

19 August 2022

The General Manager  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road Karachi.

**Subject: Transmission of Quarterly Report for the Period Ended 30 June 2022.**

Dear Sir,

We have to inform you that the Quarterly Report of the Company for the period ended 30 June 2022 have been transmitted through PUCARS and is also available on Company's website.

Further, reference to PSX notice no PSX/N-4403 dated 26 July 2018, we are sending 15 copies of printed quarterly reports.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Faisal Abid', with a long horizontal stroke extending to the right. The signature is written over the printed name and title.  
Faisal Abid  
Company Secretary

**REPORT FOR THE  
SIX MONTHS PERIOD ENDED  
30 JUNE 2022**

**Raising the bar**



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

# Contents

Company Information	03
Directors' Review	04
Independent Auditors' Review Report	06
Condensed Interim Statement of Financial Position	07
Condensed Interim Statement of Profit or Loss	08
Condensed Interim Statement of Comprehensive Income	09
Condensed Interim Statement of Changes in Equity	10
Condensed Interim Statement of Cash Flows	11
Notes to the Condensed Interim Financial Statements	12

# Company Information

As at 05 August 2022

## Board of Directors

Sang Hyeon Lee	Chairman
Young Dae Kim	Chief Executive
IL Kyu Kim	Non-Executive
Jae Sun Park	Non-Executive
Tariq Nazir Virk	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

Young Dae Kim	Chief Executive
Tariq Nazir Virk	Director Manufacturing
Waheed U Khan	Director Admin, HR & IT

## Chief Financial Officer

Ashiq Ali

## Company Secretary

Faisal Abid

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

## Shares Registrar

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

# Directors' Review

For the second quarter ended 30 June 2022

The Directors are pleased to present their review report for the second quarter ended 30 June 2022 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 2022.

## Board Changes

Mr. Tariq Nazir Virk was appointed as Director of the Company with effect from 09 May 2022 to fill the casual vacancy created by the resignation of Mr. Humair Ijaz for the remainder of term which will expire on 22 June 2023.

## Business Overview

The second quarter commenced with Crude Oil (WTI) prices exhibiting a bullish trend, amidst escalating hostilities between Russia and Ukraine, which resulted in European Union to consider various sanctions on Russian energy products. Prices continued to trend higher throughout the quarter, touching peak price of US\$ 122 per barrel in daily trade as supply tightened further due to reduced output from Libya. Moreover, the re-emergence of China from the two-month lockdown in June further accentuated the tight global supply. However, the planned releases from the U.S. Strategic Petroleum Reserve (SPR) limited the upward movement of the prices. Towards the end of the quarter, central banks of major economies raised interest rates in order to combat inflation and the impending recession which resulted in weaker prices. Crude Oil (WTI) prices averaged at US\$ 108 per barrel for the quarter, 14.9% higher from the previous quarter.

PX (Paraxylene) prices tracked the upstream Crude Oil market and largely trended higher. At the start of the quarter, the producers were forced to rationalize operations due to weak PX demand in the downstream industry on account of resurgence of COVID-19 cases in China. Additionally, as the quarter progressed, PX producers opted to produce gasoline to cater to the increased demand stimulated by the revival of travel as well as the driving season in the U.S. Consequently, low operating rates in China, coupled with PX being shipped to Europe from the Middle East kept spot availability tight in the region. This pushed PX prices briefly above the US\$ 1,500 per tonne mark, levels last seen in March 2011. However, the price spike was short-lived as the PX prices lost strength near the quarter-end due to weaker Crude Oil prices as well as lackluster downstream demand at the end of the peak season. The average PX price for the quarter was US\$ 1,260 per tonne, 16.2% higher than the last quarter. The PX-Naphtha spread averaged at US\$ 384 per tonne for the quarter.

The PTA market primarily followed the rising trend observed in the upstream markets. However, the upward movement was kept in check due to the soft demand observed in the downstream market on account of extended lockdowns in China resulting in an inventory buildup in the entire polyester chain. Furthermore, despite the peak season, demand for PTA remained strained resulting in major producers to initiate turnarounds in China. The average PTA price for the quarter was US\$ 951 per tonne while the average PTA margin over PX was US\$ 119 per tonne for the quarter.

The domestic polyester market operated at a healthy rate of 93% during the second quarter of 2022 owing to strong downstream demand mainly driven by the imposition of Anti-dumping duty on PSF imports. Furthermore, consistent demand during the peak season from the textile industry as well as the PET sector enabled producers to maintain high operating rates.

# Directors' Review

For the second quarter ended 30 June 2022

## Operations

Production and Sales volume during the quarter at 131,283 and 131,933 tonnes respectively were in line with the corresponding period last year.

## Financial Performance

Revenue for the quarter was significantly higher than the corresponding period last year due to higher PTA price. This coupled with higher margin resulted in a gross profit of Rs 5,996 million for the quarter as compared to gross profit of Rs 1,649 million during the same period last year.

Distribution and selling expenses were 18% higher while Administrative and general expenses were 11% higher than the corresponding period last year due to overall impact of inflation.

The taxation charge for the quarter is based on statutory income tax rate and tax under Final Tax Regime (FTR) as adjusted by the movement in the deferred tax account. The taxation charge is higher due to Super tax enacted through Finance Act 2022 which is effective retrospectively at the rate of 10% for the Tax year 2022 and at the rate of 4% from Tax year 2023 onwards.

Earnings per share (EPS) for the quarter stood at Rs 1.84 per share as compared to Rs 0.64 per share for Q2 2021.

## Future Outlook

Going forward, the Crude Oil market is expected to trend lower due to possible demand destruction following global inflationary concerns. However, the low prices may be limited as global supplies are anticipated to tighten further following the sanctions on Russian crude oil by the West. This, coupled with the lack of spare pumping capacity may leave a considerable supply gap in the existing tight market.

Paraxylene (PX) prices are expected to track the upstream Crude Oil market in the next quarter. Additionally, the market may gain length as trade is affected by dampened demand in addition to producers shifting production back to PX as the driving season in the US comes to an end.

The PTA prices are anticipated to fall in reaction to the upstream feedstock market. Moreover, high inventories in the downstream polyester sector and recessionary fears may emulate the existing poor demand.

The domestic Polyester market is expected to feel the ripple effect of the recent wave of inflation as well as the economic uncertainty which has drastically increased the cost of production. Additionally, the curtailed supply of utilities may have detrimental effects on operations across the chain.



**Sang Hyeon Lee**  
Chairman



**Young Dae Kim**  
Chief Executive

Date: 05 August 2022

Karachi



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

# Report on Review of Interim Financial Statements

## Independent Auditors' Review Report

### To the members of Lotte Chemical Pakistan Limited

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Lotte Chemical Pakistan Limited ("the Company") as at 30 June 2022 and the related condensed interim statement of profit or loss, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows, and notes to the financial statements for the six months period then ended (here-in-after-referred to as 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.

#### 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 figures of the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the three months period ended 30 June 2022, have not been reviewed and we do not express a conclusion on them.

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

Date: 10 August 2022  
Karachi  
UDIN: RR202210096xb682iEMe

  
KPMG Taseer Hadi & Co.  
Chartered Accountants

# Condensed Interim Statement of Financial Position

As at 30 June 2022

Amounts in Rs '000

	Note	30 June 2022 (Un-audited)	31 December 2021 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	6,406,064	6,042,602
Intangible assets		2,333	2,615
Right-of-use assets	5	1,234,884	1,217,305
Long-term loans		140,983	124,336
Long-term prepayments		500	662
Deferred taxation - net		1,289,245	931,370
		<b>9,074,009</b>	<b>8,318,890</b>
<b>Current assets</b>			
Stores and spare parts		1,189,351	1,244,627
Stock-in-trade		8,701,124	5,848,592
Trade debts	6	10,172,137	4,295,961
Loans and advances		45,074	50,616
Trade deposits and short-term prepayments		157,766	80,178
Interest accrued		47,433	45,954
Other receivables	7	970,126	721,706
Short-term investments - at amortised cost	8	17,020,352	15,259,350
Sales tax refunds due from government	9	310,401	330,918
Taxation - net		-	14,490
Cash and bank balances	10	52,672	46,323
		<b>38,666,436</b>	<b>27,938,715</b>
<b>Total assets</b>		<b>47,740,445</b>	<b>36,257,605</b>
<b>Equity and liabilities</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital 1,514,207,208 (31 December 2021: 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		9,233,549	3,832,102
<b>Total equity</b>		<b>24,377,966</b>	<b>18,976,519</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations		156,286	150,166
Lease liability		1,645,700	1,539,767
		<b>1,801,986</b>	<b>1,689,933</b>
<b>Current liabilities</b>			
Trade and other payables	11	18,272,053	15,060,853
Lease liability		270,200	220,118
Accrued interest on Mortar Loan	12	311,885	268,571
Unclaimed dividend		10,985	11,014
Unpaid dividend		28,105	30,597
Taxation - net		2,667,265	-
		<b>21,560,493</b>	<b>15,591,153</b>
<b>Total liabilities</b>		<b>23,362,479</b>	<b>17,281,086</b>
<b>Contingencies and commitments</b>	13		
<b>Total equity and liabilities</b>		<b>47,740,445</b>	<b>36,257,605</b>

The annexed notes 1 to 25 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 2022

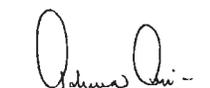
Amounts in Rs '000

	Note	Six months period ended 30 June		Quarter ended 30 June	
		2022	2021	2022	2021
<b>Revenue - net</b>	14	<b>49,958,303</b>	30,922,244	<b>29,626,704</b>	16,250,364
Cost of sales	15	<b>(39,952,417)</b>	(27,009,923)	<b>(23,630,806)</b>	(14,601,754)
<b>Gross profit</b>		<b>10,005,886</b>	3,912,321	<b>5,995,898</b>	1,648,610
Distribution and selling expenses		<b>(73,124)</b>	(58,032)	<b>(34,336)</b>	(29,103)
Administrative and general expenses		<b>(251,400)</b>	(229,424)	<b>(126,455)</b>	(113,720)
Other operating expenses	16	<b>(668,090)</b>	(275,290)	<b>(392,517)</b>	(107,749)
<b>Operating profit</b>		<b>9,013,272</b>	3,349,575	<b>5,442,590</b>	1,398,038
Other income	17	<b>833,743</b>	525,188	<b>458,061</b>	279,257
Finance cost	18	<b>(997,649)</b>	(201,441)	<b>(720,715)</b>	(299,456)
<b>Profit before taxation</b>		<b>8,849,366</b>	3,673,322	<b>5,179,936</b>	1,377,839
Taxation	19	<b>(3,447,919)</b>	(1,071,458)	<b>(2,393,448)</b>	(414,976)
<b>Profit after taxation</b>		<b>5,401,447</b>	2,601,864	<b>2,786,488</b>	962,863
----- Amount in Rupees -----					
<b>Earnings per share - basic and diluted</b>		<b>3.57</b>	1.72	<b>1.84</b>	0.64

The annexed notes 1 to 25 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 2022

Amounts in Rs '000

	Six months period ended 30 June		Quarter ended 30 June	
	2022	2021	2022	2021
<b>Profit after taxation</b>	<b>5,401,447</b>	2,601,864	<b>2,786,488</b>	962,863
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>5,401,447</b>	2,601,864	<b>2,786,488</b>	962,863

The annexed notes 1 to 25 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 2022

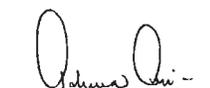
Amounts in Rs '000

	Share capital		Reserves		Total equity
	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit / (accumulated losses)	Sub-total	
<b>Balance as at 1 January 2021</b>	15,142,072	2,345	2,604,574	2,606,919	17,748,991
Total comprehensive income for the six months period ended 30 June 2021					
- Profit for the six months period ended 30 June 2021	-	-	2,601,864	2,601,864	2,601,864
- Other comprehensive income for the six months period ended 30 June 2021	-	-	-	-	-
	-	-	2,601,864	2,601,864	2,601,864
Final dividend for the year ended 31 December 2020 @ Rs 0.75 per share	-	-	(1,135,655)	(1,135,655)	(1,135,655)
<b>Balance as at 30 June 2021</b>	<u>15,142,072</u>	<u>2,345</u>	<u>4,070,783</u>	<u>4,073,128</u>	<u>19,215,200</u>
<b>Balance as at 1 January 2022</b>	<b>15,142,072</b>	<b>2,345</b>	<b>3,832,102</b>	<b>3,834,447</b>	<b>18,976,519</b>
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
<b>Balance as at 30 June 2022</b>	<u>15,142,072</u>	<u>2,345</u>	<u>9,233,549</u>	<u>9,235,894</u>	<u>24,377,966</u>

The annexed notes 1 to 25 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 2022

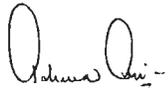
Amounts in Rs '000

	Note	Six months period ended 30 June	
		2022	2021
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	3,406,346	5,326,231
Finance costs paid		(23,800)	(21,036)
Payments to retirement benefit obligations		(1,816)	(1,148)
Long-term loans and advances - net		(16,647)	2,405
Long-term deposits and prepayments - net		162	325
Taxes paid		(1,213,364)	(618,311)
Interest received		806,568	577,112
Net cash generated from operating activities		2,957,449	5,265,578
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(969,491)	(1,355,322)
Proceeds from disposal of property, plant and equipment		3,944	-
Purchase of short-term investments (net of redemption)		(7,244,402)	661,118
Net cash used in investing activities		(8,209,949)	(694,204)
<b>Cash flows from financing activities</b>			
Dividend paid		(2,521)	(1,131,573)
Payment of lease liability		(222,030)	(186,420)
Net cash used in financing activities		(224,551)	(1,317,993)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(5,477,051)</b>	3,253,381
Cash and cash equivalents at 1 January		15,305,673	14,373,888
<b>Cash and cash equivalents at 30 June</b>	21	<b>9,828,622</b>	<b>17,627,269</b>

The annexed notes 1 to 25 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 2022

## 1. STATUS AND NATURE OF BUSINESS

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

<b>Location</b>	<b>Address</b>
Registered Office	EZ/II/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. The Parent Company holds 75.01% shares of the Company as on 30 June 2022 (31 December 2021: 75.01%). During the period, LCC Korea has notified that it is considering strategic divestment options for the Company, as part of its long-term strategy.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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 or IFAS, 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 2021. 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 2022

## 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 listed below, to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on 1 January 2022. However, these do not have any significant impact on the Company's financial reporting.

Effective date	New standards or amendments
1 January 2022	Annual Improvements to IFRS Standards 2018–2020 – Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture.
	Reference to the Conceptual Framework – Amendments to IFRS 3 Business Combinations.
	Property, Plant and Equipment – Proceeds before Intended Use: Amendments to IAS 16 Property, Plant and Equipment.
	Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
	IFRS 9 – Financial liability : Derecognition criteria update.
	IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16.

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

There are certain amendments and interpretations listed below, to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after 1 January 2023. However, these will not have any impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

Effective date	New standards or amendments
1 January 2023	Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements.
	Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements.
	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

## 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 2021.

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 2021.

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 2021.

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

For the six months period ended 30 June 2022

Amounts in Rs '000

	Note	30 June 2022 (Un-audited)	31 December 2021 (Audited)
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment		5,685,549	5,608,683
Capital work-in-progress		720,515	433,919
	4.1	<b>6,406,064</b>	<b>6,042,602</b>

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

	2022		2021	
	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	540,226	-	1,190,244	154,088
Furniture and equipment	9,051	-	48,516	-
Motor vehicles	529	-	-	-
<b>Capital work-in-progress - net</b>	<b>286,596</b>		<b>270,650</b>	

## 5. RIGHT-OF-USE ASSETS

During the period, the Company has extended its agreement of its office premises for a period of 3 years. Resultantly, the Company has recognised right-of-use asset against the said agreement.

	Note	30 June 2022 (Un-audited)	31 December 2021 (Audited)
<b>6. TRADE DEBTS</b>			
Trade debts - considered good	6.1 & 6.2	10,172,137	4,295,961

6.1 All of the Company's trade debts are secured by letters of credit of 30 to 90 days issued by various banks and receivable from K-Electric against the sale of electricity is secured against post dated cheques. These balances are neither past due nor impaired and are considered good.

6.2 The corresponding figures of provision for discount is reclassified from trade and other payables and netted off from trade debts for better presentation.

	Note	30 June 2022 (Un-audited)	31 December 2021 (Audited)
<b>7. OTHER RECEIVABLES - considered good</b>			
Rebates receivable - net	7.1	926,064	682,125
Insurance claims - net		41,191	36,485
Others		2,871	3,096
		<b>970,126</b>	<b>721,706</b>

7.1 This represents amount receivable from suppliers on account of price and exchange rate differentials in respect of paraxylene and acetic acid settlements.

	Note	30 June 2022 (Un-audited)	31 December 2021 (Audited)
<b>8. SHORT-TERM INVESTMENTS - at amortised cost</b>			
Term Deposit Receipts (TDRs)	8.1	9,775,950	15,259,350
Treasury Bills	8.2	7,244,402	-
		<b>17,020,352</b>	<b>15,259,350</b>

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

For the six months period ended 30 June 2022

Amounts in Rs '000

**8.1** The interest rates on term deposit receipts as of reporting date carry a profit rate of 18% per annum (31 December 2021: 5.8% to 13.5% per annum) having original maturities of less than three months.

**8.2** This represents the Company's investment in T-Bills having face value of Rs 7,678.11 million (2021: Rs Nil) for the period up to 12 months with maturities ranging from 14 July 2022 to 01 June 2023 having yield ranging from 13.39% to 15.35% (2021: Nil) as of reporting date.

	Note	<b>30 June 2022</b>	31 December 2021
		<b>(Un-audited)</b>	(Audited)
<b>9. SALES TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax refundable	9.1	<b>466,454</b>	486,971
Provision for impairment		<b>(156,053)</b>	(156,053)
		<b>310,401</b>	330,918

**9.1** This includes Rs 27.65 million (31 December 2021: 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.

	Note	<b>30 June 2022</b>	31 December 2021
		<b>(Un-audited)</b>	(Audited)
<b>10. CASH AND BANK BALANCES</b>			
<b>Cash in hand</b>		<b>62</b>	61
<b>With banks in local currency:</b>			
Current accounts		<b>39,788</b>	42,123
Saving account	10.1	<b>12,822</b>	4,139
		<b>52,610</b>	46,262
		<b>52,672</b>	46,323

**10.1** These carry interest at 8.25% to 12.25% per annum (31 December 2021: 5.5% to 7.25% per annum).

	Note	<b>30 June 2022</b>	31 December 2021
		<b>(Un-audited)</b>	(Audited)
<b>11. TRADE AND OTHER PAYABLES</b>			
Trade creditors including bills payable		<b>9,492,390</b>	7,378,707
Accrued expenses		<b>799,047</b>	812,682
Contract liabilities - advances from customers		<b>37,159</b>	25,063
Withholding tax payable		<b>6,258</b>	2,536
Infrastructure Cess	11.1	<b>3,874,978</b>	3,364,687
Provision for GIDC	11.2	<b>3,113,744</b>	3,113,744
Workers' Profit Participation Fund (WPPF)		<b>475,837</b>	39,290
Workers' Welfare Fund (WWF)		<b>298,705</b>	156,489
Retention money		<b>26,367</b>	19,817
Others	11.3	<b>147,568</b>	147,838
		<b>18,272,053</b>	15,060,853

**11.1** 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.

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

For the six months period ended 30 June 2022

Amounts in Rs '000

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

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 previous 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. There is no change in the status of the appeal filed by the Company at Sindh High Court in respect of Development and Maintenance of Infrastructure Cess. Therefore, as a matter of abundant caution, full amount of provision has been made in these condensed interim financial statements in this respect.

**11.2** 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.

In the year 2020, 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 previous 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 previous year, the provision has been remeasured over 24 installments. There has been no change in the status of Gas Infrastructure Development Cess.

**11.3** This includes stale cheques amounting to Rs 140.81 million (31 December 2021: Rs 140.78 million).

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

For the six months period ended 30 June 2022

Amounts in Rs '000

## 12. ACCRUED INTEREST ON MORTAR LOAN

This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (31 December 2021: USD 1.52 million) on long-term loans repaid by ICI Pakistan Limited. The amount is still unpaid due to certain procedural complexities with respect to foreign remittance.

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies

There is no significant change in the status of contingencies as reported in the annual audited financial statements for the year ended 31 December 2021, except for the following:

Name of the court, agency or authority	Description of the factual basis of the proceedings and relief sought	Principal parties	Date instituted
Federal Board of Revenue	<b>Tax Year 2015 - Lotte Powergen</b> In respect of Tax year 2015, an Assessment Order was passed whereby an amount of Rs. 1,717 million relating to the unabsorbed brought forward depreciation losses of amalgamated entity Lotte Powergen (Pvt) Limited were disallowed by Commissioner Inland Revenue (Appeals) [CIR(A)]. The Company has preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR). The consequential liability if any would be approximately Rs. 515 million. However, the Company along with its tax advisor are confident that the decision will be in favour of the Company and hence, no provision has been recognized in these financial statements.	Appellate Tribunal Inland Revenue (ATIR) and the Company	27 November, 2020
Federal Board of Revenue	<b>Tax Year 2021</b> On 31 March 2022, an Assessment Order was passed in respect of Tax year 2021 which created additional tax liability of Rs. 95.8 million and consequently tax refundable of Rs. 33.4 million was substituted by tax liability of Rs. 62.4 million which is mainly on account of disallowance of WPPF/WWF payments of Rs. 181.5 million and disallowance on claim of initial allowance of Rs. 79.6 million. The company has filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on 28 April 2022. The Company along with its tax advisor are confident that decision will be in favour of the Company and hence, no provision has been recognized in these financial statements.	Additional Commissioner Inland Revenue (ACIR) and the Company	31 March, 2022
Federal Board of Revenue	<b>Sales tax - Tax periods from July 2020 to June 2021</b> The Company has received show-cause notices in respect of certain tax periods against the apportionment of input between taxable and exempt supplies 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 9.1 of these financial statements.	Deputy Commissioner Inland Revenue (DCIR) and the Company	15 March, 2022
Federal Board of Revenue	<b>Sales tax - Tax periods from January to December 2019</b> 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. An Assessment Order was passed on 31 March 2022 whereby a sales tax demand of Rs. 3.4 million along with default surcharge of Rs. 0.87 million and penalty of Rs. 0.17 million on account of input tax adjustment on steel products which has been rejected. The Company has filed an appeal before CIR(A). The Company along with its tax advisor are confident that decision will be in favour of the Company and hence, no provision has been recognized in these financial statements.	Commissioner Inland Revenue Appeals [CIR(A)] and the Company	31 March, 2022

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

For the six months period ended 30 June 2022

Amounts in Rs '000

## 13.2 Commitments and Guarantees

**13.2.1** Commitments for capital expenditure as at 30 June 2022 amounted to Rs 9.67 million (31 December 2021: Rs 34.45 million).

**13.2.2** Commitments for rentals under ljarah contracts for vehicles are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
	<b>(Un-audited)</b>	(Audited)
Not later than 1 year	<b>19,521</b>	27,961
Later than 1 year and not later than 5 years	<b>106,943</b>	55,407
	<b><u>126,464</u></b>	<u>83,368</u>

**13.2.3** Commitments for rentals under agreement in respect of services are priced in foreign currency and converted at exchange rate at the reporting date are as follows:

	<u>30 June 2022</u>	<u>31 December 2021</u>
	<b>(Un-audited)</b>	(Audited)
Not later than 1 year	<b>418,975</b>	541,184
Later than 1 year and not later than 5 years	-	90,197
	<b><u>418,975</u></b>	<u>631,381</u>

**13.2.4** Outstanding guarantees of the Company as at 30 June 2022 were Rs 4,564.1 million (31 December 2021: Rs 3,944.1 million).

**13.2.5** Letters of credit issued on behalf of the Company as at 30 June 2022 were Rs 2,998.5 million (31 December 2021: Rs 2,366.8 million).

<u>Six months period ended 30 June (Un-audited)</u>		<u>Quarter ended 30 June (Un-audited)</u>	
2022	2021	2022	2021

## 14. REVENUE - net

### Manufactured goods

Local sales	<b>56,923,194</b>	34,508,268	<b>34,032,991</b>	17,934,402
Less: sales tax and excise duty price settlements and discounts / rebates	<b>(8,270,891)</b>	(5,014,022)	<b>(4,944,964)</b>	(2,605,854)
	<b>(542,207)</b>	(194,064)	<b>(493,083)</b>	27,309
	<b>48,110,096</b>	29,300,182	<b>28,594,944</b>	15,355,857

### Trading goods

Local sales	<b>1,358,596</b>	1,218,822	<b>671,360</b>	637,548
Less: sales tax and excise duty price settlements and discounts / rebates	<b>(197,403)</b>	(177,094)	<b>(97,548)</b>	(92,636)
	<b>(8,297)</b>	(9,452)	<b>(4,212)</b>	(4,794)
	<b>1,152,896</b>	1,032,276	<b>569,600</b>	540,118

### Sale of electricity

Local sales	<b>813,514</b>	690,050	<b>540,727</b>	414,635
Less: sales tax	<b>(118,203)</b>	(100,264)	<b>(78,567)</b>	(60,246)
	<b>695,311</b>	589,786	<b>462,160</b>	354,389
	<b><u>49,958,303</u></b>	<u>30,922,244</u>	<b><u>29,626,704</u></b>	<u>16,250,364</u>

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

For the six months period ended 30 June 2022

Amounts in Rs '000

	Six months period ended 30 June (Un-audited)		Quarter ended 30 June (Un-audited)	
	2022	2021	2022	2021
<b>15. COST OF SALES</b>				
<b>Manufactured goods</b>				
Opening stock of raw and packing materials	4,489,456	3,644,232	7,105,158	3,069,538
Purchases	38,732,522	23,043,818	21,848,596	13,011,814
Closing stock of raw and packing materials	(7,505,357)	(3,334,804)	(7,505,357)	(3,334,804)
Raw and packing materials consumed	35,716,621	23,353,246	21,448,397	12,746,548
Manufacturing costs	2,714,396	2,691,812	1,358,410	1,283,468
Cost of goods manufactured	38,431,017	26,045,058	22,806,807	14,030,016
Opening stock of finished goods	899,009	506,676	938,597	745,068
Closing stock of finished goods	(1,024,616)	(950,413)	(1,024,616)	(950,413)
Cost of goods manufactured sold	38,305,410	25,601,321	22,720,788	13,824,671
<b>Trading goods</b>				
Opening stock	460,127	6,461	230,413	175,238
Purchases	685,649	940,712	402,140	359,587
Closing stock	(171,151)	(85,157)	(171,151)	(85,157)
Cost of trading goods sold	974,625	862,016	461,402	449,668
<b>Cost to produce electricity</b>	672,382	546,586	448,616	327,415
	<b>39,952,417</b>	<b>27,009,923</b>	<b>23,630,806</b>	<b>14,601,754</b>
<b>16. OTHER OPERATING EXPENSES</b>				
Workers' Profit Participation Fund	475,873	197,430	278,623	74,279
Workers' Welfare Fund	192,217	77,860	113,894	33,470
	<b>668,090</b>	<b>275,290</b>	<b>392,517</b>	<b>107,749</b>
<b>17. OTHER INCOME</b>				
<b>Income from financial assets</b>				
Interest income	808,047	571,034	443,916	297,859
<b>Income from non-financial assets</b>				
Scrap sales	3,249	6,116	-	6,116
Unwinding of GIDC provision	-	(61,525)	-	(29,752)
Gain on disposal of property, plant and equipment	3,944	-	2,579	-
Indenting commission - net	7,241	1,717	6,286	354
Rental income from tower on leasehold land	932	896	-	-
Income from sale of water	10,318	6,898	5,280	4,628
Others	12	52	-	52
	25,696	(45,846)	14,145	(18,602)
	<b>833,743</b>	<b>525,188</b>	<b>458,061</b>	<b>279,257</b>
<b>18. FINANCE COSTS</b>				
Interest on lease liability	105,921	98,917	55,505	48,796
Exchange loss - net	867,748	81,372	656,256	239,075
Bank, LCs and other charges	23,800	21,036	8,954	11,585
Interest on Workers' Profit Participation Fund	180	116	-	-
	<b>997,649</b>	<b>201,441</b>	<b>720,715</b>	<b>299,456</b>

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

For the six months period ended 30 June 2022

Amounts in Rs '000

## 19. TAXATION

	Note	Six months period ended 30 June (Un-audited)	
		2022	2021
Current	19.2	<b>3,136,889</b>	1,131,758
Prior	19.1	<b>668,905</b>	900
Deferred		<b>(357,875)</b>	(61,200)
	19.3	<b>3,447,919</b>	1,071,458

**19.1** In the current period, this represents super tax at the rate of 10 percent of taxable profit applicable on tax year 2022. This new tax has been enacted and is applicable retrospectively vide Finance Act 2022.

**19.2** This includes super tax at the rate of 4% of taxable profit for the current period. This new tax has been enacted and is applicable vide Finance Act 2022.

19.3 Reconciliation of income tax expense for the period	Note	Six months period ended 30 June (Un-audited)	
		2022	2021
Profit before taxation		<b>8,849,366</b>	3,673,322
Applicable normal tax rate		<b>29%</b>	29%
Applicable super tax rate		<b>4%</b>	0%
Cumulative applicable tax rate		<b>33%</b>	29%
Tax calculated at the cumulative applicable tax rate		<b>2,920,291</b>	1,065,263
<b>Tax effect of:</b>			
- prior year tax charge		<b>668,905</b>	900
- prior year impact on deferred tax due to super tax		<b>(128,464)</b>	-
- others		<b>(12,813)</b>	5,295
		<b>3,447,919</b>	1,071,458

## 20. CASH GENERATED FROM OPERATIONS

Profit before taxation **8,849,366** 3,673,322

### Adjustments for non-cash charges and other items:

Depreciation and amortisation		<b>588,732</b>	711,862
Gain on disposal of property, plant and equipment		<b>(3,944)</b>	-
Provision for retirement benefit obligations		<b>7,936</b>	7,423
Finance cost		<b>445,159</b>	100,598
Interest income	17	<b>(808,047)</b>	(571,034)
Infrastructure Cess		<b>510,291</b>	167,551
Unwinding of GIDC provision		<b>-</b>	61,525
		<b>740,127</b>	477,925
		<b>9,589,493</b>	4,151,247

### Effect on cashflows due to working capital changes

Decrease / (increase) in current assets:			
Stores and spare parts		<b>55,276</b>	(222,731)
Stock-in-trade		<b>(2,852,532)</b>	(71,589)
Trade debts		<b>(5,876,176)</b>	(1,794,847)
Loans and advances		<b>5,542</b>	1,296
Trade deposits and short-term prepayments		<b>(77,588)</b>	(21,937)
Other receivables		<b>(248,420)</b>	(334,419)
Sales tax refunds due from government		<b>20,517</b>	(188,444)
		<b>(8,973,381)</b>	(2,632,671)
Increase in trade and other payables		<b>2,790,234</b>	3,807,655
Cash generated from operations		<b>3,406,346</b>	5,326,231

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

For the six months period ended 30 June 2022

Amounts in Rs '000

	Note	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
<b>21. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	10	52,672	59,569
TDRs with banks having maturity less than three months	8	9,775,950	17,567,700
		<u>9,828,622</u>	<u>17,627,269</u>

## 22. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions	Six months period ended 30 June (Un-audited)		Quarter ended 30 June (Un-audited)	
		2022	2021	2022	2021
<b>Parent / Associate / Related parties</b>					
Lotte Chemical Corporation	Legal and professional charges	-	1,920	-	1,920
	Dividend paid	-	851,895	-	851,895
Lotte Academy	Purchase of services	-	50	-	50
Lotte Kolson Private Limited	Purchase of goods	-	161	-	161
<b>Key management personnel</b>	Salaries and other short-term benefits	33,966	30,181	14,598	16,998
	Retirement benefits	3,748	3,772	1,706	1,980
	Loan repaid	9,800	2,100	8,750	1,050
<b>Others</b>	Payments to retirement benefit funds	49,108	43,504	25,458	22,935

## 23. 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).

### 23.1 Accounting classifications and fair values

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

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

For the six months period ended 30 June 2022

Amounts in Rs '000

		30 June 2022 (Un-audited)					Fair value			
Note	Carrying amount					Level 1	Level 2	Level 3	Total	
	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					
<b>Financial assets - not measured at fair value</b>										
Loans and advances	23.1.1	-	-	185,145	-	185,145				
Trade deposits	23.1.1	-	-	73,347	-	73,347				
Trade debts	23.1.1	-	-	10,172,137	-	10,172,137				
Other receivables	23.1.1	-	-	970,126	-	970,126				
Short-term investments										
- TDRs	23.1.1	-	-	9,775,950	-	9,775,950				
- T-Bills	23.1.2	-	-	7,244,402	-	7,244,402	7,235,190			7,235,190
Interest accrued	23.1.1	-	-	47,433	-	47,433				
Cash and bank balances	23.1.1	-	-	52,672	-	52,672				
		-	-	28,521,212	-	28,521,212				
<b>Financial liabilities - not measured at fair value</b>										
Trade and other payables	23.1.1	-	-	-	10,465,372	10,465,372				
Accrued interest	23.1.1	-	-	-	311,885	311,885				
Unclaimed dividend	23.1.1	-	-	-	10,985	10,985				
Unpaid dividend	23.1.1	-	-	-	28,105	28,105				
Lease liability	23.1.1	-	-	-	1,915,900	1,915,900				
		-	-	-	12,732,247	12,732,247				

		31 December 2021 (Audited)					Fair value			
Note	Carrying amount					Level 1	Level 2	Level 3	Total	
	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					
<b>Financial assets - not measured at fair value</b>										
Loans and advances	23.1.1	-	-	165,600	-	165,600				
Trade deposits	23.1.1	-	-	47,381	-	47,381				
Trade debts	23.1.1	-	-	4,295,961	-	4,295,961				
Other receivables	23.1.1	-	-	721,706	-	721,706				
Short-term investments										
- TDRs	23.1.1	-	-	15,259,350	-	15,259,350				
- T-Bills	23.1.2	-	-	-	-	-				
Interest accrued	23.1.1	-	-	45,954	-	45,954				
Cash and bank balances	23.1.1	-	-	46,323	-	46,323				
		-	-	20,582,275	-	20,582,275				
<b>Financial liabilities - not measured at fair value</b>										
Trade and other payables	23.1.1	-	-	-	8,359,044	8,359,044				
Accrued interest	23.1.1	-	-	-	268,571	268,571				
Unclaimed dividend	23.1.1	-	-	-	11,014	11,014				
Unpaid dividend	23.1.1	-	-	-	30,597	30,597				
Lease liability	23.1.1	-	-	-	1,759,885	1,759,885				
		-	-	-	10,429,111	10,429,111				

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

## **23.1.2 Valuation techniques used in determination of fair values within level 2:**

Investments in Market Treasury Bills are valued on the basis of the PKRVs announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

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

For the six months period ended 30 June 2022

## 24. EVENTS AFTER REPORTING PERIOD

- 24.1** Subsequent to the period end, notice of public announcement of intention has been received from few companies for acquisition of 75.01% shareholding of the Company which has been disclosed in Pakistan Stock Exchange (PSX).
- 24.2** Subsequent to the period end, the State Bank of Pakistan (SBP) has introduced a mechanism for prior approval for import of certain categories owing to the depleting foreign exchange reserves of the country coupled with the significant depreciation of Rupees against USD. However, the Company does not have impact on its production as it has uninterrupted access to supplies. Nevertheless, the Company is also under the process of conducting a comprehensive review for the future impact, if any.
- 24.3** The Board of Directors in its meeting held on 05 August 2022 has approved an interim cash dividend of Rs. 4 per share (31 December 2021: Rs. Nil per share) for the year ending 31 December 2022. These condensed interim financial statements do not include the effect of the said interim dividend.

## 25. GENERAL

### 25.1 Segment reporting

The financial information has been prepared on the basis of a single reportable segment. Geographically, all the sales were carried out in Pakistan. All non-current assets of the Company as at 30 June 2022 are located in Pakistan.

### 25.2 Date of Authorisation

These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 05 August 2022.



**Sang Hyeon Lee**  
Chairman



**Young Dae Kim**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

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