



LOTTE CHEMICAL
PAKISTAN LTD

More than Chemistry



**Report for the quarter & six months
period ended 30 June 2018**

Contents

Company Information	04
Directors' Review	05
Independent Auditors' Review Report	07
Condensed Interim Statement of Financial Position	08
Condensed Interim Statement of Profit or Loss	09
Condensed Interim Statement of Comprehensive Income	10
Condensed Interim Statement of Changes in Equity	11
Condensed Interim Statement of Cash Flows	12
Notes to the Condensed Interim Financial Statements	13

Company Information

As at 07 August 2018

Board of Directors

Jung Neon Kim	Chairman
Humair Ijaz	Chief Executive
Sang Hyeon Lee	Executive
In Goo Park	Non-Executive
Jae Sun Park	Non-Executive
M Qasim Khan	Non-Executive
Pervaiz Akhtar	Independent
Istaqbal Mehdi	Non-Executive

Audit Committee

Pervaiz Akhtar	Chairman
Jung Neon Kim	Member
Istaqbal Mehdi	Member
Faisal Abid	Secretary

HR & Remuneration Committee

Jung Neon Kim	Chairman
Sang Hyeon Lee	Member
Jae Sun Park	Member

Shares Sub Committee

Sang Hyeon Lee	Chairman
M Qasim Khan	Member
Jung Neon Kim	Member

Executive Management Team

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

Chief Financial Officer

Ashiq Ali

Company Secretary

Faisal Abid

Bankers

Askari Bank Limited
Citibank NA
Deutsche Bank AG
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited

Internal Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

External Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

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

Registered Office

EZ/1/P-4, Eastern Industrial Zone,
Port Qasim, Karachi

Shares Registrar

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

Directors' Review

For the second quarter ended 30 June 2018

The Directors are pleased to present their review report for the second quarter ended 30 June 2018 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 2018.

Business Overview

The second quarter commenced with a bullish trend for Crude Oil (WTI) due to reduced supply from Venezuela and Libya and the continued geopolitical tensions in Syria and Saudi Arabia. In May crude prices crossed the US\$ 70 per barrel mark as the United States backed out of the Iran Nuclear deal and committed to impose severe sanctions on Iran. During last week of May, Crude prices declined steeply due to uncertainty in the market as key OPEC and Non-OPEC members contemplated to increase output. Towards the end of the quarter, despite the 1 million barrels per day increase agreed by the OPEC Plus, the market resumed its bullish trend due to uncertainty over Libyan and Iranian exports and production issues in Canada. These factors pushed Crude to its highest levels in daily trade since November 2014, crossing US\$ 75 per barrel mark. Crude prices averaged at US\$ 67.87 per barrel for the quarter.

At the start of the quarter, the Paraxylene (PX) market, already propped by strong downstream demand from PTA and the trend in the upstream Crude Oil market, showed bullishness. The PX market sentiment further ignited due to turnarounds in the region and a delay in the start-up of a new capacity in Saudi Arabia which forced PX price to cross the US\$ 1,000 per tonne mark. Towards the end of the quarter, despite the volatility in Crude, PX prices weakened as product from Petro Rabigh and Nghi Son entered the market. The PX price averaged at US\$ 984.37 per tonne during the quarter while the PX-Naphtha spread averaged at US\$ 344 per tonne.

At the start of the quarter, improved demand for PTA was observed as manufacturers geared up for the peak season of the downstream Polyester and PET sector. This enabled prices to trend higher which crossed the \$ 800 per tonne mark during the first week of May. Towards the second half of the quarter, new Polyester and PET capacity additions in the region supported PTA demand resulting in healthy margins for the PTA manufacturers. However, towards the end of the quarter PTA prices stagnated as the peak season for the downstream Polyester and PET sector drew to a close. The average price of PTA for the quarter was US\$ 812.69 per tonne.

Operations

Production volume during the quarter at 124,502 tonnes was 3% lower than the corresponding period last year due to plant outage of 3 days for unavoidable maintenance activities.

Sales volume, comprising of domestic sales only, for Q2 2018 at 126,429 tonnes was marginally lower than the corresponding quarter last year.

Profit, Finance & Taxation

Revenue for the quarter was 43% higher than the corresponding period last year due to higher average PTA price per tonne. This, together with improved PTA margin over PX resulted in a gross profit of Rs 1,713 million for the quarter as compared to gross profit of Rs 192 million during the same period last year. Administrative expenses were 9% higher than Q2 2017 due to overall impact of inflation.

The taxation charge for the quarter is based on the statutory income tax rate and reversal of deferred tax asset related to carried forward minimum turnover tax for tax year 2014 and taxable losses.

Directors' Review

For the second quarter ended 30 June 2018

Profit after taxation for the quarter ended 30 June 2018 amounted to Rs 990 million as compared to profit after taxation of Rs 41 million in Q2 last year.

Future Outlook

Moving forward, we can expect the Crude Oil market to continue its volatile trend. The decision by the US to impose sanctions on Iran, the ongoing trade war between US and China, and production crisis in Venezuela and Libya will have wide reaching consequences on the Crude market. However, with the US backed decision to increase Saudi Crude production by more than 1 million barrel per day, any upside from the production loss in the region may be limited. The continued increase in US Crude production and rig counts have added to the negative sentiment in the market. However demand for crude in Q3 2018 is expected to remain strong due to the ongoing driving season which will keep inventory levels suppressed.

The PX market is expected to follow the upstream Crude Oil market; however, the new capacity additions in Saudi Arabia and Vietnam have improved the availability which may limit gains in PX prices. Additionally, with the end of the peak season in the downstream Polyester and PET industries, weaker demand for PX is expected, adding more pressure on PX prices in the third quarter.

Demand for PTA is expected to weaken as the peak season for the Polymer chain comes to a close. PTA prices may find limited support as market players will maintain operating rates to replenish current low inventories. Despite this, the outlook remains bearish due to volatile upstream markets and a weak Chinese commodity market.

The domestic PET and PSF operations are expected to trend lower as the peak season comes to an end. However, PSF operations may sustain as local product pricing may seem more favorable compared to import as the Rupee continues to depreciate against the US dollar.

The Business will continue its efforts towards sale of surplus electricity to K-Electric, which is pending approval from NEPRA.



Jung Neon Kim
Chairman

Date: 07 August 2018
Karachi



Humair Ijaz
Chief Executive



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

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

Independent Auditors' Review Report 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 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months ended 30 June 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2018.

Scope of Review

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

Conclusion

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

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

EY Ford Rhodes
Chartered Accountants

Karachi

Date: 17 August 2018

Condensed Interim Statement of Financial Position

As at 30 June 2018

Amounts in Rs '000

	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
Assets			
Non-current assets			
Fixed assets	4	5,254,453	5,652,212
Long-term loans and advances		97,795	74,539
Long-term deposits and prepayments		49,101	62,545
Deferred tax assets	5	735,917	1,599,561
		6,137,266	7,388,857
Current assets			
Stores and spare parts		853,809	848,828
Stock-in-trade		4,493,062	3,361,974
Trade debts		3,256,289	2,817,600
Loans and advances		37,188	27,292
Trade deposits and short-term prepayments		64,636	47,234
Interest accrued on short-term fixed deposits		18,724	15,236
Other receivables	6	407,679	20,054
Tax refunds due from government - sales tax	7	267,081	373,653
Taxation - payments less provision		776,024	597,121
Cash and bank balances	8	6,270,148	5,043,188
		16,444,640	13,152,180
Total assets		22,581,906	20,541,037
Equity			
Share capital and reserves			
Issued, subscribed and paid-up capital 1,514,207,208 (31 December 2017: 1,514,207,208) ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Accumulated losses		(3,424,688)	(4,467,337)
		11,719,729	10,677,080
Liabilities			
Non-current liabilities			
Retirement benefit obligations		107,216	98,280
Current liabilities			
Trade and other payables	9	10,543,601	9,585,372
Accrued interest		184,788	168,159
Unclaimed dividend		26,572	12,146
		10,754,961	9,765,677
Total liabilities		10,862,177	9,863,957
Total equity and liabilities		22,581,906	20,541,037
Contingencies and commitments	10		

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

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

For the quarter and six months period ended 30 June 2018

Amounts in Rs '000

	Note	Quarter ended 30 June		Six months period ended 30 June	
		2018	2017	2018	2017
Revenue - net	11	13,318,789	9,339,647	25,695,282	19,946,784
Cost of sales	12	(11,605,917)	(9,147,535)	(22,861,095)	(19,274,705)
Gross profit		1,712,872	192,112	2,834,187	672,079
Distribution and selling expenses		(20,839)	(22,076)	(41,319)	(50,254)
Administrative expenses		(92,182)	(84,837)	(181,176)	(168,851)
Other expenses	13	(174,297)	(11,495)	(266,470)	(27,893)
Other income	14	126,751	63,690	217,271	121,623
Finance costs	15	(100,105)	(33,419)	(276,183)	(42,464)
Profit before taxation		1,452,200	103,975	2,286,310	504,240
Taxation	16	(462,158)	(63,072)	(940,820)	(150,560)
Profit after taxation		990,042	40,903	1,345,490	353,680

----- Amount in Rupees -----

Earnings per share - basic and diluted	0.65	0.03	0.89	0.23
---	-------------	------	-------------	------

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the quarter and six months period ended 30 June 2018

Amounts in Rs '000

	Quarter ended 30 June		Six months period ended 30 June	
	2018	2017	2018	2017
Profit after taxation	990,042	40,903	1,345,490	353,680
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	990,042	40,903	1,345,490	353,680

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

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

For the six months period ended 30 June 2018

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated losses	Total
Balance as at 1 January 2017	15,142,072	2,345	(4,869,335)	10,275,082
Total comprehensive income for the six months period ended 30 June 2017				
- Profit for the six months period ended 30 June 2017	-	-	353,680	353,680
- Other comprehensive income for the six months period ended 30 June 2017	-	-	-	-
	-	-	353,680	353,680
Balance as at 30 June 2017	<u>15,142,072</u>	<u>2,345</u>	<u>(4,515,655)</u>	<u>10,628,762</u>
Balance as at 1 January 2018	15,142,072	2,345	(4,467,337)	10,677,080
Final dividend @ Rs 0.20 per share for the year ended 31 December 2017	-	-	(302,841)	(302,841)
Total comprehensive income for the six months period ended 30 June 2018				
- Profit for the six months period ended 30 June 2018	-	-	1,345,490	1,345,490
- Other comprehensive income for the six months period ended 30 June 2018	-	-	-	-
	-	-	1,345,490	1,345,490
Balance as at 30 June 2018	<u>15,142,072</u>	<u>2,345</u>	<u>(3,424,688)</u>	<u>11,719,729</u>

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)

For the six months period ended 30 June 2018

Amounts in Rs '000

	Note	Six months period ended 30 June	
		2018	2017
Cash flows from operating activities			
Cash generated from operations	17	1,690,427	1,120,188
Long-term loans and advances - net		(23,256)	(5,539)
Long-term deposits and prepayments - net		13,444	(31,714)
Finance costs paid		(17,563)	(48,340)
Payments to retirement benefit obligations		(540)	(543)
Taxes paid		(302,438)	(48,098)
Interest received from short-term fixed deposits		184,604	107,444
Net cash generated from operating activities		1,544,678	1,093,398
Cash flows from investing activities			
Payments for capital expenditure		(29,419)	(70,536)
Proceeds from disposal of property, plant and equipment		116	-
Net cash used in investing activities		(29,303)	(70,536)
Cash flows from financing activities			
Dividend paid		(288,415)	(2)
Net cash used in financing activities		(288,415)	(2)
Net increase in cash and cash equivalents		1,226,960	1,022,860
Cash and cash equivalents at 1 January		5,043,188	3,319,250
Cash and cash equivalents at 30 June		6,270,148	4,342,110

The annexed notes 1 to 21 form an integral part of this condensed interim financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

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

For the six months period ended 30 June 2018

1. Status and nature of business

Lotte Chemical Pakistan Limited ("the Company") was incorporated in Pakistan on 30 May 1998 and is listed on Pakistan Stock Exchange, and is engaged in the manufacture and sale of Pure Terephthalic Acid (PTA). The Company's registered office is situated at EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi.

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

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

3. Significant accounting policies

The accounting policies and the methods of computation used in the preparation of this condensed interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2017 except as disclosed below:

IFRS 2 - Share Based Payments: Classification and Measurement of Share Based Payment Transactions (Amendments)

IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

IAS 28 - Investment in Associates and Joint Ventures: Classifications that measuring investees at fair value through profit or loss is an investment-by investment choice (Amendments)

IAS 40 - Investment Property: Transfers of Investment Property (Amendments)

IFRIC 22 -Foreign Currency Transactions and Advance Consideration

Annual improvements to IFRSs 2014-2016 Cycle

Adoption of Fourth Schedule of Companies Act, 2017

The adoption of the above standards, amendments, interpretations and improvements will not have any material impact on the financial statements of the Company.

This condensed interim financial statements does not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2017.

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

For the six months period ended 30 June 2018

Amounts in Rs '000

4. Fixed assets

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

	2018		2017	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
Property, plant and equipment				
Operating assets - owned				
Plant and machinery	2,901	-	260	-
Furniture and equipment	2,550	57	2,449	-
Capital work-in-progress	23,968	-	67,781	-
Intangible assets	-	-	46	-

	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
5. Deferred tax assets			
(Credit) balance arising in respect of property, plant and equipment		(561,211)	(738,186)
Debit balances arising in respect of:			
- provisions for:			
- sales tax refundable		14,321	25,651
- retirement benefit obligations		29,786	32,536
- slow moving, obsolete and rejected items of stores and spare parts		30,896	3,432
- unpaid liabilities		368,177	414,339
- carry forward of minimum tax		853,948	1,631,635
- taxable losses		-	230,154
		735,917	1,599,561
6. Other receivables			
Rebates receivable	6.1	392,619	19,969
Insurance claims		12,892	-
Others		2,168	85
		407,679	20,054
6.1			
This represents amounts receivable on account of price and exchange rate differentials in respect of paraxylene and acetic acid settlements.			
	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
7. Tax refunds due from government - sales tax			
Sales tax refundable	7.1	397,170	463,657
Provision for doubtful receivables	7.2	(130,089)	(90,004)
		267,081	373,653

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

For the six months period ended 30 June 2018

Amounts in Rs '000

7.1 This includes Rs 114.09 million (31 December 2017: Rs 198.2 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. During the period, the Company has received a refund of Rs 84.11 million from FBR.

7.2 During the period ended 30 June 2018, the Company has made provision against doubtful receivable on account of sales tax amounting to Rs 42 million.

	Note	30 June 2018 (Un-audited)	31 December 2017 (Audited)
8. Cash and bank balances			
Short-term fixed deposits	8.1	6,234,200	5,026,900
With banks in current accounts		33,770	14,519
Cash in hand		2,178	1,769
		6,270,148	5,043,188

8.1 During the period ended 30 June 2018, the mark-up rates on term deposits ranged from 5.5% to 7.0% (31 December 2017: 5.0% to 6.8%) per annum and had maturities of less than three months.

	30 June 2018 (Un-audited)	31 December 2017 (Audited)
9. Trade and other payables		
Trade creditors including bills payable	5,278,037	4,775,613
Accrued expenses	651,691	683,429
Advances from customer	3,467	3,413
Infrastructure cess	2,264,224	2,144,434
Gas infrastructure development cess	2,152,086	1,895,783
Workers' Profit Participation Fund	122,350	46,359
Workers' Welfare Fund	62,049	23,713
Others	9,697	12,628
	10,543,601	9,585,372

10. Contingencies and commitments

10.1 Contingencies

The Appellate Tribunal Inland Revenue (ATIR) vide order no ITA.No.111/KB/2006 dated 20 April 2006 had set aside the taxation officer's assessment order for the assessment year 2002-2003 (income year ended 31 December 2001) whereby, the assessing officer had been directed to re-examine the issue of allocation of cost of goods sold to export sales, strictly in accordance with Rule 216 of the Income Tax Rules, 1982. The taxation officer vide order no. DC20/106 dated 29 June 2007 had used volume basis to determine the allocation of cost of goods sold to export sales, against which the Company had filed an appeal. The Commissioner Inland Revenue (Appeals) [CIR(A)] vide order numbers 153 and 391 dated 31 January 2011 (received by the Company on 4 June 2011) has set aside the taxation officer's order with instructions to strictly comply with the directions contained in the ATIR's order of 20 April 2006 in relation to the basis of allocation of cost of goods sold to export sales. The Deputy Commissioner Inland Revenue (DCIR) vide order number 01/171 dated 25 June 2012 (received by the Company in July 2012) has maintained the above basis of allocation to export sales. The Company filed an appeal against the said order in August 2012. The CIR(A) vide its order dated 29 May 2013 has disagreed with 'basis of dual allocation' as per taxation officer's assessment order and has directed the officer to accordingly determine the amount on the basis of "sales" and finalise the assessment on such basis. The department filed an appeal against the said order on 15 August 2013. The ATIR vide order no. ITA No.744/KB-2013 dated 27 August 2015 has rejected

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

For the six months period ended 30 June 2018

Amounts in Rs '000

the department appeal. The department has filed an appeal in the High Court of Sindh on 04 May 2017 against the order dated 27 August 2015 passed by the ATIR. The High Court of Sindh has issued hearing notice on 31 August 2017 to the Company and the matter was fixed for hearing on 22 September 2017. However, the matter could not proceed further for want of Court's time. Accordingly, no provision has been made for the potential liability amounting to Rs 97.37 million (31 December 2017: Rs 97.37 million) in this condensed interim financial statements.

10.2 Commitments

10.2.1 Outstanding guarantees and letters of credit issued on behalf of the Company as at 30 June 2018 were Rs 2.44 billion (31 December 2017: Rs 2.29 billion) and Rs 0.39 billion (31 December 2017: Rs 0.64 billion), respectively.

10.2.2 Commitments in respect of capital expenditure as at 30 June 2018 amount to Rs 60.28 million (31 December 2017: Rs 47.31 million).

10.2.3 Commitments for rentals under operating lease arrangements/ Ijarah contracts in respect of vehicles are as follows:

Year	30 June 2018	31 December 2017
	(Un-audited)	(Audited)
2018	9,258	16,294
2019	17,551	14,247
2020	16,858	13,495
2021	12,007	8,359
2022	5,604	2,013
2023	1,200	-
	62,478	54,408

10.2.4 Commitments for rentals under operating lease agreements for certain supplies in respect of goods and services are as follows:

Year	30 June 2018	31 December 2017
	(Un-audited)	(Audited)
2018	460,338	-
2019	739,350	-
2020	754,137	-
2021	769,220	-
2022	784,605	-
2023	133,383	-
	3,641,033	-

11. Revenue - net

	Quarter ended 30 June		Six months period ended 30 June	
	2018	2017	2018	2017
Manufactured goods				
Local sales	13,509,193	9,867,068	26,528,166	20,806,212
Export sales	-	-	-	236,705
	13,509,193	9,867,068	26,528,166	21,042,917
Less: Sales tax and excise duty	(444,731)	(270,335)	(903,598)	(613,855)
Price settlements and discounts	(61,384)	(356,652)	(538,146)	(697,600)
	13,003,078	9,240,081	25,086,422	19,731,462
Trading goods				
Local sales	329,440	105,642	635,719	226,974
Less: Sales tax and excise duty	(7,566)	(4,494)	(16,199)	(7,543)
Price settlements and discounts	(6,163)	(1,582)	(10,660)	(4,109)
	315,711	99,566	608,860	215,322
	13,318,789	9,339,647	25,695,282	19,946,784

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

For the six months period ended 30 June 2018

Amounts in Rs '000

	Quarter ended 30 June		Six months period ended 30 June	
	2018	2017	2018	2017
12. Cost of sales				
Manufactured goods				
Opening stock of raw and packing materials	2,327,521	3,027,575	2,843,041	1,599,579
Purchases	11,607,880	7,016,022	21,349,693	16,544,658
Closing stock of raw and packing materials	(3,859,065)	(2,013,105)	(3,859,065)	(2,013,105)
Raw and packing materials consumed	10,076,336	8,030,492	20,333,669	16,131,132
Manufacturing costs	1,134,925	1,019,265	2,213,352	2,032,600
Cost of goods manufactured	11,211,261	9,049,757	22,547,021	18,163,732
Opening stock of finished goods	641,828	580,164	322,157	1,497,266
	11,853,089	9,629,921	22,869,178	19,660,998
Closing stock of finished goods	(512,619)	(568,870)	(512,619)	(568,870)
	11,340,470	9,061,051	22,356,559	19,092,128
Trading goods				
Opening stock	146,310	12,962	196,776	46,329
Purchases	240,515	129,162	429,138	191,888
Closing stock	(121,378)	(55,640)	(121,378)	(55,640)
	265,447	86,484	504,536	182,577
	11,605,917	9,147,535	22,861,095	19,274,705
13. Other expenses				
Auditors' remuneration	530	34	929	447
Donations	204	316	1,152	481
Provision against sales tax receivable	-	-	42,000	-
Provision against obsolete and slow moving stores and spare parts	60,211	-	60,211	-
Other receivables written off	-	70	-	70
Workers' Profit Participation Fund	78,203	10,990	122,350	26,523
Workers' Welfare Fund	33,656	85	38,335	372
Others	1,493	-	1,493	-
	174,297	11,495	266,470	27,893
14. Other income				
Scrap sales	23,519	122	23,519	1,296
Gain on disposal of property, plant and equipment	59	-	59	-
Income from short-term fixed deposits	101,835	62,388	188,092	118,340
Sales tax refunds	-	-	1,914	-
Liabilities no longer payable written back	-	286	-	286
Indenting commission	541	223	2,131	1,025
Others	797	671	1,556	676
	126,751	63,690	217,271	121,623

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

For the six months period ended 30 June 2018

Amounts in Rs '000

	Quarter ended 30 June		Six months period ended 30 June	
	2018	2017	2018	2017
15. Finance costs				
Discounting charges on trade debts	843	1,086	3,413	3,497
Interest on WPPF	-	-	23	-
Exchange loss / (gain) - net	94,701	(6,503)	258,597	(5,876)
Bank and other charges	4,561	38,836	14,150	44,843
	100,105	33,419	276,183	42,464

16. Taxation

The current tax charge for the six months period ended 30 June 2018 is based on the statutory income tax rate and reversal of deferred tax asset related to carried forward minimum turnover tax for tax year 2014 and taxable losses (note 5).

	Six months period ended 30 June	
	2018	2017
17. Cash generated from operations		
Profit before taxation	2,286,310	504,240
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	427,121	293,165
Provision against obsolete and slow moving stores and spare parts	60,211	-
Provision against sales tax receivable	42,000	-
Gain on disposal of property, plant and equipment	(59)	-
Provision for retirement benefit obligations	9,476	4,619
Finance costs	34,192	48,473
Interest accrued on short-term fixed deposits	(188,092)	(118,340)
Infrastructure cess	119,790	93,914
Gas infrastructure development cess	256,303	245,539
	760,942	567,370
	3,047,252	1,071,610
Effect on cashflows due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spare parts	(65,192)	(31,124)
Stock-in-trade	(1,131,088)	505,559
Trade debts	(438,689)	(634,546)
Loans and advances	(9,896)	(201,330)
Trade deposits and short-term prepayments	(17,402)	(51,128)
Other receivables and tax refunds due from government	(323,053)	(314,673)
	(1,985,320)	(727,242)
Increase in trade and other payables	628,495	775,820
Cash generated from operations	1,690,427	1,120,188

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

For the six months period ended 30 June 2018

Amounts in Rs '000

18. Transactions with related parties

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

Relationship	Nature of transaction	Quarter ended 30 June		Six months period ended 30 June	
		2018	2017	2018	2017
Key management personnel	Salaries and other short-term benefits	17,803	15,753	33,899	30,152
	Post employment benefits	2,480	2,202	4,688	4,199
	Loans				
	- given	-	-	21,346	-
	- received / adjusted	-	-	1,778	-
Others	Payments to retirement benefit funds	16,395	15,333	31,648	29,427

19. General

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

20. Corresponding figures

Corresponding figures have been re-arranged in line with the requirements of fourth schedule to the Companies Act, 2017.

Reclassification from component	Reclassification to component	Note	Year ended 31 December 2017
Current liabilities - Trade and other payables	Current liabilities - Unclaimed dividend	19	12,146

21. Date of authorisation

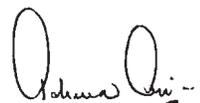
These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 07 August 2018.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer



Registered Office

EZ/1/P-4, Eastern Industrial Zone, Port Qasim,
P.O.Box 723, Karachi - 74200, Pakistan

UAN: +92 (0) 21 111 782 111

Fax: +92 (0) 21 3472 6004

URL: www.lottechem.pk

City Office

Al-Tijarah Centre, 14th Floor, 32/1-A,
Main Shahrah-e-Faisal, Block 6,

P.E.C.H.S., Karachi-75400, Pakistan

UAN: +92 (0) 21 111 568 782

Fax: +92 (0) 21 3416 9119