں زبردست اضافہ ہوا۔ اس کے علاوہ چین میں بجلی کی کھپت پر مذکورہ بالا سختی ہٹنے سے، ڈاؤن اسٹریم پولیئسٹر پروڈیوسرز نے اپنی کاروباری لاگت میں کمی کی اور قیمتوں کو استحکام ملا۔ سال کے آخر میں، قیمتوں میں مندی کا رجحان دیکھا گیا کیونکہ دنیا بھر میں Covid-19 کے نئے ویرینٹ سے مقابلے کی صورتحال رہی۔ چین کے کئی علاقوں میں لاک ڈاؤن کے نتیجے میں پولیئسٹر پروڈیوسرز کو اپنا کام بند کرنا پڑا جس سے مارکیٹ کی صورتحال میں غیر یقینی پیدا ہوئی۔

مجموعی طور پر 2021 کے دوران PTA پروڈیوسرز کا اوسط آپریٹنگ ریٹ 73.4 فیصد رہا۔ سال کے لیے PTA کی اوسط قیمت 668.94 امریکی ڈالرز فی ٹن رہی۔ 20201 کے لیے PX کے مقابلے میں PTA کا منافع 103 امریکی ڈالرز فی ٹن رہا جبکہ گزشتہ سال کا اوسط منافع 86 امریکی ڈالر فی ٹن تھا۔





مقامی ڈاؤن اسٹریم انڈسٹری

ڈاؤن اسٹریم پولیسٹر انڈسٹری میں گزشتہ سال 2021 میں بحالی دیکھی گئی اور مقامی اور ایکسپورٹ کی طلب میں اضافے کے سبب گزشتہ سال کے مقابلے میں 25 فیصد کی اچھی طلب حاصل ہوئی۔ البتہ سال کی دوسری سہ ماہی کے دوران عالمی فراہمی میں آنے والے تعطل نے خام مال کی فراہمی میں تاخیر سے پروڈیوسرز کو اپنے آپریشنز محدود کرنے پر مجبور کیا۔ علاوہ ازیں، سردی کے موسم میں صنعتوں کو توانائی کی فراہمی میں تعطل نے بھی ٹیکسٹائل کے آپریشنز کو مزید محدود ہونے پر مجبور کردیا۔ اس کے باوجود، پولیئسٹر بزنس میں گزشتہ سال کے مقابلے میں زبردست بحالی دیکھی گئی اور بزنس نے گزشتہ سال میں 70 فیصد کی اوسط شرح کے مقابلے میں 86 فیصد کی اوسط شرح سے کام جاری رکھا۔

آپریشنز

بورڈ اس بات کو رپورٹ کرتے ہوئے خوش ہے کہ اس سال پیداوار اور فروخت بالترتیب 520,047 ٹن اور 519,079 ٹن رہی، یہ 1998 میں PTA آپریشنز کے آغاز سے لیکر اب تک کی سب سے زیادہ پیداوار اور فروخت ہے۔

دوران سال پیداوار اور فروخت میں گزشتہ سال کے مقابلے میں بالترتیب 25 اور 21 فیصد اضافہ واقع ہوا کیونکہ گزشتہ سال کرونا کے سبب لاک ڈاؤن کے نتیجے میں پلانٹ آپریشنز میں 54 دن کا تعطل آیا تھا۔

کمپنی نے اپنی پیداوار صلاحیت میں سرمایہ کاری کو جاری رکھتے ہوئے مستقل اور پائیدار آپریشنز کے تسلسل اور اپنے پلانٹ کے آپریشنز میں مزید بہتری کے امور جاری رکھے۔

ہیلتھ، سیفٹی اینڈ انوائرنمنٹ (HSE)

ڈائریکٹرز یہ بتاتے ہوئے فخر محسوس کرتے ہیں کہ آپ کی کمپنی نے HSE پر بھرپور توجہ دیتے ہوئے 31 دسمبر 2021 کو 64.6 ملین مین آورز کی تکمیل کا سنگ میل عبور کیا ہے کہ 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۔ آپ کی کمپنی اپنے ملازمین کی تربیت اور صلاحیتوں میں نکھار لانے کے لیے مناسب ماحول فراہم کرنے پر یقین رکھتی ہے اور ہر وقت تحفظ کو یقینی بنانے کے لیے جدید سازوسامان اور مہارتوں پر بھرپور سرمایہ کاری جاری رکھتی ہے۔

ڈائریکٹرز کا جائزہ

برائے ختم شدہ سال 31 دسمبر 2021

کمپنی کے ڈائریکٹرز 31 دسمبر 2021 کو ختم شدہ سال کے لئے کمپنی کے آڈٹ شدہ مالیاتی گوشوارے بشمول اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کررہے ہیں۔

بورڈ میں تبدیلیاں

جناب من جے ہوانگ اور مس وون لی یکم فروری 2022 کو بورڈ سے مستعفی ہوگئے اور جناب ال کیو کم اور مس جے سن پارک کو اُسی دن ڈائریکٹرز کے طور پر منتخب کیا گیا تاکہ 22 جون 2023 تک کی باقی ماندہ مدت کے لیے خالی ہونے والی اسامیوں کو پر کیا جائے۔

بعد ازاں جناب سانگ ہیون لی کو مستعفی ہونے والے ڈائریکٹر جناب من جے ہوانگ کی جگہ فوری طور پر بورڈ کے چیئرمین کے طور پر منتخب کیا گیا۔

بورڈ اپنے مستعفی ہونے والے ڈائریکٹرز جناب من جے ہوانگ اور مس وون لی کی خدمات کو سراہتے ہوئے کمپنی کے نئے ڈائریکٹرز جناب ال کیو کم اور مس جے سن پارک کو خوش آمدید کہتا ہے۔

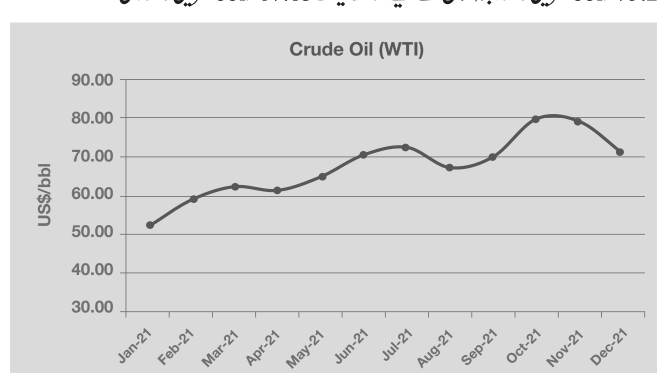
کاروباری جائزہ

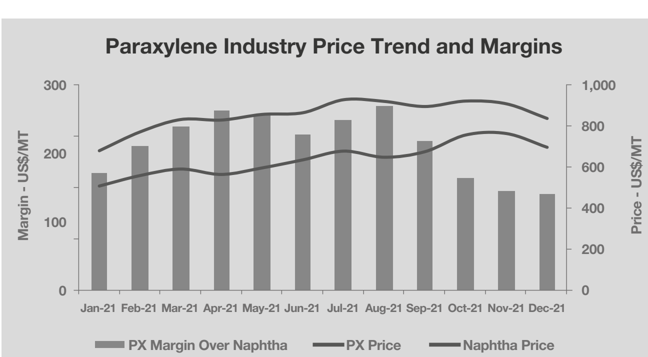
کروڈ آئل

پہلی سہ ماہی کے دوران کروڈ آئل کی قیمتوں میں تیزی آئی کیونکہ Covid-19 وائرس کے نتیجے میں لاگو ہونے والے سفری پابندیوں کے خاتمے سے عالمی معیشتوں میں بحالی دیکھی گئی۔ تیزی کے اس رجحان میں سعودی عرب کی جانب سے پیداوار میں کمی لانے اور امریکہ میں معاشی بحالی کے پیکیج سے متعلق تبادلہ خیال سے مزید اضافہ ہوا۔ البتہ، ساؤتھ ایسٹ ایشیا اور بھارت میں کرونا کے کیسز میں اضافے کے سبب دوسری ششماہی کے آغاز سے اس تیزی میں کمی آنا شروع ہوئی۔ اس کے باوجود، مذکورہ علاقے میں صورتحال میں بہتری آتی ہی، تیل کی قیمتوں میں پھر اضافے کا رجحان رہا اور قیمتیں بڑھتی رہیں۔ مزید براں، امریکہ اور ایران کے درمیان جوہری معاہدے سے متعلق بات چیت شروع ہونے سے مارکیٹ میں ایرانی تیل کا اضافہ ہوتا جس میں تعطل سے قیمتوں میں تیزی رہی۔ تاہم قیمتوں میں ایک بار پھر اس وقت تیزی آئی جب اوپیک پلس نے 2021 کے اختتام تک یومیہ 2 ملین بیرل کل اضافے کے منصوبے کا اعلان کیا۔ قیمتوں میں ایک بار پھر کمی اس وقت آئی جب دنیا بھر میں پھر کرونا نے اپنے وار شروع کئے اور چین نے کرونا وائرس سے متعلق زیرو ٹالرنس پالیسی کے نفاذ کا اعلان کیا۔ سال کی آخری سہ ماہی کے دوران کروڈ آئل کی قیمتوں میں امریکی طوفان کے سبب سپلائی میں تعطل کے نتیجے میں تیزی دیکھی گئی۔ علاوہ ازیں، کوئلے اور گیس کی قیمتوں میں اضافے کے سبب کروڈ آئل کو متبادل کے طور پر استعمال کیا گیا جس سے قیمتوں میں تیزی شروع ہوئی۔ اوپیک پلس کی جانب کارروائی میں ناکامی کے سبب اقوام متحدہ، چین، بھارت، ساؤتھ کوریا، جاپان اور برطانیہ کی جانب سے اسٹریٹجک پیٹرولیم ریزروز (SPR) سے کروڈ آئل کی مشترکہ فراہمی کی گئی۔ سال کے آخر تک، آئل کی طلب میں کچھ کمی دیکھی گئی جب Covid-19 کے نئے ویرینٹ اومیکرون نے عالمی معیشتوں پر اثرات مرتب کئے۔ سال کے اختتام پر کروڈ آئل کی قیمتیں 75.21 /bbl امریکی ڈالر جبکہ سال کے لیے اوسط قیمت 67.83 /bbl امریکی ڈالر رہی۔

پیرازائلین (PX) انڈسٹری

دوران سال PX کی قیمتوں میں کروڈ آئل کی طرح طلب میں بہتری اور بحالی سے زبردست تیزی دیکھی گئی۔ علاقے میں کئی طرح کے زیر منصوبہ اور غیر منصوبہ بندشوں کے نتیجے میں مارکیٹ میں بہتری آئی۔ البتہ سال کی دوسری سہ ماہی میں تیزی میں اس وقت کمی واقع ہوئی جب ساؤتھ ایسٹ ایشیا اور بھارت کے علاقے میں کرونا کے نئے کیسز ظاہر ہوئے، جس سے مارکیٹ میں کمزوری واقع ہوئی۔ اس کے باوجود، نئے PX پلانٹ کے شروع ہونے میں تاخیر سے قیمتوں میں کچھ بہتری ہوئی۔ سال کی دوسری ششماہی میں PX کی طلب میں کچھ بہتری دیکھی گئی جب چین میں PTA اور پولیئسٹر پروڈیوسرز کو حکومت کی جانب سے بجلی کی بچت کے ٹارگٹ پانے کے لیے اپنے آپریشنز میں کمی لانے کا حکم ملا۔ آخری سہ ماہی کے دوران کروڈ کی قیمتوں کی بحالی سے PX مارکیٹ کو سہارا ملا لیکن ریجن میں بہت ساری سپلائی کے سبب کاروباری اخراجات بڑھنے سے منافع میں تیزی سے مناسب فائدہ حاصل ہوا۔ منافع میں جاری کمی کے نتیجے میں چین کے پروڈیوسرز نے PX کے پیداواری اخراجات میں کمی کرنے کے ساتھ پیداوار کو گیسولین جیسی متبادل سستی توانائی پر منتقل کیا۔ دوران سال Naptha پر اوسط منافع 214 ڈالر فی ٹن رہا اور PX کی اوسط قیمت گزشتہ سال 2020 کے 578.25 امریکی ڈالر فی ٹن کے مقابلے میں 858.78 ڈالر فی ٹن رہی۔





پراکسی فارم

24واں 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 تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 24ویں سالانہ اجلاس عام جو کہ 21 اپریل 2022 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 ریونیو 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 کیئے جانے اور ممبر اگر کمپنی کو ایک سے زائد پراکسی انسٹرومینٹس داخل کرائے، تو وہ سب غیر مؤثر تصور کیئے 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 کیئے جائیں (اگر وہ پہلے پیش نہ کیئے گئے ہوں)۔

Form of Proxy

24th 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 24th Annual General Meeting of the Company to be held on Thursday, 21 April 2022 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.

Registered Office
EZ/I/P-4, Eastern Industrial Zone,
Port Qasim Authority, Bin Qasim,
Karachi - 75020, 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