



**LOTTE CHEMICAL**  
**PAKISTAN LTD**

People.  
Progress.  
Profit.



**REPORT FOR THE  
SIX MONTHS PERIOD ENDED  
30 JUNE 2023**

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# Company Information

As at 11 August 2023

## Board of Directors

Sang Hyeon Lee	Chairman
Young Dae Kim	Chief Executive
IL Kyu Kim	Non-Executive
Jae Sun Park	Non-Executive
Shabbir Diwan	Non-Executive
Rashid Ibrahim	Independent
Khurram Rashid	Independent
Tariq Nazir Virk	Executive

## Audit Committee

Rashid Ibrahim	Chairman
IL Kyu Kim	Member
Khurram Rashid	Member
Faisal Abid	Secretary

## HR & Remuneration Committee

Rashid Ibrahim	Chairman
Sang Hyeon Lee	Member
Young Dae Kim	Member
Waheed U Khan	Secretary

## Shares Sub Committee

Young Dae Kim	Chairman
Sang Hyeon Lee	Member
Khurram Rashid	Member

## Executive Management Team

Young Dae Kim	Chief Executive
Tariq Nazir Virk	Director Manufacturing
Waheed U Khan	Director Admin, HR & IT
Ashiq Ali	Chief Financial Officer
Muhammed Talha Khan	General Manager Commercial

## Chief Financial Officer

Ashiq Ali

## Company Secretary

Faisal Abid

## Bankers

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Citibank NA  
Deutsche Bank AG  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Ltd  
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

KPMG Taseer Hadi & Co.,  
Chartered Accountants

## External Auditors

A.F. Ferguson & Co.,  
Chartered Accountants

## Legal Advisor

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

## Registered Office

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

## Shares Registrar

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

# Directors' Review

For the second quarter ended 30 June 2023

The Directors are pleased to present their review report for the second quarter ended 30 June 2023 together with the un-audited condensed interim financial information of the Company as at and for the second quarter and six months period ended 30 June 2023.

## Election of Directors

At the Extraordinary General Meeting of the Company held on 22 June 2023, Mr Sang Hyeon Lee, Mr Young Dae Kim, Mr IL Kyu Kim, Ms Jae Sun Park, Mr Tariq Nazir Virk, Mr Shabbir Diwan, Mr Rashid Ibrahim and Mr Khurram Rashid were elected as Directors of the Company for a three-year term commencing from 23 June 2023.

Following the election of Directors, Mr Sang Hyeon Lee was re-appointed as Chairman and Mr Young Dae Kim as Chief Executive of the Company for a term of three years commencing from 23 June 2023.

## Business Overview

Crude Oil (WTI) prices exhibited a bearish trend throughout the second quarter as several unfavorable factors plagued the market. The implementation of stringent monetary policies in major economies, stunted global economic growth, debt default concerns in the U.S., and slower-than-anticipated rebound in Chinese economy raised concerns of weaker Oil demand, thereby exerting downward pressure on the prices. During the quarter, Oil prices were briefly aided by the prospect of tighter supplies with supply disruption from Iraq's Kurdish region due to legal disputes as well as from North America on account of wild fires. Furthermore, the decision from OPEC+ to reduce supply by 1.66 million barrels per day from May, and the subsequent intended cut of 1 million barrels per day from July, provided some support to the ailing prices during the quarter. The average price for the quarter was US\$ 73.93 per barrel, down by 3.2% from the previous quarter.

Paraxylene (PX) market largely lost strength over the course of the quarter following the decline in Crude Oil prices. However PX prices were periodically supported as several facilities underwent planned shut downs during the quarter, and some PX producers diverted product to the Gasoline pool which offered lucrative margins, consequently causing the market to tighten. Demand for PX within China remained robust on the back of capacity additions in the downstream PTA sector, however poor economics kept the demand subdued in the rest of Asia despite the peak season. The average PX price for the quarter was US\$ 1,031.29 per tonne while the PX-Naptha spread averaged at US\$ 429 per tonne.

The PTA prices trended downwards following the upstream PX market, as major stakeholders adopted a cautious approach due to the volatility in the upstream energy markets and uncertainty in the macroeconomic environment. PTA production in the region reached unprecedented levels with the start-up of 5.5 million MTs of new capacities in China, however the market failed to gather sufficient support as it was inundated by negative sentiment amid inflationary pressure and lackluster consumerism. Despite the peak season, demand for PTA remained relatively depressed as many polyester producers were forced to rationalize operations due to poor margins, however capacity additions in the downstream PET and polyester sectors kept the PTA inventory build-up in check. The average PTA price for the quarter was US\$ 797.13 per metric tonne, whereas the average PTA margin over PX for the quarter was US\$ 120 per metric tonne.

The domestic polyester industry re-gained stability in Q2-2023 as compared to the previous quarter as producers made alternate arrangements in their supply chains to manage operations and replenish finished goods inventories. However, despite the peak season, downstream sales remained sub-par due to weak demand resulting from challenging economic conditions and inflationary pressure in the country.

# Directors' Review

For the second quarter ended 30 June 2023

## Operations

The Company had to keep operations suspended till the end of April after taking the plant offline in mid-March due to unavailability of raw material on account of economic situation prevalent in the country. As a result, Production volume during the quarter at 71,538 tonnes was 46% lower than the corresponding period last year while Sales volume, comprising of domestic sales only, at 62,054 tonnes was 53% lower than the corresponding quarter last year.

## Financial Performance

Revenue for the quarter was 45% lower than the corresponding period last year mainly due to lower volume sold. This resulted in a lower gross profit of Rs 2,000 million for the quarter as compared to gross profit of Rs 5,996 million during the same period last year.

Distribution and selling expenses were 24% higher than Q2 2022 while Administrative and general expenses were 28% higher than the corresponding period last year due to overall impact of high inflation.

The taxation charge for the quarter is based on statutory income tax rate, tax under Final Tax Regime (FTR) and super tax as adjusted by the movement in the deferred tax account. The taxation charge also includes prior year tax charge as a result of retrospective increase in the rate of Super tax from 4% to 10% from Tax year 2023.

Earnings per share (EPS) for the quarter stood at Rs 0.21 per share as compared to Rs 1.84 per share for Q2 2022.

## Future Outlook

Moving forward, Crude Oil (WTI) prices are expected to trend upwards in the second half of 2023 as continued production cuts from OPEC+ may result in a substantial supply deficit. However, persistent weakness in the global demand outlook and the resultant potential increase in interest rates by major economies will keep the prices in check.

Paraxylene (PX) prices are likely to trend upwards in the next quarter supported by the upstream Crude Oil prices as well as increased demand against the capacity additions in the downstream PTA sector. However, market is expected to lengthen following the re-start of PX assets post maintenance activities which may limit price movement.

PTA prices are forecasted to trend downwards as market is anticipated to taper following the end of the peak season. Further, poor demand sentiment amid the bleak macroeconomic outlook will continue to influence the prices resulting in pressure on margins.

The domestic Polyester market is expected to continue facing economic challenges, mainly driven by uncertainty in energy costs and its availability in addition to the ongoing cash flow issues. Reduced consumer spending fueled by unprecedented inflation and a precarious global economic recovery, pose a substantial risk to domestic manufacturing operations.



**Sang Hyeon Lee**  
Chairman



**Young Dae Kim**  
Chief Executive

Date: 11 August 2023

Karachi



## Independent Auditor's Review Report

To the members of Lotte Chemical Pakistan Limited

### Report on Review of Interim Financial Statements

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Lotte Chemical Pakistan Limited as at 30 June 2023 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss, and condensed interim statement of comprehensive income for the quarters ended 30 June 2023 and 30 June 2022 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended 30 June 2023.

#### Scope of Review

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

#### Conclusion

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

#### Other matter

The financial statements of the Company for the year ended 31 December 2022 and half year ended 30 June 2022 were audited and reviewed by another firm of Chartered Accountants who had expressed an unmodified opinion/conclusion on those statements vide their reports dated 27 February 2023 and 10 August 2022 respectively.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.

Date: 11 August 2023  
Karachi  
UDIN: RR202310059Ff3qJG62a

A.F. Ferguson & Co.  
Chartered Accountants

# Condensed Interim Statement of Financial Position

As at 30 June 2023

Amounts in Rs '000

	Note	30 June 2023 (Un-audited)	31 December 2022 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	5,989,320	6,259,826
Intangible assets		31,701	38,632
Right-of-use assets	5	986,162	1,110,524
Long-term loans		44,522	83,931
Long-term prepayments		101,010	66,115
Deferred taxation - net		2,303,290	1,589,704
		<b>9,456,005</b>	9,148,732
<b>Current assets</b>			
Stores and spare parts		1,731,097	1,416,265
Stock-in-trade		9,752,868	8,529,047
Trade debts	6	7,167,991	7,053,875
Loans and advances		45,682	37,171
Trade deposits and short-term prepayments	7	4,355,578	107,221
Interest accrued		94,791	39,996
Other receivables		10,474	5,662
Short-term investments - at amortised cost	8	11,577,691	11,952,850
Sales tax refunds due from government	9	2,257,592	547,221
Taxation - net		-	97,959
Cash and bank balances	10	331,998	4,397,066
		<b>37,325,762</b>	34,184,333
<b>Total assets</b>		<b>46,781,767</b>	43,333,065
<b>Equity and liabilities</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital			
1,514,207,208 (31 December 2022: 1,514,207,208)			
ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserve		2,345	2,345
Revenue reserve - Unappropriated profit		4,666,310	7,869,409
<b>Total equity</b>		<b>19,810,727</b>	23,013,826
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations		207,134	198,723
Lease liability		1,878,291	1,660,096
		<b>2,085,425</b>	1,858,819
<b>Current liabilities</b>			
Trade and other payables	11	13,211,128	13,202,137
Lease liability		420,491	314,484
Accrued interest	12	435,654	344,413
Unclaimed dividend		25,132	25,653
Unpaid dividend	13	9,136,743	4,573,733
Taxation - net		1,656,467	-
		<b>24,885,615</b>	18,460,420
<b>Total liabilities</b>		<b>26,971,040</b>	20,319,239
<b>Contingencies and commitments</b>	14		
<b>Total equity and liabilities</b>		<b>46,781,767</b>	43,333,065

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



**Sang Hyeon Lee**  
Chairman



**Young Dae Kim**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

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

For the six months period ended 30 June 2023

Amounts in Rs '000

	Note	Six months period ended 30 June (Un-audited)		Quarter ended 30 June (Un-audited)	
		2023	2022	2023	2022
<b>Revenue - net</b>	15	<b>38,542,564</b>	49,958,303	<b>16,429,866</b>	29,626,704
Cost of sales	16	<b>(32,103,367)</b>	(39,952,417)	<b>(14,429,654)</b>	(23,630,806)
<b>Gross profit</b>		<b>6,439,197</b>	10,005,886	<b>2,000,212</b>	5,995,898
Distribution and selling expenses		<b>(79,332)</b>	(73,124)	<b>(42,465)</b>	(34,336)
Administrative and general expenses		<b>(313,066)</b>	(251,400)	<b>(161,433)</b>	(126,455)
Other operating expenses	17	<b>(458,373)</b>	(668,090)	<b>(160,849)</b>	(392,517)
<b>Operating profit</b>		<b>5,588,426</b>	9,013,272	<b>1,635,465</b>	5,442,590
Other income	18	<b>1,183,510</b>	833,743	<b>598,354</b>	458,061
Finance cost	19	<b>(895,121)</b>	(997,649)	<b>(139,614)</b>	(720,715)
<b>Profit before taxation</b>		<b>5,876,815</b>	8,849,366	<b>2,094,205</b>	5,179,936
Taxation	20	<b>(3,023,086)</b>	(3,447,919)	<b>(1,782,833)</b>	(2,393,448)
<b>Profit after taxation</b>		<b>2,853,729</b>	5,401,447	<b>311,372</b>	2,786,488
----- Amount in Rupees -----					
<b>Earnings per share - basic and diluted</b>		<b>1.88</b>	3.57	<b>0.21</b>	1.84

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

  
Sang Hyeon Lee  
Chairman

  
Young Dae Kim  
Chief Executive

  
Ashiq Ali  
Chief Financial Officer





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

For the six months period ended 30 June 2023

Amounts in Rs '000

	Six months period ended 30 June (Un-audited)		Quarter ended 30 June (Un-audited)	
	2023	2022	2023	2022
<b>Profit after taxation</b>	<b>2,853,729</b>	5,401,447	<b>311,372</b>	2,786,488
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>2,853,729</b>	5,401,447	<b>311,372</b>	2,786,488

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



**Sang Hyeon Lee**  
Chairman



**Young Dae Kim**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

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

For the six months period ended 30 June 2023

Amounts in Rs '000

	Share capital	Reserves			Total equity
	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Sub-total	
<b>Balance as at 1 January 2022</b>	15,142,072	2,345	3,832,102	3,834,447	18,976,519
Total comprehensive income for the six months period ended 30 June 2022					
- Profit for the six months period ended 30 June 2022	-	-	5,401,447	5,401,447	5,401,447
- Other comprehensive income for the six months period ended 30 June 2022	-	-	-	-	-
	-	-	5,401,447	5,401,447	5,401,447
Balance as at 30 June 2022	15,142,072	2,345	9,233,549	9,235,894	24,377,966
<b>Balance as at 1 January 2023</b>	<b>15,142,072</b>	<b>2,345</b>	<b>7,869,409</b>	<b>7,871,754</b>	<b>23,013,826</b>
Total comprehensive income for the six months period ended 30 June 2023					
- Profit for the six months period ended 30 June 2023	-	-	2,853,729	2,853,729	2,853,729
- Other comprehensive income for the six months period ended 30 June 2023	-	-	-	-	-
	-	-	2,853,729	2,853,729	2,853,729
Final dividend for the year ended 31 December 2022 @ Rs 2.00 per share	-	-	(3,028,414)	(3,028,414)	(3,028,414)
Interim dividend for the year ending 31 December 2023 @ Rs 2.00 per share	-	-	(3,028,414)	(3,028,414)	(3,028,414)
<b>Balance as at 30 June 2023</b>	<b>15,142,072</b>	<b>2,345</b>	<b>4,666,310</b>	<b>4,668,655</b>	<b>19,810,727</b>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

  
Sang Hyeon Lee  
Chairman

  
Young Dae Kim  
Chief Executive

  
Ashiq Ali  
Chief Financial Officer

# Condensed Interim Statement of Cash Flows (Un-audited)

## For the six months period ended 30 June 2023

Amounts in Rs '000

	Note	Six months period ended 30 June (Un-audited)	
		2023	2022
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	21	(1,272,523)	3,406,346
Finance costs paid		(115,591)	(23,800)
Payments to retirement benefit obligations		(1,335)	(1,816)
Long-term loans and advances - net		39,409	(16,647)
Long-term deposits and prepayments - net		(34,895)	162
Taxes paid		(2,102,947)	(1,213,364)
Interest received		1,025,857	806,568
Net cash (used in) / generated from operating activities		(2,462,025)	2,957,449
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(220,666)	(969,491)
Proceeds from disposal of property, plant and equipment		62,687	3,944
Redemption of short-term investments (net of purchases)		2,567,369	(7,244,402)
Net cash generated from / (used in) investing activities		2,409,390	(8,209,949)
<b>Cash flows from financing activities</b>			
Dividend paid		(1,494,339)	(2,521)
Payment of lease liability		(325,884)	(222,030)
Net cash used in financing activities		(1,820,223)	(224,551)
<b>Net decrease in cash and cash equivalents</b>		(1,872,858)	(5,477,051)
Cash and cash equivalents at 1 January		13,782,547	15,305,673
<b>Cash and cash equivalents at 30 June</b>	22	<u>11,909,689</u>	<u>9,828,622</u>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



**Sang Hyeon Lee**  
Chairman



**Young Dae Kim**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

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

For the six months period ended 30 June 2023

## 1. STATUS AND NATURE OF BUSINESS

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

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

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

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

1.4 The Company had to shut down its plant operations from mid March till end of April 2023, mainly due to economic conditions prevalent in the Country.

1.5 The Board of Directors of the Lotte Chemical Corporation ("LCC Korea"), the majority shareholder of the Company entered into Share Purchase Agreement dated 26 January 2023 with Lucky Core Industries Limited for the sale of all of the Company's shares held by LCC Korea (i.e.1,135,860,105 constituting approximately 75.01% of the issued and paid-up capital of the Company).

Subsequently, LCC Korea has signed an Assignment and Assumption Agreement with Lucky Core Industries Limited and Lucky Core Ventures (Private) Limited (a wholly owned subsidiary of the Lucky Core Industries Limited), in respect of Share Purchase Agreement.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These condensed interim financial statements of the Company for the six months period ended 30 June 2023 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

2.1.1 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of changes in Company's financial position and performance since the last annual financial statements.

### 2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention (except for retirement benefit obligations and lease liability, which have been measured at present value).

### 2.3 Functional and presentation currency

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

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

For the six months period ended 30 June 2023

Amounts in Rs '000

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

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

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on 1 January 2023. However, these do not have any significant impact on the Company's financial reporting.

### 2.4.2 Standards and amendments to approved accounting and reporting standards that are not yet effective

There are standards and certain other amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after 1 January 2024. However, these are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these condensed interim financial statements.

## 3. ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2022.

The preparation of these condensed interim financial statements, in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates. During the preparation of these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and assumptions are consistent with those that were applied to the annual audited financial statements of the Company for the year ended 31 December 2022.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended 31 December 2022.

	Note	30 June 2023 (Un-audited)	31 December 2022 (Audited)
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment	4.1	<b>5,133,268</b>	5,591,103
Capital work-in-progress	4.1 & 4.2	<b>856,052</b>	668,723
		<b>5,989,320</b>	6,259,826

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

	2023		2022	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
<b>Property, plant and equipment</b>				
<b>Operating assets - owned</b>				
Plant and machinery	<b>23,710</b>	<b>2,573</b>	540,226	-
Furniture and equipment	<b>9,094</b>	<b>48</b>	9,051	-
Motor vehicles	<b>533</b>	-	529	-
<b>Capital work-in-progress - net</b>	<b>187,329</b>		286,596	

4.2 This includes capital expenditure pertaining to civil work & building, plant & machinery and other equipment amounting to Rs. 6.90 million (31 December 2022: Nil), Rs. 827.1 million (31 December 2022: Rs. 648.01 million), and Rs. 22.05 million (31 December 2022: Rs. 20.71 million) respectively.

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

For the six months period ended 30 June 2023

Amounts in Rs '000

		<b>30 June 2023</b>	31 December 2022
	Note	<b>(Un-audited)</b>	(Audited)
<b>5. RIGHT-OF-USE ASSETS</b>			
<b>5.1 Gross carrying value basis</b>			
Cost		<b>1,936,026</b>	1,936,026
Accumulated depreciation		<b>(949,864)</b>	(825,502)
Net book value		<b>986,162</b>	1,110,524
<b>5.2 Net carrying value basis</b>			
Balance as at 1 January		<b>1,110,524</b>	1,217,305
Additions during the period / year		-	133,089
Depreciation charge during the period / year		<b>(124,362)</b>	(239,870)
Balance as at 30 June		<b>986,162</b>	1,110,524
<b>6. TRADE DEBTS</b>			
Trade receivable - PTA and related products	6.1 & 6.2	<b>7,149,895</b>	7,010,116
Trade receivable - electricity		<b>18,096</b>	43,759
		<b>7,167,991</b>	7,053,875
<b>6.1</b>	All of the Company's trade debts for PTA and related products are secured by letters of credit of 30 to 120 days issued by various banks. Receivable from K-Electric on account of sale of electricity is secured against post dated cheques. These balances are neither past due nor impaired and are considered good.		
<b>6.2</b>	This includes receivable from related parties amounting to Rs. 2,819.57 million (31 December 2022: Nil).		
		<b>30 June 2023</b>	31 December 2022
	Note	<b>(Un-audited)</b>	(Audited)
<b>7. TRADE DEPOSITS AND SHORT-TERM PRE-PAYMENTS</b>			
Deposits - unsecured and considered good		<b>32,333</b>	30,867
Margin on import letters of credit		<b>4,226,405</b>	28,934
Short-term prepayments		<b>96,840</b>	29,925
Current portion of amortization of loans to employees		-	17,495
		<b>4,355,578</b>	107,221
<b>8. SHORT-TERM INVESTMENTS - at amortised cost</b>			
Term Deposit Receipts (TDRs)	8.1	<b>11,577,691</b>	9,385,481
Treasury Bills		-	2,567,369
		<b>11,577,691</b>	11,952,850
<b>8.1</b>	The markup rates on TDRs as of reporting date ranges from 18.5% to 20.50% per annum (31 December 2022: 14.3% to 15.0% per annum) having original maturities of less than three months.		
		<b>30 June 2023</b>	31 December 2022
		<b>(Un-audited)</b>	(Audited)
<b>9. SALES TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax refundable		<b>2,444,185</b>	733,814
Provision for impairment		<b>(186,593)</b>	(186,593)
		<b>2,257,592</b>	547,221

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

For the six months period ended 30 June 2023

Amounts in Rs '000

		<b>30 June 2023</b>	31 December 2022
	Note	<b>(Un-audited)</b>	(Audited)
<b>10. CASH AND BANK BALANCES</b>			
<b>Cash in hand</b>		<b>95</b>	65
<b>With banks in local currency:</b>			
Current accounts		<b>277,255</b>	4,387,597
Saving account	10.1	<b>54,648</b>	9,404
		<b>331,903</b>	4,397,001
		<b>331,998</b>	4,397,066

**10.1** These carry markup at 14.50% to 19.50% per annum (31 December 2022: 8.25% to 14.50% per annum).

		<b>30 June 2023</b>	31 December 2022
	Note	<b>(Un-audited)</b>	(Audited)
<b>11. TRADE AND OTHER PAYABLES</b>			
Trade creditors including bills payable		<b>3,212,067</b>	4,244,858
Accrued expenses		<b>963,864</b>	627,636
Captive Gas Tariff differential	11.1	<b>204,615</b>	233,501
Contract liabilities - advances from customers		<b>27,606</b>	42,673
Withholding tax payable		<b>5,480</b>	3,300
Infrastructure Cess		<b>4,784,254</b>	4,371,509
Provision for GIDC		<b>3,113,744</b>	3,113,744
Workers' Profit Participation Fund (WPPF)		<b>316,724</b>	45,660
Workers' Welfare Fund (WWF)		<b>430,473</b>	363,864
Retention money		<b>4,152</b>	6,880
Others		<b>148,149</b>	148,512
		<b>13,211,128</b>	13,202,137

**11.1** This represents provision which pertains to the following matters:

- The Company along with the industry challenged the increase in gas tariff as notified by OGRA effective 31 August 2015. The case was decided by the Sindh High Court in favor of the consumers in order dated 18 May 2016. The SSGC has filed an appeal in Supreme Court of Pakistan on 13 December 2017, the Company has therefore made full provision amounting to Rs. 114.82 million on a prudent basis; and
- The Company along with the industry challenged the incorrect application of captive gas tariff instead of industrial gas tariff, for own consumption, on Export Oriented Sector. The Sindh High Court (SHC) passed an ad-interim stay order on 04 June 2021 for no coercive/adverse action against the industry and thereafter SSGC started billing on Industrial gas tariff. The case has been decided against the Company in Sindh High Court Order dated 18 February 2023 and SSGC has started billing for the differential amount of captive and industrial gas tariff. The Company along with industry has filed an appeal against the order on 24 March 2023. The Company has carried provision amounting to 89.80 million in this regard.

## 12. ACCRUED INTEREST

This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (31 December 2022: USD 1.52 million) on long-term loans previously repaid by ICI Pakistan Limited. The amount is still unpaid due to certain legal and procedural complexities with respect to foreign remittance.

## 13. UNPAID DIVIDEND

This includes dividend payable to Lotte Chemical Corporation (the Parent Company). The Company has submitted duly certified application for remittance to authorized dealer for onward approval of regulator which is still awaited.

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

For the six months period ended 30 June 2023

Amounts in Rs '000

## 14. CONTINGENCIES AND COMMITMENTS

There is no significant change in the status of contingencies as reported in the annual audited financial statements for the year ended 31 December 2022.

### 14.1 Commitments and Guarantees

**14.1.1** Commitments for capital expenditure as at 30 June 2023 amounted to Rs 6.38 million (31 December 2022: Rs 221.97 million).

**14.1.2** Commitments for rentals under ljarah contracts for vehicles as at 30 June 2023 are as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>(Un-audited)</b>	(Audited)
Not later than 1 year	<b>32,714</b>	52,392
Later than 1 year and not later than 5 years	<b>211,607</b>	150,619
	<b>244,321</b>	203,011

**14.1.3** Commitments for rentals under agreement in respect of services are priced in foreign currency and converted at the exchange rate as at 30 June are as follows:

	<b>30 June 2023</b>	31 December 2022
	<b>(Un-audited)</b>	(Audited)
Not later than 1 year	<b>453,563</b>	115,668
Later than 1 year and not later than 5 years	<b>2,932,678</b>	-
	<b>3,386,241</b>	115,668

**14.1.4** Outstanding guarantees of the Company as at 30 June 2023 were Rs 5,444.15 million (31 December 2022: Rs 5,144.15 million).

**14.1.5** Letters of credit issued on behalf of the Company as at 30 June 2023 were Rs 12,250.83 million (31 December 2022: Rs 2,705.02 million).

	<b>Six months period ended 30 June (Un-audited)</b>	2022
	<b>2023</b>	2022

## 15. REVENUE - net

### Manufactured goods

Local sales	<b>45,118,735</b>	56,923,194
Less: Sales tax and excise duty, price settlements and discounts / rebates	<b>(6,795,211)</b>	(8,270,891)
	<b>(1,023,372)</b>	(542,207)
	<b>37,300,152</b>	48,110,096

### Trading goods

Local sales	<b>1,365,680</b>	1,358,596
Less: Sales tax and excise duty, price settlements and discounts / rebates	<b>(206,904)</b>	(197,403)
	<b>(10,442)</b>	(8,297)
	<b>1,148,334</b>	1,152,896

### Sale of electricity

Local sales	<b>113,949</b>	813,514
Less: Sales tax	<b>(19,871)</b>	(118,203)
	<b>94,078</b>	695,311
	<b>38,542,564</b>	49,958,303



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

For the six months period ended 30 June 2023

Amounts in Rs '000

	<b>Six months period ended 30 June (Un-audited)</b>	
	<b>2023</b>	<b>2022</b>
<b>16. COST OF SALES</b>		
<b>Manufactured goods</b>		
Opening stock of raw and packing materials	<b>6,237,395</b>	4,489,456
Purchases	<b>29,499,160</b>	38,732,522
Closing stock of raw and packing materials	<b>(6,658,737)</b>	(7,505,357)
Raw and packing materials consumed	<b>29,077,818</b>	35,716,621
Manufacturing costs	<b>2,996,638</b>	2,714,396
Cost of goods manufactured	<b>32,074,456</b>	38,431,017
Opening stock of finished goods	<b>2,123,326</b>	899,009
Closing stock of finished goods	<b>(2,911,508)</b>	(1,024,616)
Cost of goods manufactured sold	<b>31,286,274</b>	38,305,410
<b>Trading goods</b>		
Opening stock	<b>168,326</b>	460,127
Purchases	<b>722,229</b>	685,649
Closing stock	<b>(182,623)</b>	(171,151)
Cost of trading goods sold	<b>707,932</b>	974,625
<b>Cost to produce electricity</b>	<b>109,161</b>	672,382
	<b>32,103,367</b>	39,952,417
<b>17. OTHER OPERATING EXPENSES</b>		
Workers' Profit Participation Fund	<b>316,759</b>	475,873
Workers' Welfare Fund	<b>141,614</b>	192,217
	<b>458,373</b>	668,090
<b>18. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Interest income	<b>1,080,652</b>	808,047
<b>Income from non-financial assets</b>		
Scrap sales	<b>13,622</b>	3,249
Gain on disposal of property, plant and equipment	<b>60,066</b>	3,944
Indenting commission - net	<b>28,027</b>	7,241
Others	<b>1,143</b>	11,262
	<b>102,858</b>	25,696
	<b>1,183,510</b>	833,743
<b>19. FINANCE COSTS</b>		
Interest on lease liability	<b>136,020</b>	105,921
Exchange loss - net	<b>643,011</b>	867,748
Bank, LCs and other charges	<b>28,427</b>	22,220
Markup on LC discounting	<b>87,164</b>	1,580
Others	<b>499</b>	180
	<b>895,121</b>	997,649

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

For the six months period ended 30 June 2023

Amounts in Rs '000

	Note	Six months period ended 30 June (Un-audited)	
		2023	2022
<b>20. TAXATION</b>			
Current	20.1	<b>2,706,178</b>	3,136,889
Prior	20.2	<b>1,030,494</b>	668,905
Deferred		<b>(713,586)</b>	(357,875)
		<b>3,023,086</b>	3,447,919

**20.1** This includes super tax at the rate of 10% of taxable profit for the current period (30 June 2022: at the rate of 4%).

**20.2** This represents super tax as a result of retrospective increase in the rate from 4% to 10% for TY 2023 vide Finance Act, 2023.

	Note	Six months period ended 30 June (Un-audited)	
		2023	2022
<b>21. CASH (USED IN) / GENERATED FROM OPERATIONS</b>			
Profit before taxation		<b>5,876,815</b>	8,849,366
<b>Adjustments for non-cash charges and other items</b>			
Depreciation and amortisation		<b>619,844</b>	588,732
Gain on disposal of property, plant and equipment		<b>(60,066)</b>	(3,944)
Provision for retirement benefit obligations		<b>9,746</b>	7,936
Finance cost		<b>856,918</b>	445,159
Interest income	18	<b>(1,080,652)</b>	(808,047)
		<b>345,790</b>	229,836
		<b>6,222,605</b>	9,079,202

### Effect on cashflows due to working capital changes

(Increase) / decrease in current assets:

Stores and spare parts	<b>(314,832)</b>	55,276
Stock-in-trade	<b>(1,223,821)</b>	(2,852,532)
Trade debts	<b>(114,116)</b>	(5,876,176)
Loans and advances	<b>(8,511)</b>	5,542
Trade deposits and short-term prepayments	<b>(4,248,357)</b>	(77,588)
Other receivables	<b>(4,812)</b>	(248,420)
Sales tax refunds due from government	<b>(1,710,371)</b>	20,517
	<b>(7,624,820)</b>	(8,973,381)

Increase in trade and other payables

Cash (used in) / generated from operations

	<b>129,692</b>	3,300,525
	<b>(1,272,523)</b>	3,406,346
	<b>30 June 2023</b>	30 June 2022
	<b>(Un-audited)</b>	(Un-audited)

### 22. CASH AND CASH EQUIVALENTS

Cash and bank balances	10	<b>331,998</b>	52,672
TDRs with banks having maturity less than three months	8	<b>11,577,691</b>	9,775,950
		<b>11,909,689</b>	9,828,622

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

For the six months period ended 30 June 2023

Amounts in Rs '000

## 23. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions	Six months period ended 30 June (Un-audited)	
		2023	2022
<b>Associated undertakings</b>			
Novatex Limited	Sale of goods	<u>1,206,262</u>	<u>-</u>
<b>Key management personnel</b>			
	Salaries and other short-term benefits	<u>48,241</u>	<u>33,966</u>
	Retirement benefits	<u>4,273</u>	<u>3,748</u>
	Loans repaid	<u>-</u>	<u>9,800</u>
<b>Others</b>	Payments to retirement benefit funds	<u>53,241</u>	<u>49,108</u>

## 24. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 11 August 2023.



**Sang Hyeon Lee**  
Chairman



**Young Dae Kim**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

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