



# 20 Years of Excellence

ANNUAL REPORT 2018

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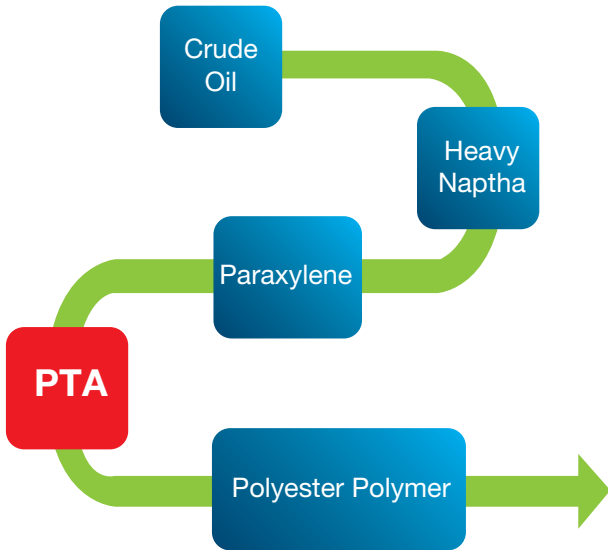
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## About Us

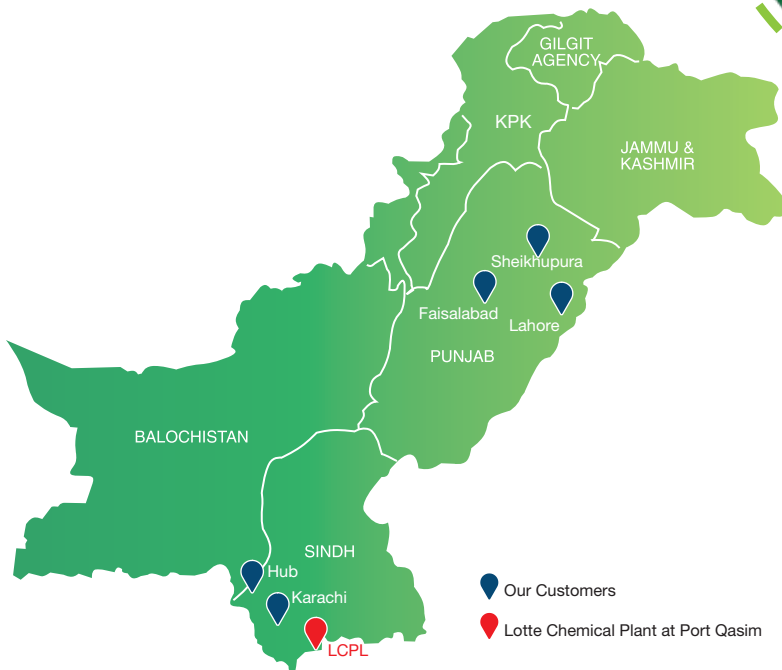
Lotte Chemical Pakistan Limited (LCPL) is the only world-class manufacturer and supplier of Purified Terephthalic Acid (PTA) in Pakistan. The Company has the capacity to produce 500,000 tonnes of PTA per year through its state-of-the-art plant located at Port Qasim, Karachi.

# Purified Terephthalic Acid (PTA)



LCPL holds the foundation of the polyester chain in Pakistan and retains its edge by being a local PTA manufacturer and major supplier for the domestic Polyester and PET industries. We maintain major share of the domestic market, and remain the supplier of choice based on our short delivery time, consistent quality and excellent customer service.

For producing PTA we import our feedstock (Paraxylene) from reputable suppliers based in Asia and Middle-East region. Our plant operates under a technology license with IPT (Invista Performance Technologies) which is currently the leading global supplier of PTA technology.



## Our Customers

Since its inception, the Company has focused on meeting Pakistan's PTA demand. However, if domestic demand slows down, the Company is well placed to export to other countries. Our product meets all international quality standards and is well accepted by Customers in Asia and Middle-East region. Our domestic Customers are located across Pakistan.

## Our Mission

To be supplier of choice to PTA customers in Pakistan and to maximize long-term business value.



## **Our Vision**

# **The Spirit to Make a Difference through Value, Quality and Excellence**

At Lotte Chemical Pakistan Limited, our customer's satisfaction is the driving force behind our spirit to meet challenges and achieve excellence in everything we do. We maximise operating efficiencies and demonstrate best practices in Safety, Health and Environment that add value to our quality product and make a difference in letter and in spirit.



## Our Key Strategic Objectives

- Maintain a high standard of HSE performance.
- Develop and retain talent and improve employee engagement.
- Deliver business improvement plan targets.
- Achieve more than 95% availability of PTA plant and Cogeneration plant.
- Maximize domestic sales and market share.
- Optimize raw material procurement.
- Continue efforts for the sale of surplus power.

## Our Code of Conduct

From the inception of the Company it has been and continues to be a policy that the Company and all its employees maintain the highest ethical standards in the conduct of the Company's business. Our Code of Conduct constitutes a set of standards and rules which form an integral part of our corporate culture and is a statement of ***who we are and how we work***. They highlight business principles, the ***Company's responsibilities*** towards its employees, and ***employee responsibilities*** towards your Company. All standards ensure both management and staff work in cohesion towards the smooth functioning of the organisation.





## Business Principles

These define our management principles, core values and other specific policy areas which help in creating long-term value with all stakeholders. Specific policy areas include supporting the principles of free enterprise, ethics, integrity and fairness in all aspects of operations, supporting community activities as a socially responsible corporate citizen, communications in an open, factual and timely manner, compliance with the laws in which we operate and protecting the environment with the commitment to contribute to sustainable development. It is the responsibility of the Board through the Chief Executive to ensure that the business principles are communicated to all employees and to oversee implementation thereof.

## Company Responsibilities

These define specific policy areas which include adopting a spirit of open communication, providing equal opportunities, a healthy, safe and secure environment, ensuring employee rights are exercised such as freedom to join unions and associations, protecting employees' personal data and engaging in an active performance management system.

## Employee Responsibilities

The Code provides guidance to employees on their responsibilities towards media relations, disclosures, inside information, protecting intellectual property, information technology, code of conduct, compliance with business policies which ensure highest ethical standards in the conduct of the Company's business.

# Our Management Principles

Lotte Management Policy is a collection of principles and business insights which forms the basis of our business strategy to determine “what, why and how to do.”

Following are our management principles:

We believe in transparent and honest management which fulfills its social duties and responsibilities. We establish systems that our stakeholders can understand clearly and disclose information of the company correctly and transparently.

## Transparent Management



We aim to strengthen our core competencies in the main business and expand its scope to related businesses in order to create synergy. It is our passion to be the best in the industry by enhancing our core competencies through continuous learning.

## Strengthening Core Competencies



## Management Policy

## On-site Management

We believe in accurate evaluation and quick decision making. We evaluate the business progress through direct communication in the field with customers, executives and partner companies, and include their ideas and suggestions in our strategy.



## Value Based Management

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



# Our Core Values

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



## Beyond Customer Expectation

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



## Challenge

We focus on the nature of our task and continue to challenge ourselves to accomplish higher goals.



## Respect

We respect different opinions, communicate with others and observe general rules to build a bond of trust with our community.



## Originality

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

# About LOTTE

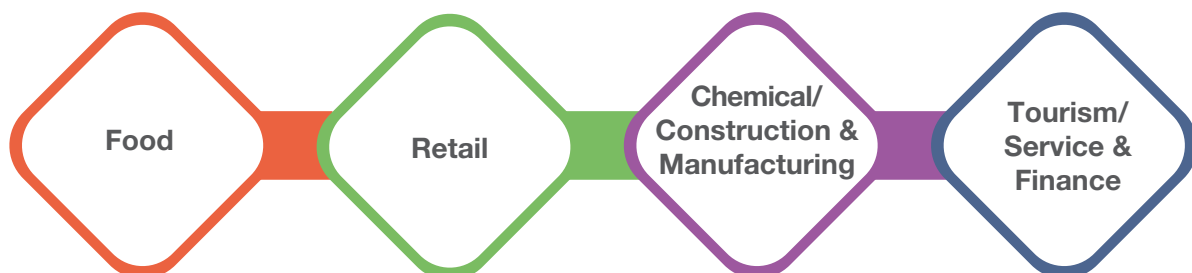
LOTTE started its business in 1967 with confectionary. Since then LOTTE has grown into one of Korea's largest conglomerate and is trusted by customers all over the world. Currently, LOTTE with a turnover in excess of \$92 billion is engaged in over 20 businesses in 30 countries worldwide.

## Mission

We enrich people's lives by providing superior products and services that our customers love and trust.



### Global Businesses of LOTTE



# About LOTTE Chemical Corporation

Since its foundation in 1976, LOTTE Chemical, as a general petrochemical Company, has localized cutting-edge petrochemical technologies and has led Korea's heavy and chemical industry technology development. LOTTE Chemical is endeavouring to become a Company that ensures stable growth and contributes to human society.

## Production Capacity for Major Products including Overseas Subsidiaries

With the production of the following chemical products, LOTTE Chemical has established a strong foundation overseas in the petrochemical industry.



## Usage of Major Products

|                             |   |            |   |            |  |            |  |
|-----------------------------|---|------------|---|------------|--|------------|--|
| <b>PE</b>                   | Household item, toy, wire clothing, vessel for chemicals, car's fuel tank | <b>PP</b>  | Auto material, home appliances, disposable syringe, transparent vessel, hygienic non-woven fabric, film for packing | <b>PET</b> | Container for beverages, cosmetics and food items                | <b>PC</b>  | Optic disc (CD, DVD), sunglasses, lens, car lamp, home appliances          |
| <b>Performance material</b> | Auto interior material, bumper, electronic part, building material        | <b>EG</b>  | Polyester fibre, antifreeze   | <b>GE</b>  | Cleansing agent, machine lubricating oil, break oil, antifreeze  | <b>EOA</b> | Detergent, shampoo, concrete compound                                      |
| <b>PIA</b>                  | PET resin, special paint, unsaturated resin                               | <b>PTA</b> | Polyester fibre, PET, PET film, paint   | <b>MMA</b> | Adhesive for medical use, acryl film, artificial marvel          | <b>BD</b>  | ABS, raw material for synthetic rubber (SBR, BR)                           |
| <b>SM</b>                   | PS, ABS, raw material for synthetic rubber                                | <b>BZ</b>  | Agricultural chemicals, photo chemicals, explosives, insect repellent, SM raw material                              | <b>TL</b>  | Medical supplies, paint, ink material, dye, aromatics, gunpowder | <b>XL</b>  | Organic pigment, paint, aromatics, agricultural chemicals, general solvent |



# STRONG SYSTEMS

We believe that our strong systems have not only resulted in making our organization extremely efficient but have also helped us in delivering value to our esteemed customers. Our in-house team of professionals remains pro-actively engaged in monitoring and improving our systems and processes according to the changing business environment.





## **Stakeholders Information**

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# Company Information

## Board of Directors

|                |                 |
|----------------|-----------------|
| Kwang Sik Huh  | 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  |
| Kwang Sik Huh  | Member    |
| Istaqbal Mehdi | Member    |
| Faisal Abid    | Secretary |

## HR & Remuneration Committee

|                |          |
|----------------|----------|
| Pervaiz Akhtar | Chairman |
| Kwang Sik Huh  | Member   |
| Sang Hyeon Lee | Member   |

## Shares Sub Committee

|                |          |
|----------------|----------|
| Sang Hyeon Lee | Chairman |
| M Qasim Khan   | Member   |
| Kwang Sik Huh  | Member   |

## Executive Management Team

|                  |                                   |
|------------------|-----------------------------------|
| Humair Ijaz      | Chief Executive                   |
| Tariq Nazir Virk | General Manager-<br>Manufacturing |
| Waheed U Khan    | General Manager-<br>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



# Chief Executive's Message to the Stakeholders

I am pleased to inform that in June 2018 our Company has completed 20 years of operations. This is a great milestone, and what better way to celebrate than to deliver outstanding business results. Our persistence and diligence over the years has improved and optimized our operations, which in turn has enabled us to take maximum advantage of the positive market conditions during 2018.

The Asian PTA market experienced unprecedented demand from downstream industry due to new capacity additions and environmental regulations in China requiring more virgin polyester. Demand was further instigated as most Chinese producers expedited export

orders prior to the implementation of tariffs by the United States. These bullish conditions provided support to PTA prices resulting in improved industry margins. More enthusiasm was witnessed in the domestic market as the operating rates of our esteemed customers remained high for most of the year based on improved power availability and strong downstream demand. In 2018 the total domestic demand of PTA is estimated to have crossed 780KT for the first time in Pakistan.

Operationally, 2018 was a record year as we have achieved highest ever production of 516,688 tonnes and highest ever domestic sales of 499,660 tonnes. Our commitment to Health, Safety, Environment and Security (HSE&S) remained our top priority and I am proud to report that as on 28th Feb 2019, we have completed 57.31 million man-hours without any reportable injury. We were also able to deliver additional value to the business through enhanced sales of Acetic Acid and various savings initiatives. I am truly humbled by the tremendous commitment and passion of each team member which has made 2018 truly a superb year for us.



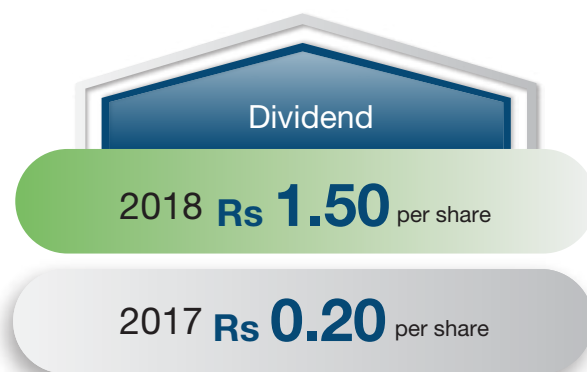
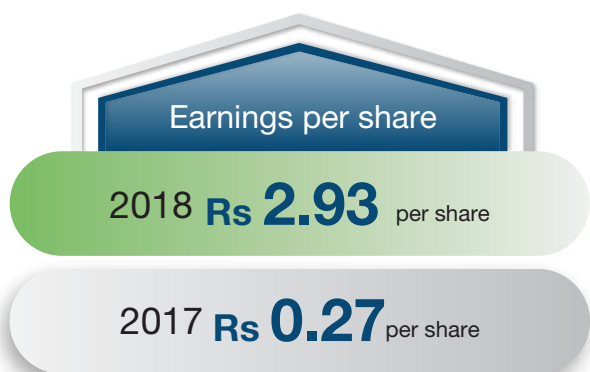
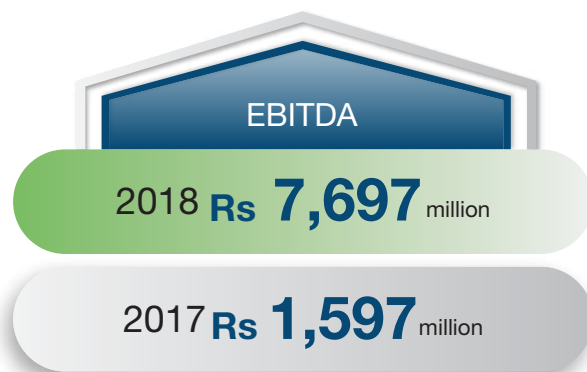
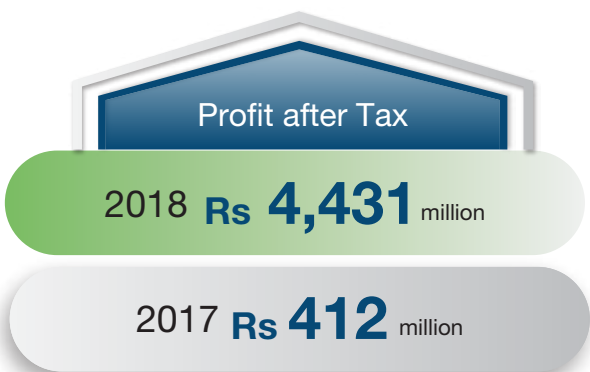
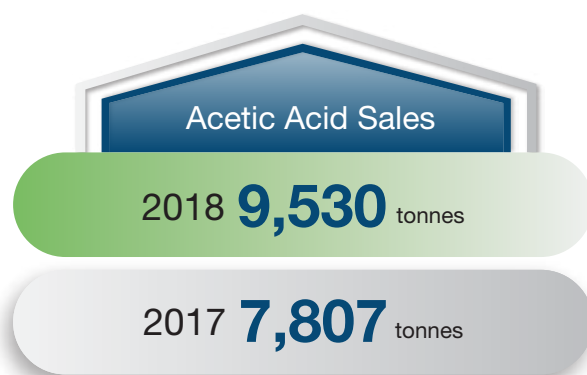
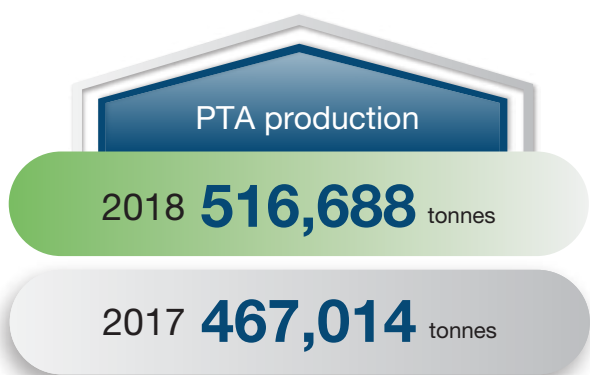
Moving into 2019, I remain confident about our business and its fundamentals. Domestic demand is expected to grow as Government remains focused to increase exports and to support domestic industries. Our strategy remains the same, to maintain operational excellence and continue to provide reliable, high quality product and services to our esteemed customers.

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

Sincerely yours,






**Humair Ijaz**

# Key Performance Indicators








# SWOT Analysis

## STRENGTHS




- Sole PTA Producer in the country. 
- Highly skilled and professional team. 
- Competitive raw material sourcing. 
- Ability to provide better service to customers contrary to imports. 
- Strong maintenance and HSE Systems. 

## WEAKNESSES



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



## OPPORTUNITIES

- Improving power and economic situation on the country. 
- Trends in packaging, directly affecting downstream demand. 
- Strategic alliance with LOTTE global affiliates for further business development and diversification. 

## THREATS

-  Volatility in crude oil and raw material pricing.
-  Reduction in import tariff.
-  Increased price competition with imports due to regional oversupply.
-  Increasing trend of using recycled polyester in the domestic market.

# Awards & Accreditations

## ISO 9001 – 2008 Certification

We are an ISO 9001 – 2008 certified Company. Accreditation to this system has provided the foundation for better customer satisfaction, staff motivation and for the continual improvement of our processes. There was no major Non-Conformity reported in the surveillance audit conducted in 2018.

## Best Employer of the year 2017

The Employers' Federation of Pakistan honored the Company with a prestigious award for Best Employer of the year. LCPL ranked first in the category of multinational companies contesting in the Employer of the Year Award. The award is an acknowledgement of our implementation of the best practices in the areas of Management, HR Management, OSH&E, Skill Enhancement and Sustainable development.

## OSHAS 18001 - 2007 and ISO 14001 - 2004 Certifications

Our Company is OSHAS 18001 - 2007 and ISO 14001 - 2004 certified since 2012. We got this accreditation in the shortest time period as our pre-certification HSE systems were very detailed and comprehensive. This is also demonstrated in our various surveillance audits that have never captured any major non-conformity. We continuously strive to improve our systems based on internal and external audits.

## 15th Annual Environment Excellence Award 2018

Health, Safety & Environment (HSE) management forms an integral part of our core values. Protecting the environment and preserving natural resources has always been a top priority for us. The Company in a ceremony organised by the National Forum for Environment & Health (NFEH) won the 15th Annual Environment Excellence Award. The Company had also won this award in 2014, 2015, 2016 & 2017.





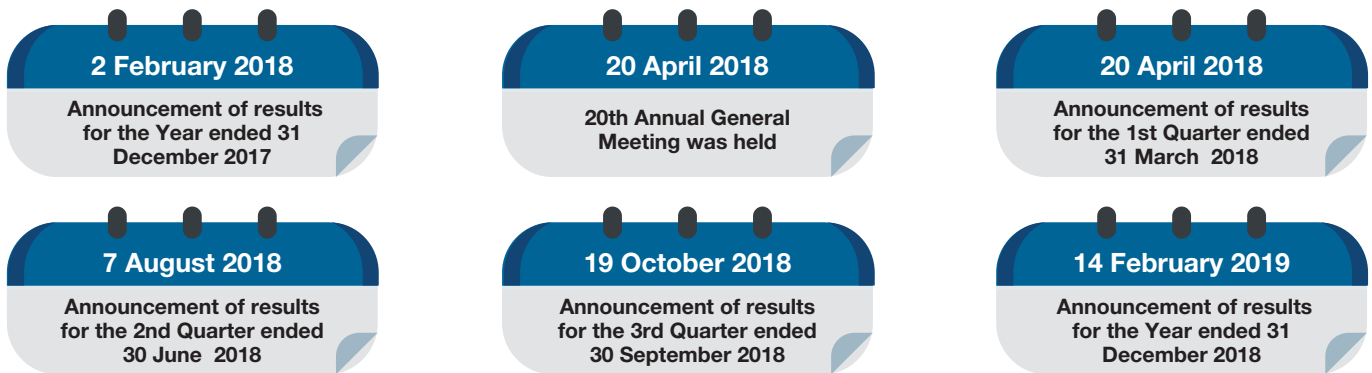
**Best Corporate Report Award 2017**

The Company secured fourth position in the Best Corporate Report Awards - Chemicals and Pharmaceuticals category, for its 2017 Annual Report by the Joint Evaluation Committee of ICAP –ICMAP. LCPL has been winning the Best Corporate & Sustainability

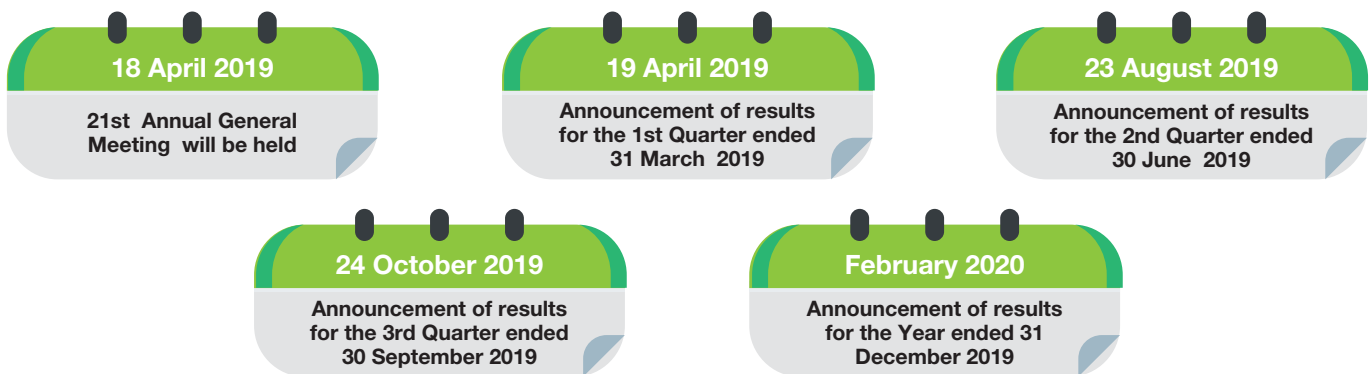
Report Award since the last couple of years for providing comprehensive explanation of its business performance and transparency in its financial statements, directors’ report and corporate governance. With its effective and transparent reporting, the Company has been able to maintain accountability to its shareholders, and instill a sense of continuous improvement in its employees.



# Financial Calendar



## Tentative dates for the announcement of 2019 financial results:



The Company reserves the right to change any of the above dates. All annual / quarterly reports are regularly posted at the Company's website: [www.lottechem.pk](http://www.lottechem.pk)

## Annual General Meeting



The 21st annual shareholders meeting will be held at 11:00 am on 18 April 2019 at the Institute of Bankers Pakistan (IBP), M. T. Khan Road, Karachi.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 48 hours before the meeting date.

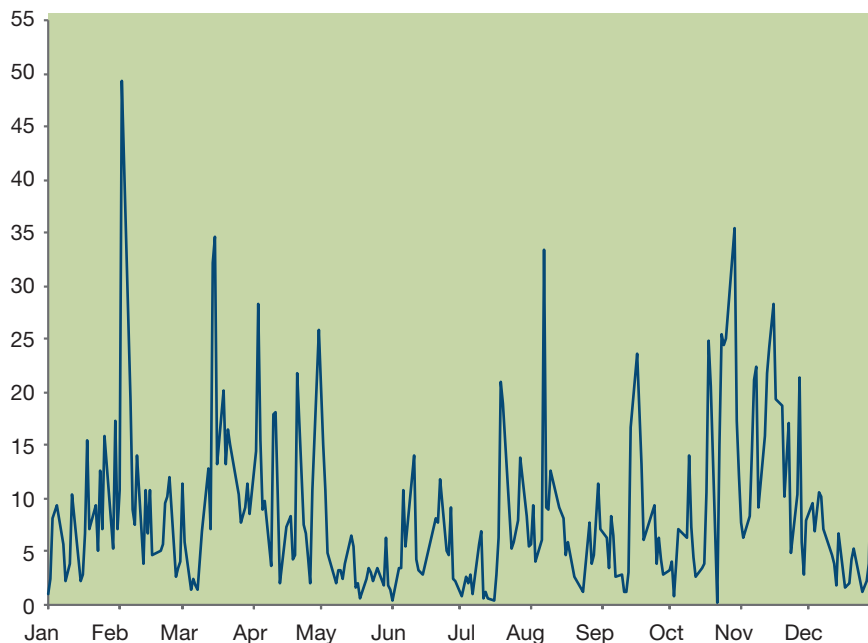
CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card along with Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

# Share Price Analysis

On 31 December 2018 there were 16,325 members on the record of the Company's ordinary shares. Market capitalization of the Company's stock as at 31 December 2018 was recorded at Rs 25.57 billion (2017: Rs 10.86 billion) with the price per share fluctuating from a high of Rs 20.67 to a low of Rs 7.08 and closing the year at Rs 16.89.

Trading volumes for the Company's shares remained consistently high during the year and 2.12 billion shares were traded at the Pakistan Stock Exchange. The stock posted a gain of 135.6% during the year as against 8.4% loss of PSX 100 index.

Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 84.06% of the total share capital including 75.01% held by the shareholders.



**LOTCHEM Trading Volume (in millions)**

## Investor Relation Contact

Mr Waseem Ahmed Siddiqui  
 (Manager Shares & Secretarial)  
 Email: [waseem.siddiqui@lottechem.pk](mailto:waseem.siddiqui@lottechem.pk)  
 UAN: +92(0)21 111-568-782  
 Fax: +92(0)21 34169126

Enquiries concerning cost of share certificate, dividend payments, change of address, verification of transfer deeds and shares transfers should be directed to the Shares Registrar at the following address:

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

# Pattern of Shareholding

As at 31 December 2018

| No. of Shareholders | Size of Holding |         | No. of Shares held |
|---------------------|-----------------|---------|--------------------|
|                     | From            | To      |                    |
| 2,892               | 1               | 100     | 93,496             |
| 4,257               | 101             | 500     | 1,284,097          |
| 2,440               | 501             | 1,000   | 2,058,248          |
| 3,771               | 1,001           | 5,000   | 10,147,801         |
| 1,070               | 5,001           | 10,000  | 8,603,224          |
| 395                 | 10,001          | 15,000  | 5,181,350          |
| 264                 | 15,001          | 20,000  | 4,909,304          |
| 205                 | 20,001          | 25,000  | 4,843,695          |
| 130                 | 25,001          | 30,000  | 3,727,934          |
| 62                  | 30,001          | 35,000  | 2,091,393          |
| 71                  | 35,001          | 40,000  | 2,740,078          |
| 36                  | 40,001          | 45,000  | 1,573,142          |
| 125                 | 45,001          | 50,000  | 6,209,327          |
| 30                  | 50,001          | 55,000  | 1,592,937          |
| 28                  | 55,001          | 60,000  | 1,649,634          |
| 21                  | 60,001          | 65,000  | 1,336,421          |
| 29                  | 65,001          | 70,000  | 1,994,637          |
| 26                  | 70,001          | 75,000  | 1,922,600          |
| 18                  | 75,001          | 80,000  | 1,410,988          |
| 14                  | 80,001          | 85,000  | 1,168,411          |
| 9                   | 85,001          | 90,000  | 794,041            |
| 9                   | 90,001          | 95,000  | 842,999            |
| 70                  | 95,001          | 100,000 | 6,989,555          |
| 7                   | 100,001         | 105,000 | 727,879            |
| 9                   | 105,001         | 110,000 | 983,911            |
| 12                  | 110,001         | 115,000 | 1,365,703          |
| 10                  | 115,001         | 120,000 | 1,191,600          |
| 13                  | 120,001         | 125,000 | 1,613,330          |
| 7                   | 125,001         | 130,000 | 902,500            |
| 3                   | 130,001         | 135,000 | 402,376            |
| 12                  | 135,001         | 140,000 | 1,655,869          |
| 4                   | 140,001         | 145,000 | 574,000            |
| 19                  | 145,001         | 150,000 | 2,848,000          |
| 4                   | 150,001         | 155,000 | 609,500            |
| 4                   | 155,001         | 160,000 | 631,075            |
| 5                   | 160,001         | 165,000 | 820,000            |
| 7                   | 165,001         | 170,000 | 1,179,861          |
| 8                   | 170,001         | 175,000 | 1,393,000          |
| 3                   | 180,000         | 185,000 | 547,000            |
| 6                   | 185,001         | 190,000 | 1,139,500          |
| 6                   | 190,001         | 195,000 | 1,165,450          |
| 31                  | 200,000         | 205,000 | 6,210,573          |
| 4                   | 205,001         | 210,000 | 832,001            |
| 3                   | 210,001         | 215,000 | 644,000            |
| 3                   | 215,001         | 220,000 | 653,000            |
| 4                   | 225,000         | 230,000 | 907,000            |
| 1                   | 230,001         | 235,000 | 231,500            |
| 1                   | 235,001         | 240,000 | 239,000            |
| 3                   | 245,000         | 250,000 | 745,000            |
| 3                   | 250,001         | 255,000 | 758,500            |
| 2                   | 255,001         | 260,000 | 517,600            |
| 2                   | 260,001         | 265,000 | 529,500            |
| 2                   | 265,001         | 270,000 | 535,000            |
| 1                   | 270,001         | 275,000 | 274,032            |
| 4                   | 275,001         | 280,000 | 1,111,032          |
| 1                   | 280,001         | 285,000 | 281,000            |
| 1                   | 285,001         | 290,000 | 285,900            |
| 11                  | 295,000         | 300,000 | 3,295,000          |
| 2                   | 300,001         | 305,000 | 605,500            |
| 1                   | 305,001         | 310,000 | 306,000            |
| 3                   | 315,000         | 320,000 | 955,000            |
| 1                   | 325,000         | 330,000 | 325,000            |
| 2                   | 335,001         | 340,000 | 676,000            |
| 3                   | 345,000         | 350,000 | 1,045,000          |
| 1                   | 350,001         | 355,000 | 350,350            |
| 1                   | 355,001         | 360,000 | 357,500            |
| 3                   | 360,001         | 365,000 | 1,088,216          |
| 2                   | 375,000         | 380,000 | 750,000            |
| 1                   | 385,001         | 390,000 | 385,500            |
| 5                   | 400,000         | 405,000 | 2,003,000          |
| 1                   | 420,001         | 425,000 | 421,500            |
| 1                   | 430,001         | 435,000 | 430,500            |
| 1                   | 440,000         | 445,000 | 440,000            |
| 4                   | 445,001         | 450,000 | 1,797,000          |
| 4                   | 470,001         | 475,000 | 1,888,000          |
| 2                   | 475,001         | 480,000 | 954,375            |
| 1                   | 485,001         | 490,000 | 488,000            |
| 2                   | 490,001         | 495,000 | 981,565            |



| No. of Shareholders | Size of Holding |               | No. of Shares held   |
|---------------------|-----------------|---------------|----------------------|
|                     | From            | To            |                      |
| 10                  | 500,000         | 505,000       | 5,000,000            |
| 1                   | 520,001         | 525,000       | 522,500              |
| 2                   | 540,001         | 545,000       | 1,084,500            |
| 1                   | 550,000         | 555,000       | 550,000              |
| 1                   | 555,001         | 560,000       | 558,572              |
| 1                   | 570,001         | 575,000       | 570,500              |
| 2                   | 575,001         | 580,000       | 1,153,000            |
| 1                   | 580,001         | 585,000       | 583,500              |
| 1                   | 590,001         | 595,000       | 592,000              |
| 2                   | 600,000         | 605,000       | 1,200,100            |
| 2                   | 605,001         | 610,000       | 1,213,514            |
| 1                   | 620,001         | 625,000       | 621,500              |
| 3                   | 650,000         | 655,000       | 1,950,000            |
| 2                   | 680,001         | 685,000       | 1,367,500            |
| 1                   | 685,001         | 690,000       | 687,500              |
| 1                   | 720,001         | 725,000       | 720,500              |
| 1                   | 785,001         | 790,000       | 789,000              |
| 1                   | 790,001         | 795,000       | 792,500              |
| 1                   | 800,001         | 805,000       | 803,500              |
| 1                   | 855,001         | 860,000       | 855,862              |
| 1                   | 900,000         | 905,000       | 900,000              |
| 1                   | 930,000         | 935,000       | 930,000              |
| 1                   | 970,001         | 975,000       | 970,711              |
| 1                   | 980,001         | 985,000       | 980,500              |
| 5                   | 995,001         | 1,000,000     | 4,996,616            |
| 1                   | 1,015,001       | 1,020,000     | 1,017,000            |
| 1                   | 1,050,000       | 1,055,000     | 1,050,000            |
| 1                   | 1,055,001       | 1,060,000     | 1,058,203            |
| 1                   | 1,075,000       | 1,080,000     | 1,075,000            |
| 1                   | 1,085,001       | 1,090,000     | 1,089,000            |
| 1                   | 1,160,000       | 1,165,000     | 1,160,000            |
| 1                   | 1,175,001       | 1,180,000     | 1,176,000            |
| 1                   | 1,295,001       | 1,300,000     | 1,296,500            |
| 1                   | 1,450,001       | 1,455,000     | 1,454,778            |
| 3                   | 1,495,001       | 1,500,000     | 4,499,701            |
| 1                   | 1,545,001       | 1,550,000     | 1,547,000            |
| 1                   | 1,550,001       | 1,555,000     | 1,553,500            |
| 1                   | 1,600,000       | 1,605,000     | 1,600,000            |
| 1                   | 1,615,001       | 1,620,000     | 1,617,000            |
| 1                   | 1,635,001       | 1,640,000     | 1,637,200            |
| 1                   | 1,700,000       | 1,705,000     | 1,700,000            |
| 1                   | 1,765,000       | 1,770,000     | 1,765,000            |
| 1                   | 1,800,000       | 1,805,000     | 1,800,000            |
| 1                   | 1,810,001       | 1,815,000     | 1,814,893            |
| 1                   | 1,900,000       | 1,905,000     | 1,900,000            |
| 1                   | 2,000,000       | 2,005,000     | 2,000,000            |
| 1                   | 2,100,001       | 2,105,000     | 2,101,000            |
| 1                   | 2,200,000       | 2,205,000     | 2,200,000            |
| 1                   | 2,225,000       | 2,230,000     | 2,225,000            |
| 1                   | 2,250,000       | 2,255,000     | 2,250,000            |
| 1                   | 2,655,001       | 2,660,000     | 2,658,500            |
| 1                   | 2,700,001       | 2,705,000     | 2,700,904            |
| 1                   | 2,770,001       | 2,775,000     | 2,771,189            |
| 1                   | 2,800,000       | 2,805,000     | 2,800,000            |
| 1                   | 3,025,001       | 3,030,000     | 3,027,949            |
| 1                   | 3,035,001       | 3,040,000     | 3,038,000            |
| 1                   | 3,170,000       | 3,175,000     | 3,170,000            |
| 1                   | 3,285,001       | 3,290,000     | 3,285,500            |
| 1                   | 4,000,000       | 4,005,000     | 4,000,000            |
| 1                   | 4,550,001       | 4,555,000     | 4,551,000            |
| 1                   | 4,610,000       | 4,615,000     | 4,610,000            |
| 1                   | 4,645,001       | 4,650,000     | 4,648,500            |
| 1                   | 4,880,001       | 4,885,000     | 4,881,200            |
| 1                   | 5,000,000       | 5,005,000     | 5,000,000            |
| 1                   | 5,680,001       | 5,685,000     | 5,684,901            |
| 1                   | 6,305,001       | 6,310,000     | 6,307,000            |
| 1                   | 7,565,001       | 7,570,000     | 7,565,500            |
| 1                   | 8,735,001       | 8,740,000     | 8,737,500            |
| 1                   | 16,040,001      | 16,045,000    | 16,041,500           |
| 1                   | 17,560,000      | 17,565,000    | 17,560,000           |
| 1                   | 18,750,001      | 18,755,000    | 18,752,500           |
| 1                   | 20,000,000      | 20,005,000    | 20,000,000           |
| 1                   | 26,360,001      | 26,365,000    | 26,361,300           |
| 1                   | 1,135,860,001   | 1,135,865,000 | 1,135,860,105        |
| <b>16,325</b>       |                 |               | <b>1,514,207,208</b> |

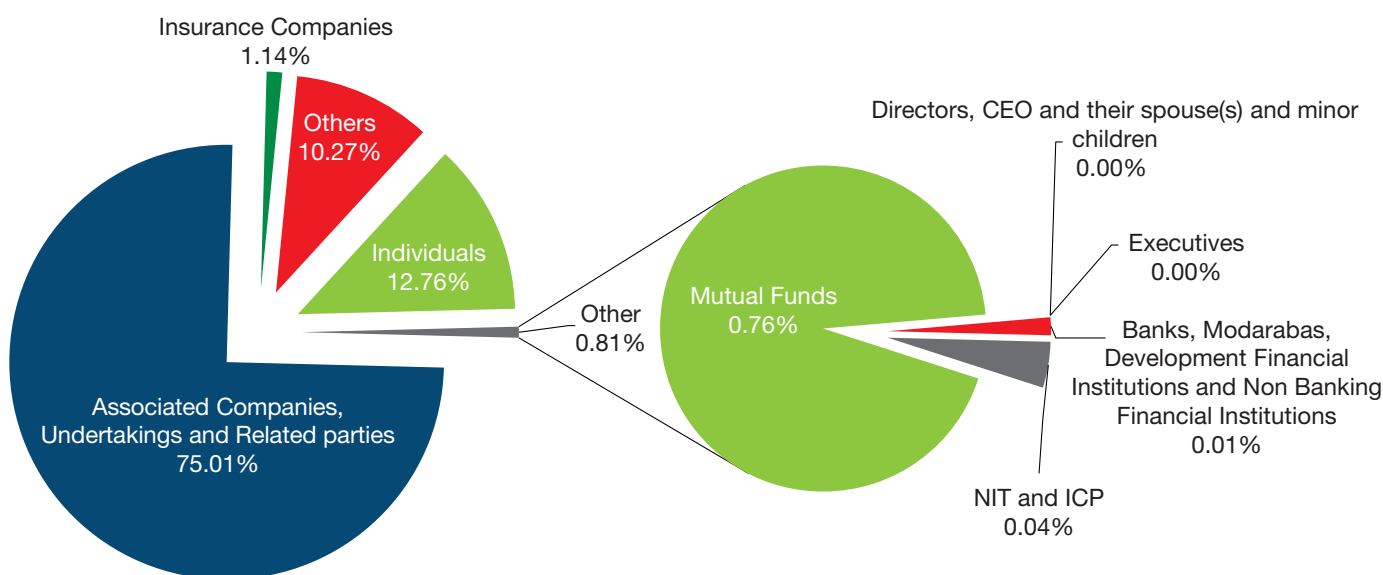


# Categories of Shareholding

As at 31 December 2018

| S.No         | Shareholders Category   | No. of Shareholders | No. of Shares        | Percentage (%) |
|--------------|---|---------------------|----------------------|----------------|
| 1            | Associated Companies, Undertakings and Related parties                                      | 1                   | 1,135,860,105        | 75.01          |
| 2            | NIT and ICP   | 3                   | 562,308              | 0.04           |
| 3            | Mutual Funds  | 35                  | 11,553,920           | 0.76           |
| 4            | Directors, CEO and their spouse(s) and minor children                                       | 8                   | 8                    | 0.00           |
| 5            | Executives  | 1                   | 9                    | 0.00           |
| 6            | Banks, Modarabas, Development Financial Institutions and Non Banking Financial Institutions | 30                  | 219,206              | 0.01           |
| 7            | Insurance Companies   | 11                  | 17,309,342           | 1.14           |
| 8            | Others  | 216                 | 155,474,550          | 10.27          |
| 9            | Individuals   | 16,020              | 193,227,760          | 12.76          |
| <b>Total</b> |   | <b>16,325</b>       | <b>1,514,207,208</b> | <b>100.00</b>  |

## Shareholders Categorisation 2018



# OPERATIONAL EXCELLENCE

Over the past two decades we have maintained a culture of operational excellence. We quickly respond to changes, cooperate with all fields without boundaries, and implement innovation with the objective to achieve excellence. The efforts of our team have enabled us to achieve record production of 516 KT in 2018 from a plant which was originally designed to produce 400 KT.





## Corporate Governance

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# Board of Directors

As at 14 February 2019



**Kwang Sik Huh**  
Chairman

#### Tenure

Appointed to the Board on 12 February 2019 for the term to expire on 22 June 2020.

#### Board and Committee Activities

- Chairman
- Member HR & Remuneration Committee
- Member Audit Committee
- Member Shares Sub Committee

#### Outside Interests

- Director, Lotte Chemical UK Limited
- Director, KP Chemtech Corporation

#### Career

Mr. Huh is currently Managing Director of Aromatic Business Group for Lotte Chemical. Prior to joining Lotte Chemical, he had been on Feedstock team for more than 17 years at Hyundai Petrochemical Corporation. He has been working with Lotte Chemical Corporation in Korea since 2007. He joined Lotte Chemical Corporation as a team manager of EG Sales Team. Also, He had worked as Vice President of Sales Division at Lotte Chemical Titan from 2011 to 2015. Mr. Huh has a versatile experience of more than 30 years of working with petrochemical companies in South Korea and Malaysia. Mr. Huh holds a Bachelor's in Department of Business Administration from Yonsei University in South Korea.



**Humair Ijaz**  
Chief Executive

#### Tenure

Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

#### Outside Interests

- None

#### Career

Mr Humair Ijaz has over 25 years of experience. After working for Siemens for a year, he joined ICI in 1993 as Management Trainee and worked in various businesses including Paints, Soda Ash and Pharmaceuticals. He was transferred to the PTA Business in 1998 as Logistics Manager and was promoted as IT Manager in the same year. He made significant contribution in setting up the business processes and systems of the PTA Plant. In 2004, he was promoted as Supply Chain Manager and then Commercial Manager in 2008. He has played an instrumental role in reshaping the Company's Commercial activities and based on his continued commitment, he was promoted as Director Commercial in 2013 and was appointed as the CE in June 2015.

He did his Bachelor's in Electrical Engineering and MBA (Finance) from Virginia Tech, USA and possesses a wide range of experience in the areas of Supply Chain, Sales and Information Technology.

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



**In Goo Park**  
Non-Executive Director

#### Tenure

Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

#### Outside interests

- Director of LOTTE Chemical USA Ltd
- Director of LOTTE Advanced Materials Co., Ltd

#### Career

Mr Park has been working with LOTTE Chemical Corporation, South Korea since 1996. He had worked at Planning Department of Lotte Chemical Corporation from 2000 to 2008. He was involved in Mergers & Acquisition, Strategy and New Business Planning of LOTTE Group Headquarters from 2009 to 2016. Mr Park is currently working as Vice President of Value Management Team at LOTTE Chemical Corporation, South Korea. Mr Park holds a Bachelor's Degree in Economics from Seoul



**Jae Sun Park**  
Non-Executive Director

#### Tenure

Appointed to the Board on 04 April 2018 for the term to expire on 22 June 2020.

#### Outside Interests

- None

#### Career

Ms. Jae Sun Park has been working with Lotte Chemical Corporation in Korea since 2012. She joined Lotte Chemical Corporation as a legal counsel, and has been in charge of Legal Affairs Team as General Counsel since 2015. Previously, as an in-house legal counsel, she worked for a U.S. global finance company, AIG Korea from 2009 to 2010. Also, she had experience in a government agency, Press Arbitration Commission from 2004 to 2007. She is a qualified and licensed lawyer in New York State as well as South Korea. She acquired LLB from Yonsei University in 1998, and got LLM Degree in Business Law at UCLA (University of California Los Angeles) in 2011, and got LLM degree in International Commercial Law from University of London in 2009.



**Sang Hyeon Lee**  
Executive Director

**Tenure**

Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

**Board and Committee Activities**

- Chairman Shares Sub Committee
- Member HR & Remuneration Committee

**Outside Interests**

None.

**Career**

Mr Lee has been working with LOTTE Chemical Corporation, South Korea since 1992, spending his first twelve years in the Production Control Team in the Ulsan Plant, where he was in charge of Planning, Budgeting, Cost Accounting, and Decision Making Support. He graduated from Hanyang University, majoring in Business Administration in 1989.

Mr Lee has previously served as a Non-Executive Director on the Company's Board from April 2013 to June 2014.

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



**Mohammad Qasim Khan**  
Non-Executive Director

**Tenure**

Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

**Board and Committee Activities**

- Member Shares Sub Committee

**Outside Interests**

- Director Pepsi-Cola Products Philippines, Inc
- Director Indo Food Limited
- Director Kirin Tropicana Japan, Inc.

**Career**

Mr Khan is currently working as Senior Vice President PepsiCo AMENA Sector. He is responsible for Asia, Middle East and North America PepsiCo's beverage and food businesses. He has been with the Company since 1986, serving diverse roles in Australia, New Zealand, Vietnam, Malaysia, Singapore, Thailand and the Pacific Islands.

Prior to PepsiCo, Mr Khan worked for Procter & Gamble based in Geneva, Switzerland, where he was responsible for the Arabian Gulf markets. Mr Khan has an MBA in Marketing from the USA.

Mr Khan is the longest serving Board member of the Company. He was first appointed as Director in 2009 and was re-elected in 2011 and 2017.



**Pervaiz Akhtar**  
Independent Director

**Tenure**

Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

**Board and Committee Activities**

- Chairman Audit Committee
- Chairman HR & Remuneration Committee

**Outside interests**

- Director Corporate Affairs METRO – Habib Cash & Carry Pakistan (Pvt) Ltd
- Director Star Farm Pakistan (Pvt) Limited (METRO Group Company)
- Director German Pakistan Chamber of Commerce & Industry President Islamabad Region
- Director CABI-SFPK Joint Venture

**Career**

Career: Mr Akhtar graduated in 1976 from University of Punjab with majors in Economics. He later attended an MBA program at School of Business and Commerce Islamabad and secured distinction in Business Policy & Strategy and Human Resource Management. He completed his professional training with Klynveld Peat Marwick Goerdeler (KPMG) and passed Institute of Chartered Accountants of Pakistan (Inter) examination in 1981. In 1989 Mr. Akhtar was awarded a USAID scholarship and he completed Petroleum Management Program at Arthur D. Little Inc Boston, U.S.A.

He is responsible for METRO's Corporate Affairs since 2007. Being part of the senior management team, he has contributed towards successful establishing the METRO Cash & Carry's business in Pakistan.

Prior to joining METRO, he served as General Manager Corporate Affairs for a Dutch Multinational Company (SHV Energy) for over 9 years. Mr Akhtar has a versatile experience of more than 30 years of working with local and multinational companies in Pakistan. During this period, he served in senior management positions in the field of Finance, Human Resources, Procurement and Corporate Affairs.



**Istaqbal Mehdi**  
Non-Executive Director

**Tenure**

Appointed to the Board on 23 June 2017 for the term to expire on 22 June 2020.

**Board and Committee Activities**

- Member Audit Committee

**Outside Interests**

- Chairman / Chief Executive of Al-Aman Holding (Private) Limited

**Career**

He has held several roles throughout his professional career. From 2009 onwards, he served as Chairman and Chief Executive of Al-Aman Holding (Pvt) Ltd. Prior to that, he was a Managing Director at Pakistan Kuwait Investment Company (Private) Limited. Some of his other roles include: serving as President and Chief Executive Officer at Zarai Taraqati Bank Limited, Chairman and Chief Executive Officer at Agriculture Development Bank of Pakistan and Managing Director at Investment Corporation of Pakistan. He began his career in 1967 as a Research Assistant at USAID Lahore. He holds a Master of Philosophy in Financial Economics from the University of Leeds, UK. He also holds Bachelor and Master of Arts degrees in Economics from Government College, Lahore. In 1982, Mr Mehdi completed a course in Public Enterprise Policy in Developing Countries from Harvard University.

Mr Mehdi has previously served as a Director on the Company's Board from January 2011 to April 2012 and was re-appointed in June 2013.

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

# Board Committees

with brief terms of reference

## Audit Committee



Mr Istaqbal Mehdi, Member

Mr Pervaiz Akhtar, Chairman

Mr Kwang Sik Huh, Member

The Audit Committee assists the Board in effectively discharging its responsibilities with regard to corporate governance, financial reporting and corporate control. The Board draws up the terms of reference of the Audit Committee, which comply with relevant legislations.

The Board acts in accordance with the Committee's recommendations on matters forming its responsibilities. The Audit Committee reviews the system of internal controls, risk management and the financial audit process, as well as assists the Board in reviewing financial statements and announcements to shareholders. In carrying out its duties, the Audit Committee has the authority to discuss any issues within its remit with management, internal auditors or external auditors. If it deems necessary, it may also obtain legal advice on it.

The Committee controls and monitors the scope of the internal audit function, including powers and responsibilities encompassing its charter.

The Chairman of the Audit Committee is an Independent Non-Executive Director, while its members include Non-Executive Directors. The Company Secretary acts as the Secretary of the Committee.

The Audit Committee meets at least once every quarter of the financial year. Its members meet at least once a year with external auditors, without the CFO and the Head of Internal Audit being present. In addition, Committee members also meet Head of Internal Audit and internal auditors at least once a year, without the CFO and external auditors being present.





Mr Kwang Sik Huh, Member    Mr Pervaiz Akhtar, Chairman    Mr Sang Hyeon Lee, Member

## HR and Remuneration Committee

The HR and Remuneration Committee assists the Company's Board of Directors to administer and develop a fair and transparent procedure for establishing human resource management policies. The Committee is responsible for reviewing the remuneration and benefits of the Chief Executive, Executive Directors and senior

managers. Consisting of two Non-Executives and one Executive Director, the Committee is also responsible for reviewing the remuneration budget. The Chairman of the Committee is an Independent Director.

The General Manager HR & IT acts as the Secretary and the Committee meets at least once a year.

## Shares Sub Committee



Mr Mohammad Qasim Khan, Member    Mr Kwang Sik Huh, Member    Mr Sang Hyeon Lee, Chairman

The Shares Sub Committee consists of one Executive and two Non-Executive Directors. This Committee approves registrations, transfers and transmission of

the Company's shares. Resolutions passed by this Committee are subsequently placed at Board meetings for ratification.

# Report of the Audit Committee

## On adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the Company for the year ended 31 December 2018 and reports that:

- The Company has adhered in full without any material departure, with the mandatory and voluntary provisions of the listing regulations of Pakistan Stock Exchange, Listed Companies (Code of Corporate Governance) Regulations 2017, Company's Code of Conduct and Values throughout of the year.
- The Financial Statements, Directors Report and other information in the Annual Report have been reviewed by the Chief Executive and the Chief Financial Officer. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of the financial statements of the Company on a going concern basis, for the financial year ended 31 December 2018, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company for the year under review.
- Accounting estimates are based on reasonable and prudent judgment. Estimates and judgments were continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Proper, accurate and adequate accounting records have been maintained by the Company in accordance with the Companies Act, 2017.
- The Financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards.
- The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.
- The Board Audit Committee reviews all Related Party Transactions, including the terms of the transactions, and recommends the same to the Board for review and approval.
- All direct and indirect trading and holdings of the Company's shares by Directors and Executives or their spouses were notified in writing to the Company Secretary along with the price, number of share, form of share certifies and nature of transaction. All such holding have been disclosed.
- 'Closed periods' during which the Directors, the Chief Executive, CFO, Company Secretary and other executives of the Company including their spouses and minor children were precluded from dealing in Company shares were duly determined and announced by the Company prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.
- During the year four Audit Committee meetings were held. These meetings were held prior to the approval of interim results of the company by the board of directors and after completion of external audit.
- The Audit Committee met the external auditors without the CFO and the Head of Internal Audit being present as required by the Code.
- The Audit Committee also met the Head of Internal Audit and other members of the internal audit function without the CFO and the external auditors being present as required by the Code.

## Internal Audit Function

- The internal control framework has been effectively implemented through outsourcing the internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants. The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through financial, operational and compliance controls and risk management at all levels within the Company.
- The Company has also appointed a Head of Internal Audit in compliance of the Code of Corporate Governance. The Head of Internal Audit coordinates with the internal auditors KPMG Taseer Hadi & Co., Chartered Accountants, and reports directly to the Chairman of the Board Audit Committee.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contributions to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.
- The Board Audit Committee recommends reinstating internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants, for the financial year ending 31 December 2019.



**Pervaiz Akhtar**  
Chairman - Board Audit Committee

13 February 2019  
Karachi

## External Auditors

- The statutory auditors of the Company, EY Ford Rhodes, Chartered Accountants, have completed their audit assignment of the "Company's Financial Statement and the "Statements of Compliance with the Code of Corporate Governance" for the financial year ended 31 December 2018 and shall retire on the conclusion of the 21st Annual General Meeting.
- The Board Audit Committee has reviewed and discussed audit observations and the Management Letter with the external auditors.
- The audit firm has been given a satisfactory rating under the Quality Control Review Programme of the institute of Chartered Accountants of Pakistan (ICAP). The firm is registered with Audit Oversight Board of Pakistan and is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP.
- The auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the auditors has thereby been ensured. The auditors attended the Annual General Meeting of the Company during the year.
- The Board Audit Committee recommends appointment of EY Ford Rhodes, Chartered Accountants, as the statutory auditors of the Company for the financial year ending 31 December 2019.

## Board and Committee Attendance in 2018

During the Year, 4 (four) Board of Directors, 4 (four) Audit Committees and 1 (one) HR & Remuneration Committee meetings were held:

| Board                          |                               | Eligible to Attend | Attended |
|--------------------------------|-------------------------------|--------------------|----------|
| <b>Non-Executive Directors</b> |                               |                    |          |
| Mr Jung Neon Kim               |                               | 4                  | 4        |
| Mr Istaqbal Mehdi              |                               | 4                  | 4        |
| Mr Pervaiz Akhtar              |                               | 4                  | 4        |
| Mr Mohammad Qasim Khan         |                               | 4                  | 3        |
| Mr. In Goo Park                |                               | 4                  | 3        |
| Ms. Hye Sil Jung               | resigned w.e.f. 4 April 2018  | 1                  | 1        |
| Ms. Jae Sun Park               | appointed w.e.f. 4 April 2018 | 3                  | 3        |
| <b>Executive Directors</b>     |                               |                    |          |
| Mr Humair Ijaz                 |                               | 4                  | 4        |
| Mr Sang Hyeon Lee              |                               | 4                  | 4        |

| Audit Committee                |  | Eligible to Attend | Attended |
|--------------------------------|--|--------------------|----------|
| <b>Non-Executive Directors</b> |  |                    |          |
| Mr Jung Neon Kim               |  | 4                  | 3        |
| Mr Istaqbal Mehdi              |  | 4                  | 4        |
| Mr Pervaiz Akhtar              |  | 4                  | 4        |

| HR & Remuneration Committee    |                              | Eligible to Attend | Attended |
|--------------------------------|------------------------------|--------------------|----------|
| <b>Non-Executive Directors</b> |                              |                    |          |
| Mr Jung Neon Kim               |                              | 1                  | 1        |
| Ms. Hye Sil Jung               | resigned w.e.f. 4 April 2018 | 1                  | 1        |
| Mr. Pervaiz Akhtar             | appointed w.e.f. 19 Oct 2018 | -                  | -        |
| <b>Executive Directors</b>     |                              |                    |          |
| Mr Sang Hyeon Lee              |                              | 1                  | 1        |

Leave of absence was granted to directors who could not attend some of the board meeting.

# Executive Management Team

The Executive Management Team consists of functional heads, operating under the Board and the Chief Executive, to ensure smooth operations and achieve strategic objectives. The Team conducts its business under the chairmanship of the Chief Executive

with other senior managers. The Team is responsible for strategic business planning, decision-making, establishing adequacy of the Company's operational, administrative and control policies adopted by the Board and monitoring compliance thereof.



**Tariq Nazir Virk**  
General Manager, Manufacturing

**Humair Ijaz**  
Chief Executive, Profile on page 28.

**Waheed U Khan**  
General Manager, HR & IT

**Tariq Nazir Virk** is a vastly experienced multi skilled professional in Plant maintenance, Operations, Process and Project management. He has more than 28 years of hands on operational experience with Petro Chemical Industry. He completed his Bachelor degree in Mechanical Engineering from University of Engineering and Technology, Lahore in 1990. He started off his career as a maintenance engineer with Dawood Hercules Chemical, one of the most reputable Fertilizer plants of the country.

He joined the Company in 1997 and was the key member of the original team which led the successful commissioning of the plant. He has served in various roles over the last twenty two years of his association with the company. He has delivered some of the most challenging projects to the Business such as Ox Dryer replacement, DCS upgradation, Process Air Compressor control system up-gradation, Oxidation Reactor agitator modification etc.

Tariq stamped his mark on every function through his leadership that he was assigned to look over, whether it was HSE, Projects, Planning, Workshop, Operations or Process. He has special passion to hone young talent and thus has successfully developed a proficient team which is a great mix of youth and old.

In the light of his contributions and skills, Tariq was promoted as General Manager Manufacturing in 2016. He never looked back since then and continued to make huge contributions to reduce fixed cost, enhance safety, reliability and operational efficiencies of the plant which are second to none vis a vis any International plant of this nature.

**Waheed U Khan** has over 28 years of versatile experience. Started his career with Computer Aided Engineering Services Descon as a designing engineer and moved to the major BMR project of Dawood Hercules Chemicals to enhance its Production Capacity, Reliability & Efficiency. Commissioned Haldor Topsoe Ammonia Reactor and completed the project with the team. He joined the Company in 1997. Since then, he has been challenged to perform in various departments of the organization, including Production, Technical, HSE, Product Quality, Training before becoming HR, Administration & Public Affairs Manager in 2008. Based on his continued commitment and experience, he was promoted as General Manager HR & IT in 2016.

He has played a pivotal role in nurturing a caring culture based on strong values of the organization. Closely worked with ICI – AkzoNobel and LOTTE Group during the business acquisitions. Implemented strategies to reduce rising attrition and increased employee engagement. Over the years he has established strong succession programs to reduce business risks, introduced job evaluation process to rightly position each role in its competitive range, synergized IT with business processes to bring efficiency and effectiveness. Under his leadership the Company has won several awards in recognition of the business HR systems. He is also driving the CSR program for the Company and has delivered various initiatives in the areas of health, education and a green environment.

Waheed holds a Master's degree in Business from LUMS and a second Master's degree in Engineering from Punjab University with distinction.

# Management Committees

with brief terms of reference

## Executive Committee



Back L to R: Mr Faisal Abid, Mr Tariq Nazir Virk, Mr Adnan UI Haque, Mr Ashiq Ali, Mr Syed Qamar Alam, Mr Waheed U Khan,  
Front L to R: Mr Kyoungmo Cho, Mr Muhammed Talha Khan, Mr Humair Ijaz, Mr Sang Hyeon Lee, Mr Kee Seo Park, Mr Syed Masood UI Hasan

The Executive Committee, chaired by the CE, supports the Executive Management Team in achieving its objectives and is responsible for smooth operations on an ongoing basis. It comprises of the various heads of departments including the Executive Management Team. The Executive Committee meetings are conducted on a monthly basis or more frequently if needed. The

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

The Committee met on a monthly basis during 2018 and reviewed all operational and financial aspects of the business, including improvements to operational policies / procedures.

## HSE&S Management Committee



L to R: Mr Tariq Nazir Virk, Mr Kyoungmo Cho, Mr Syed Masood UI Hasan, Mr Mohammed Talha Khan, Mr Humair Ijaz,  
Mr Syed Qamar Alam, Mr Ashiq Ali, Mr Adnan UI Haque, Mr Waheed U Khan, Mr Umair Khalid

The HSE&S Committee, chaired by the CE, periodically reviews and monitors Company-wide practices. It oversees the Health, Safety, Environment and Security functions of the Company and is responsible for ensuring that all operations are safe, environment-friendly and compliant with regulatory framework.

The Committee received regular reports from the HS&E function, including quarterly reports prepared for Executive Committee on Company's Health, Safety and Environmental performance and operational integrity. These included quarter-by-quarter measures of personal and process safety, environmental and regulatory compliance and audit findings. Operational risk and performance forms a large part of the Committee's agenda.

## BCP Committee



L to R: Mr Tariq Nazir Virk, Mr Muhammad Tabish Ashfaq, Mr Syed Arif Hussain, Mr Syed Masood Ul Hasan, Mr Humair Ijaz, Mr Syed Qamar Alam, Mr Ashiq Ali, Mr Adnan Ul Haque, Mr Umair Khalid, Mr Asad Ullah Chughtai

The BCP Committee's objective is to steer the Business Continuity Plan (BCP) by establishing a fit-for-purpose strategic and operational framework to respond to major business interruption situations.

The CE as Business Continuity Manager (BCM) leads the BCP process along with General Manager Manufacturing

and Chief Financial Officer. A working level BCP Committee, headed by General Manager Manufacturing is responsible for stewarding the BCP Programme and comprises of representatives of all functions / departments. Each functional head is responsible for current and comprehensive Business Continuity Planning in his respective sphere of operations.

# Organisational Structure





# Corporate Governance and Compliance

## Board Governance

The Company's Corporate Governance Structure is based on the requirements of the Companies Act 2017, along with other circulars and guidelines issued by the Securities and Exchange Commission of Pakistan (SECP), listing regulations of the Pakistan Stock Exchange, the Code of Corporate Governance and the Company's Articles of Association. This is further strengthened by several internal procedures, which include a risk management assessment and control system, as well as a system of assurances of compliance with the applicable laws, regulations and the Company's Code of Conduct.

The Company is a public limited company established under the laws of Pakistan. The shares of the Company are listed on the Pakistan Stock Exchange (G) Limited.

## Role of the Board

The Board of Directors provides oversight in the governance, management and control of the Company and is responsible for setting the goals, objectives and strategies of the Company and for formulating the policies and guidelines towards achieving those goals and objectives. The Board is accountable to the shareholders for the discharge of its fiduciary function. The Management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. In order to facilitate the smooth running of the day-to-day affairs of the Company, the Board entrusts the Chief Executive with necessary powers and responsibilities who in turn is assisted by an Executive Management Team. The Board is also

assisted by a number of Sub Committees comprising mainly Non-Executive / Independent Directors. Specific tasks are delegated to the board sub committees and the Board seeks to set the 'tone from the top' by working with the management to agree on the values of the Company.

The activities of the Board are based on the requirements and duties laid down under relevant laws and the Company's Memorandum and Articles of Association. This compliance assists the Board in safeguarding the interests of all the stakeholders.

## Board Composition, Size and Tenure

The structure of the Board reflects an optimum combination of Executive, Non-Executive and Independent Directors. The current Board comprises eight directors which include two Executive Directors (including the Chief Executive), five Non-Executive Directors and one Independent Director. The Chairman of the Board is a Non-Executive Director. The positions of Chairman and Chief Executive are held by separate individuals with clearly defined roles and responsibilities.

All the Directors are appointed for a term of three years on completion of which they are eligible for re-election under the Company's Articles of Association through a formal election process.

Consent to act as director is obtained from each candidate prior to election. The Company has had an Audit Committee and a HR & Remuneration Committee of the Board much before the introduction of the Code of Corporate Governance.



## Roles and Responsibilities of the Chairman and Chief Executive

There is a clear segregation of roles between the Chairman of the Board and the Chief Executive for smooth running of the business. The Company's Articles of Association, relevant laws and the duties assigned by the Board outline the responsibilities and the power of the Chairman of the Board.

### The key role and responsibilities of the Chairman includes;

- Provides leadership of the Board
- Acts as main point of contact between the Board and management.
- Speaks on Board matters to shareholders and other parties.
- Is responsible for the integrity and effectiveness of the Board's system of governance.
- Ensures that systems are in place to provide directors with accurate, timely and clear information to enable the Board to operate effectively.

The Chief Executive functions in accordance with the powers vested in him by law, the Company's Articles of Association and the authorities delegated to him by the Board. The Chief Executive is responsible for framing strategic proposals and formulating business plans for the Board approval. Moreover, the Chief Executive is also responsible for ensuring smooth functioning of the business with optimum utilisation of the Company's resources and effective implementation of internal controls.

## Board Meetings

The Board determines the key items for its consideration for the coming financial year. The agenda is set by the Chairman in consultation with the Chief Executive and with support of the Company Secretary. A similar process is used for meetings of Board Committees.

Meetings of the Board of Directors and Sub Committees are held in accordance with an annual schedule circulated before each year end to ensure maximum participation of the directors.

Discussions at Board meetings are open and constructive. All discussions of the Board and their

records are maintained in confidence unless there is a specific decision or legal requirement to make disclosure.

When participating in Board discussion, Executive Directors are expected to discharge their responsibilities as directors of the Company and not to act solely as the representatives of that activity for which they bear executive responsibility.

## Independence and Conflict of Interest

The Non-Executive and Independent directors are expected to be independent in character and judgment and free from any business or other relationship which would materially interfere with the exercise of that judgment.

The Board is satisfied that there is no compromise to the independence of, and nothing to give rise to conflicts of interest for, those directors who serve together as directors on the boards of outside entities or who have other appointments in outside entities.

## Board Induction and Education

All Directors, including foreign resident Directors, as part of their induction package, are provided with sufficient information of their duties and responsibilities under respective laws and the Company's Memorandum and Articles of Association. Directors, being senior professionals and possessing experience of managing various responsibilities, have adequate exposure to corporate matters.

On joining Company's Board, Non-Executive and Independent Directors are given a tailored induction programme. This includes meetings with the management and site visit. Moreover, the Board received briefings on Company's Code of Conduct, Company's values and key business developments including legal updates, the economic outlook and the necessary information under respective laws and the Company's Memorandum and Articles of Association.

At present, one independent director, two Executive Directors and two Non-Executive Director have completed all parts of the certification "The Board Development Series" offered by the Pakistan Institute of Corporate Governance (PICG). Certification for remaining directors will be obtained in accordance with the Code of Corporate Governance.

## Board Evaluation

A comprehensive Board evaluation with respect to the effectiveness of the Board was carried out in 2018 using an external facilitator, PICG. The Board evaluation assessment covered specific areas of Board performance including Board Composition, Board & CEO Compensation, Strategic Planning, Board Procedures, Board Interaction, Board Information, Board Committees and Board & CE Effectiveness. The findings of the evaluation were discussed in detail with the Board of Directors.

The Board also regularly reviews the developments in Corporate Governance to ensure that the Company always remains aligned with the best practices.

## CE Performance Review

The Board of Directors of Lotte Chemical Pakistan Limited regularly evaluates performance of the CE based on agreed financial and non-financial KPIs.

The Board has reviewed the performance of the CE for the current financial year and is satisfied with the achievements for the year. The Board has full confidence in his abilities to manage the affairs of the Company in the most professional and competent manner. The CE is also responsible for setting the objectives for his management team and regularly updates the Board about the performance of the management in achieving the desired goals.

## Material Interests of Board Members

Directors are required to disclose, at the time of appointment and on an annual basis, the directorships or memberships they hold in other corporations. This is in pursuance with Section 205 of the Companies Act 2017, which also requires them to disclose all material interests.

This information is used to help maintain an updated list of related parties. In case any conflict of interest arises, the matter is referred to the Board's Audit Committee.

None of the directors are either members of any stock exchanges in Pakistan or engaged in the business of stock brokerage. Moreover, they are not involved in external audit and have had no relationship with the Company's external auditors during the preceding two

years. Remuneration and benefits of the Board, including the Chief Executive and Executive Directors, are disclosed in note 32 to the financial statements as determined under provisions of the Articles of Association of the Company.

## Board & Management Committee

The Board may at any time establish Committees of the Board to assist in carrying out its responsibilities. Any Committee will be subject to the Board Principles and will speak or act for the Board only when and to the extent so authorised.

The permanent Committees of the Board include the Audit Committee, the HR & Remuneration Committee and Shares Sub Committee.

Each permanent Committee is comprised of those directors the Board considers best suited to serve on that Committee and in accordance with the Code of Corporate Governance.

The Board and Management Committees brief details are covered elsewhere in the Report.

## Financial Statements

Periodic financial statements of the Company are circulated to the directors duly endorsed by the Chief Executive and the Chief Financial Officer for approval by the Board before publication, in compliance with the Listing Regulations of the Pakistan Stock Exchange. After consideration and approval, the Board authorizes the signing of financial statements for issuance and circulation. The half-yearly and annual financial statements are initiated by the external auditors before presentation to the Audit Committee and the Board for their respective approvals.

The publication and circulation to the shareholders, stock exchange and regulators of quarterly unaudited financial statements along with Directors' Review is done within one month and half-yearly financial statements reviewed by the external auditors within two months, of the respective period end dates.

Annual financial statements together with the Directors' Report, Auditors' Reports and other Statutory Statements / Information are circulated for consideration and approval by the shareholders, within four months from the end of

the financial year. These statements are also made available on the Company's website. All other important information considered sensitive for share price determination is transmitted to stakeholders and regulators on a timely basis.

## Adequate Disclosure

We believe in best practices in corporate governance by adopting transparency and disclosure as a policy with our stakeholders. This is achieved through disclosure of communications to our shareholders and other stakeholders, including our financial statements. All critical accounting estimates, rules and procedures governing extraordinary transactions, or any changes in accounting policies along with their financial impact, are disclosed in the notes to the financial statements. We follow the repealed Companies Ordinance 1984, and applicable IAS and IFRS (International Accounting Standards and International Financial Reporting Standards). In addition, we endeavour to provide as much relevant supplementary information in the financial statements as possible.

## Annual General Meeting

The Company holds its Annual General Meeting of the shareholders in light of the repealed Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance and our Articles of Association. We request all our shareholders to participate. We also ensure that a copy of the Annual Report containing the agenda and notice of AGM is dispatched to every shareholder at his/her registered address.

**Issues raised in last AGM:** During the 20th AGM of the Company held on 20 April 2018, general clarifications were sought by the shareholders on the financial statements and the market. No significant issues were raised.

## Investor Relations

The Company seeks to keep all stakeholders informed on a regular basis. This is done by means of publication on Company's website containing complete financial reports on a quarterly basis and the publication of the annual and interim reports. In addition, the Company communicates with all its shareholders / investors and analysts through organizing or attending meetings such as AGMs. Also, on

need basis, meetings are held with stakeholders to ensure that the investment community receives a balanced and complete view of the Company's performance and the issues faced by the business, while always observing applicable rules concerning selective disclosure, equal treatment of shareholders and insider trading.

## Pattern of Shareholding

Disclosure of Company's shareholding structure is given in the pattern pursuant to the Companies Ordinance and the Code of Corporate Governance in the printed accounts of the Company. Our share capital is comprised of ordinary shares. No other class of shares is issued by the Company. LOTTE Chemical Corporation, Korea holds 75.01% shares, while the balance 24.99% shares are held by individuals and domestic and foreign institutions. The Pattern of Shareholding in the Company, as at 31 December 2018, is given on page 22 of the Annual Report.

## Code of Conduct

Even before the introduction of the requirement in the Code of Corporate Governance, the Company had a comprehensive Code of Conduct. In order to apprise the employees of the Code of Conduct, the Company organizes training sessions and induction programmes on a regular basis to ensure compliance at all levels. Besides this, every employee and director of the Company is required to sign, on an annual basis, a statement to the effect that he or she understands the Code of Conduct and that he or she abides by it at all times while doing business for the Company. Salient features of the Code of Conduct are covered earlier in the Report.

## Speak Up

A separate 'Speak Up' policy has been formulated in order to facilitate strict adherence to the Code of Conduct, whereby any Company employee can raise concerns, expose irregularities and help management of the Company in identifying financial malpractices and potential frauds without any fear of reprisal or adverse consequences on a confidential basis through various modes of communication. Complete anonymity of the person using this facility is assured and all complaints are thoroughly investigated either by the Company internally or by assigning it to the Internal Auditors.

Employees of the Company are encouraged to use the guidance provided by the Speak Up Policy for reporting wrongdoing/improper conduct. A separate Speak Up Committee has been formed with a direct reporting line to the Board Audit Committee.

## **Insider Trading**

The Company has a stringent policy on insider trading and securities transactions. The policy paper which is circulated to all the employees of the Company from time to time prohibits all employees of the Company from making use of inside information for direct or indirect transactions in Company shares. No trading in Company shares is allowed during the closed periods. Trading is only allowed in the open period, preferably in the two weeks period following announcement of quarterly/half-yearly/annual results. Prior notification in writing is required to be given to Company Secretary before carrying out any transaction and once the transaction is executed, it is to be reported back to the Company Secretary within two days of execution of the transactions with relevant details of purchase/sale of shares. No opposite transaction is allowed within six months i.e. if anyone buys any shares of the Company, he or she is not allowed to sell those shares within six months to make a gain.

## **Related Party Transactions**

We maintain a complete and updated list of related parties. All transactions with related parties are carried out on an arm's length basis as per formulas approved by the Board of Directors. A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. After review by the Audit Committee, the transactions are placed before the Board for their consideration and approval.

## **Internal Control**

The Company has a sound system of internal control and risk management. The internal audit function, mainly responsible for internal controls, has been outsourced to M/s KPMG Taseer Hadi & Co., Chartered Accountants, and reports directly to the Chairman of the Audit Committee. As a consequence of regular review over several years, the Company now has an extremely robust system of internal controls which was further strengthened in 2005 when the Company had to go

through a comprehensive implementation of the Sarbanes-Oxley Act (SOX) due to listing of its previous parent company's shares on the New York Stock Exchange. Although this requirement is no longer applicable to the Company, the Company continued with the control framework then adopted.

## **Internal and External Audit**

Internal Audit function plays a key role in providing the management and the Board an objective view and reassurance of the effectiveness of the risk management and related control systems throughout the entity. Internal Audits are carried out across all functions by the appointed Internal Audit firm and all findings are reported to the Management and the Audit Committee of the Board.

Action plans are followed up rigorously to ensure that timely corrective action is implemented for the effective functioning of controls. The Board, through the Audit Committee, reviews the assessment of risks, internal and disclosure controls and procedures and suggests remedial actions where applicable. The role of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of Company's financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, the performance of the internal audit function, and compliance with the Code of Conduct.

The external auditors are appointed by the shareholders on a yearly basis at the Annual General Meeting on the recommendation of the Board of Directors and shareholders. The partner in charge of our audit or the audit firm is rotated every five years as per the regulations.

## **HR Policy & Succession Planning**

A comprehensive HR policy is part of terms of employment and is applicable to all the permanent employees. The key objective of the HR policy is to develop a high performance culture providing a critical link between an employee's performance and Company's goals. The policy also supports in maintaining the desired organisational culture. In order to ensure continued business performance, the Company has developed a robust Succession Plan for the positions of Chief Executive, his direct reports in Executive Management Team and business critical roles.

## Quality Policy Statement

Lotte Chemical Pakistan Limited operates in an environment which is influenced by global trends. To remain competitive and retain its status as a preferred PTA supplier, it has to produce a world-class product that always meets the expectations of its customers, both local and overseas, in terms of price, product, quality and service.

The Company achieves the above mentioned objectives by delivering a quality service on the principle of “right first time every time”.

To support the Quality Policy, the Company ensures ownership at all levels to continually improve the Quality System consistent with the latest standards and provides necessary training & resource to deliver added value to the business.

## Risk Management

The Board has an overall responsibility for the risk management process and internal control procedures. The Audit Committee monitors the Company’s risk management process quarterly or more frequently if required and reviews the adequacy of the risk management framework. The Company’s documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. A clear organizational structure with defined delegation of authorities is maintained and the senior management takes the day-to-day responsibility for implementation of procedures, ongoing risk monitoring, and effectiveness of controls.

The risk and control procedure is supported through a Business Continuity Plan and Crisis Management Plan.

## Business Continuity Plan / Crisis Management Plan

The Company recognizes the importance of a comprehensive Business Continuity Planning Programme that allows it to plan for and manage major business

disruptions. All significant risks, possibilities for control and reduction are identified. The plan is periodically tested in a simulated environment to ensure that it can be implemented in emergency situations and that the management and employees are aware of their respective roles. The range of events considered includes natural disasters, failure of equipment, terrorist action, government/political/legal actions, and changes in the financial and business climate. The controls identified are tested by internal auditors and action plans are followed rigorously to ensure timely corrective action is implemented for the effective functioning of controls. In addition, a Crisis Management Plan is also developed and is regularly reviewed and updated. This focuses on helping management to handle the immediate effects of a major incident and includes instructions on communications both within and outside the Company.

During the year, the Board through its Audit Committee regularly reviewed the processes whereby risks are identified, evaluated and managed.



# Business Risks & Challenges

The following risks are considered to be relevant in evaluating the overall outlook and business strategy of the Company.

|             | Risk   | Mitigating Factors  |
|-------------|--|---|
| STRATEGIC   | Changing Economic Conditions & Government Policies | The Board and the Management strive to follow a defined strategy to overcome strategic risks and continuously seek dialogue with the policy makers through various business forums in the overall interest of the domestic industries.  |
|             | Non Compliance with Laws & Regulations             | Changes in regulatory environment are monitored closely and all significant changes are adapted in a timely manner. We advertise and encourage use of 'Speak Up' policy to all our employees to report irregularities, if any, in relation to our Code of Conduct. We remain committed to compliance with all legal and regulatory requirements with special emphasis on our Code of Conduct.   |
| OPERATIONAL | Critical Equipment Failure                         | Stringent control measures for all critical equipment are in place which includes, but is not limited to, exhaustive preventive maintenance regimes, availability of all adequate spares, upgrade of technologies and necessary training of related manpower.   |
|             | Power Failure                                      | Being the sole producer of PTA in the country, it remains imperative that the PTA plant remains in operation on continuous basis throughout the year and as a result, alternate sources for all its key utility needs are in place. The Company in 1998/1999 invested heavily in the K-Electric network to ensure uninterrupted power supply to the Company and the Company entered into an evergreen power supply agreement with K-Electric based on its investment in the necessary infrastructure. All critical equipment remains connected to standby generators. In addition, the Company invested in a captive co-generation power facility, which became operational in July 2012, to improve the energy economics of the business and to ensure alternate uninterrupted power supply for continuous PTA operations. |
|             | Risk to Health, Safety and Environment             | We continue to uphold the highest safety standards, in line with OHSAS 18001 & internal HSE policies, for both Company and contractor employees which is evident by an excellent safety record spread over 20 years without a Lost Time Injury – more than 56 million man-hours have been completed without a Lost Time Case.   |
|             | Inability to attract and retain talent             | The Board and the Management put great emphasis on attracting, educating, motivating and retaining staff and the Company continues to support the development of a winning culture through its human resources management policies. Engagement of all our employees remains our key priority.   |
| COMMERCIAL  | Key Supplier Failure                               | The Company aims to use its purchasing power and long-term relationships with the suppliers to ensure continuous availability of raw materials. Maintenance of optimum buffer inventory levels and ensuring alternative sources for key raw materials assists in partially mitigating the risk of abrupt supply interruptions.  |
|             | Key Customer Failure                               | The Company takes pride in the dependable relations developed with its customers over the years and aims to enter into long-term relationships to ensure continuous sale of its product. The Company has demonstrated its ability to export larger volumes, if required. Availability of locally produced PTA and excellent technical support present a strong incentive for local customers to retain the relationship with the Company on a long-term basis.  |
| FINANCIAL   | Liquidity Risk                                     | The Company's sales strategy enables maximum volumes to be sold against sight letters of credit and purchasing strategy ensures optimum level of credit days. Adequate modes of financing are available in the form of committed bank facilities. This risk is also mitigated by continuous monitoring of cash flow needs and careful selection of financially strong banks with good credit ratings.   |
|             | Fluctuations in Foreign Currency Rates             | The Company incurs foreign currency risk on sales, purchases and borrowings that are in a currency other than Pak Rupees. The Company's foreign currency risk arising on sales is minimised through a natural hedge resulting from the pricing mechanism of PTA whereby the price invoiced for PTA domestically is recalculated every month to derive a Rupee price from the international commodity price of PTA in US dollars. To hedge against its foreign currency risk arising on purchase transactions, the Company may enter into forward exchange contracts when considered appropriate. Also, the natural hedge on PTA sales minimises the impact of risk arising on purchase transactions.  |
|             | Credit Risk  | The Company's exposure to credit risk is influenced by the individual characteristics of each customer. All sales are made against letters of credit and the Board has established a credit policy under which each new customer is analysed individually for credit worthiness. All customers have been transacting with the Company for over five years.  |

# CONTINUOUS IMPROVEMENT

We continue to challenge ourselves to accomplish higher goals. Over the journey of past 20 years we have taken all plant outages head on, and each time we have used the learnings to improve ourselves. Several innovative projects and initiatives have been delivered to curtail the variable costs, improve efficiencies and to ensure smooth plant operations.







## Business Review

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# Chairman's Review Report

For the year ended 31 December 2018

On Board's overall performance U/S 192 of the Companies Act 2017

Dear Stakeholders,

The Board remained actively engaged with the management to monitor the Company's performance against its established strategy, goals and targets. The Board carried out its fiduciary duties with a sense of objective judgment and in good faith in the best interests of the Company and its stakeholders. All Directors, including Independent Director, fully participated and contributed in the decision making process of the Board.

During the year, four meetings of the Board of Directors, four Audit Committee and one HR & Remuneration Committee meetings were held.

As required under the Code of Corporate Governance, an annual evaluation of the board's own performance, members of board and of its committees of the Lotte Chemical Pakistan Limited was carried out for the financial year ended 31 December 2018.

I am pleased to report that the overall performance of the Board was found satisfactory, based on an evaluation of the following components:

- **Board Composition** - The Board comprises members with rich professional experience in various domains, having strong financial & analytical abilities and independent perspectives.
- **Diversity** - The board of directors comprises of members having the core competencies, diversity, requisite skills, knowledge and experience relevant in the context of the company's operations.
- **Strategic Planning** - The Board actively engaged with the management to monitor the Company's performance against its established strategy, goals and targets.
- **Board Interaction and Information** - The chairman set the agenda of the meetings of the board and ensured that reasonable time is available for discussion of the same. All written notices and relevant material, including the agenda, of meetings shall be circulated seven days prior to the meetings.



- **Corporate Governance and Compliance** - Good corporate governance has been ensured by maintaining high levels of professional and business conduct, implementing effective internal controls and audit functions including risk management framework. The Company has a well-developed and transparent corporate governance system, with regular oversight by the Board.

The Board provided appropriate direction and oversight on a timely basis to ensure optimal utilization of resources.

I would also like to place on record my appreciation of the contributions made by all members of the Board and its Committees during the year 2018.



**Kwang Sik Huh**  
Chairman

Date: 14 February 2019  
Karachi

# Directors' Report

For the year ended 31 December 2018

The Directors are pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2018.

## Board Changes

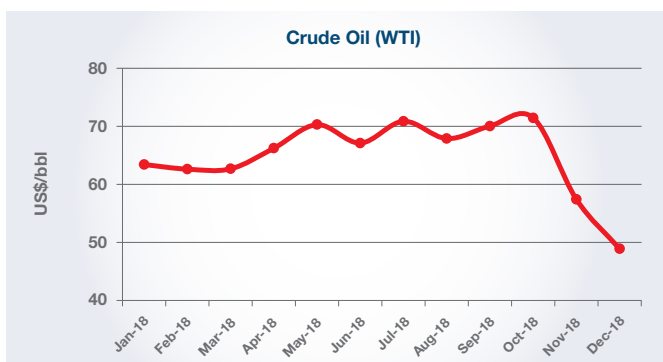
Mr Jung Neon Kim resigned as Chairman and Director of the Company with effect from 12 February 2019 and Mr Kwang Sik Huh was appointed Chairman and Director with effect from the same day to fill the casual vacancy for the remainder of the term to expire on 22 June 2020.

The Board places on record its appreciation for the valuable contributions made by the outgoing Chairman, Mr Jung Neon Kim and welcomes Mr Kwang Sik Huh as the new Chairman of the Company.

## Business Overview

### Crude Oil

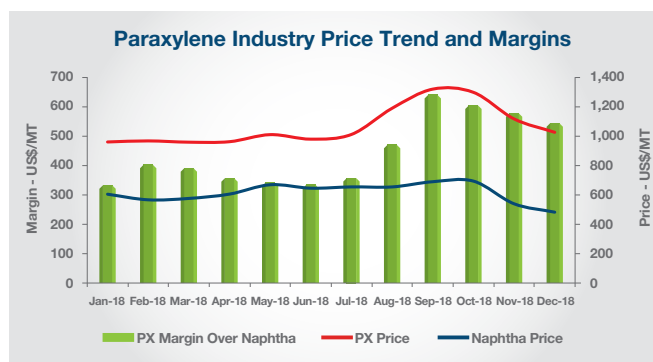
The Crude Oil (WTI) market exhibited a bullish trend for most part of the year due to unrest in the Middle East, the looming sanctions on Iran as well as supply disruptions from emerging economies. However, higher Crude output from the US as well as efforts by OPEC+ to increase production towards the end of H1 2018 limited the increase in Crude Oil prices. As the year progressed, the trade tariffs enforced by US and China on each other led to worries of an overall global economic slowdown, however, the Crude market remained propped on anticipation of lower Iranian Crude as the deadline for the sanctions approached. The last quarter saw the market turn bearish as the US granted waivers to select countries for import of Iranian Crude. This resulted in prices tumbling to US \$ 42/bbl, the lowest level witnessed since June 2017. The decision by OPEC+ to reduce Crude Oil production by 1.2 million bpd was unable to support the market due to record Crude production levels maintained by the US. The year ended with crude prices at US\$ 45.41/bbl, while the average price for the year was at US\$ 64.90/bbl.



### Paraxylene (PX) Industry

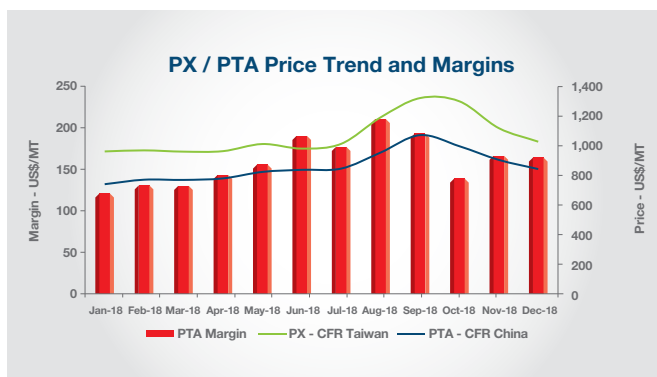
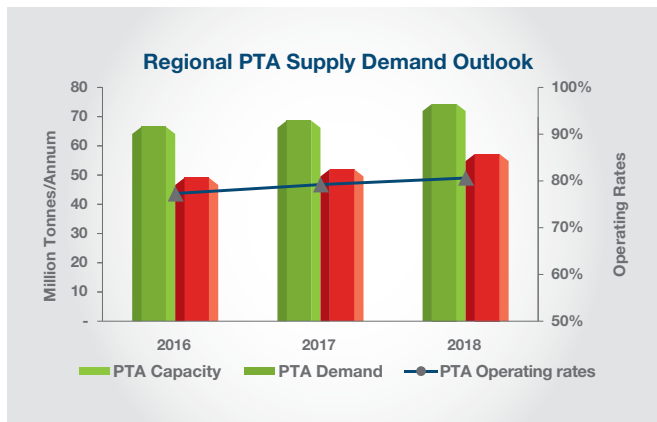
Paraxylene (PX) prices remained relatively range bound for the first half of the year. The bullish sentiment in upstream Crude Oil and strong downstream PTA demand buoyed the PX market; however the addition of almost 2 million MTs of new PX capacities kept the PX market in check. During the third quarter, the PX market turned bullish due to higher demand from downstream PTA and delays in the startup of the expected new PX capacities. The PX price peaked in September at US\$ 1,371/MT. However, in Q4 the PX market plummeted; falling by almost US\$ 350 per tonne as upstream crude prices continued their downward trajectory. Demand from downstream PTA markets lent no support as the approaching seasonal lull and global economic slowdown had already infected the Polyester markets.

Overall, the PX market remained slightly tight during the year and regional producers operated at an average rate of 91%. This resulted in a healthy average margin of US\$ 446 per tonne over Naphtha for the year.



## PTA Industry

The regional PTA market remained bullish for most of the year primarily due to healthy demand from the downstream Polyester sector. With the exception of restart of a few idled capacities, no new PTA capacities were added during 2018 which supported the tightness in the regional market. During Q3 2018, the PTA market became increasingly upbeat as the downstream entered into a buying spree to replenish depleted inventories as well as to source feedstock for new Polyester capacities in the region. The strong demand propelled PTA prices to cross US\$ 1,100 per tonne during September. However, towards the fourth quarter, the market turned bearish as downstream Polyester market was unable to pass on the high feedstock costs leading to a fall in sales. This led to buildup of inventories in PSF, PFY and PET sectors and a severe decline in the demand for PTA. The PTA market remained stagnated as downstream Polyester was unable to recover due to the seasonal lull and as the regional market prepared for the global holiday season followed by the Chinese New year.



Overall 2018 was a good year for PTA Industry as operating rates climbed to 81%. The average PTA price for the year was US\$ 860.55/MT and the average industry margin improved significantly to US\$ 160 per tonne compared to US\$ 94 per tonne last year.

## Domestic Polymer Industry

The downstream Polyester industry has witnessed a healthy growth of almost 10% in 2018 with annual PTA demand in Pakistan reaching approximately 780,000 MTs. This was mainly due to consistent availability of power for the downstream sectors as well higher cost of imported fiber and yarn. The higher cost of imports was mainly facilitated by the increased use of virgin PTA in China due to environmental controls (implemented in late 2017) as well as the imposition of regulatory duty on yarn in the domestic market. However, towards the end of the year, the domestic market was plagued by uncertainty, frequent devaluation of the Rupee as well as slowdown in the regional market.

The domestic Polymer industry operated at an average rate of 89% during the year compared to 83% in the previous year. However, by the end of the year the operating rate of the industry had declined to 84% due to above mentioned unfavorable business conditions.

## Operations

Operationally this was an exceptional year for the Company. The Board is pleased to report that Production and Domestic Sales volume for the year at 516,688 tonnes and 499,660 tonnes, respectively, were the highest ever since the commencement of PTA operations in 1998.

Production during the year was 11% higher than the corresponding period last year due to planned overhaul during H2 2017 for plant maintenance and improved plant availability.

Sales volume during the year, comprising of domestic sales only, was 3% higher than last year mainly due to the improved demand from downstream markets.

The Company continued to make investments in its production facility, aimed at sustaining continuous reliable operations and to improve plant efficiencies.

## Health, Safety and Environment (HSE)

The Directors are proud to report that your Company has maintained due focus on HSE and has achieved a major milestone by completing 56 million man-hours as of 31st December 2018, without any injury to own or to contractors' employees. This is an impeccable record by any global standards.

Lotte Chemical continues to uphold the highest safety standards for its own employees as well as the contractor's staff. It ensures that HSE is embedded as a core value and continuously strives for a safe and secure workplace. This is evident by an outstanding safety record stretching over 20 years without a lost-time injury.

During the year, both internal and external audits were carried out to verify compliance with regulations and standards. No major concerns were reported in these audits. In addition to this, the Company's liquid effluent met national environmental quality standards and gaseous emissions also remained within regulatory limits.

Your Company actively fosters a culture of training and capacity-building of its employees and invests in state-of-the-art equipments and techniques to ensure safety at all times.

A detailed report on HSE performance and development in 2018 is available on page 74 of the Annual Report.

## Impact of the Company's Business on Environment

rotection of the environment remains a critical component of our sustainability vision. Energy, water, waste and resource conservation; biodiversity enhancement; emissions management and regulatory compliance; are all essential areas of focus for us.

We are committed to ensuring that our operations remain environment friendly - taking an avid interest in reducing our carbon footprint. In line with this belief, we maintain a state-of-the-art deep shaft technology Effluent Treatment Plant (ETP) to treat liquid emissions.

Being an ISO 14001 certified organization, and believing that long-term economic sustainability depends on ecological sustainability, our focus remains on reducing waste.

A detailed report on Environmental protection is available on page 79 of the Annual Report.

## Financial Performance

| (Rs million)                   | 2018   | 2017   |
|--------------------------------|--------|--------|
| Revenue                        | 57,400 | 37,034 |
| Gross profit                   | 7,382  | 1,198  |
| Profit before taxation         | 6,346  | 895    |
| Profit after taxation          | 4,431  | 412    |
| Earnings per share (in Rupees) | 2.93   | 0.27   |

Revenue of Rs 57,400 million for the year was higher by 55% compared to Rs 37,034 million of previous year mainly due to higher average PTA price per tonne. As a result of favorable trading conditions throughout the year, the Company posted a gross profit of Rs 7,382 million for the year as compared to gross profit of Rs 1,198 million during the same period last year.

Distribution and selling expenses were 10% higher than last year mainly due to higher marketing costs. Administrative expenses were 10% higher than last year due to overall impact of inflation. Other expenses were higher than last year mainly due to provision for Workers' Profit Participation and Workers' Welfare Funds on the back of higher operating profit. Other income for the year was higher than last year due to higher income earned on bank deposits as a result of increase in average cash surplus levels.

Earnings per share (EPS) for the year increased to Rs 2.93 per share as compared to Rs 0.27 per share for last year.

## Dividend

During the year, an interim dividend @ Rs 1.50 per ordinary share (15%) for the year ended 31 December 2018 as approved by Board of Directors, was paid to the shareholders of the Company.

## Human Resources

Your company remains passionate about promoting and maintaining a culture of employee engagement. Lotte Chemical understands that in order to maintain the Company's market position, attracting, retaining and developing talent across all functions is a crucial and

incessant process. As part of its human capital strategy, the Company advocates equal opportunity employment. While we ensure compliance with the prevailing labor laws, we follow best practices in industrial relations and ensure a productive and positive work environment for all. Throughout 2018, HR standards were held high and untiring efforts were made to increase efficiency and accountability, while improving services to our customers and streamlining our administration.

A detailed report on human resource performance and development in 2018 is available on page 60 of the Annual Report.

## Corporate Social Responsibility (CSR) Activities

As a socially responsible corporate citizen, your Company has committed itself to the uplift of local communities and society. We have identified Health and Education as the foremost need of our people and strive to improve these areas by supporting and partnering with charitable organizations.

A detailed report on CSR activities undertaken by the Company in 2018 is available on page 81 of the Annual Report.

## Future Outlook

The year commenced with Crude (WTI) at one of the lowest points ensuing from the poor market conditions of the previous year, however, as oversupply concerns ease following the implementation of the OPEC+ agreement along with expiry of the waivers given to select countries, the market is expected to gradually recover. None the less, US crude production forecasted at almost 12 million bpd in 2019 and the lingering trade talks between US and China will continue to depress the crude market.

The PX market is expected to largely track upstream crude, however, with almost 3 million MTs new capacity additions upcoming in China; it is expected that the PX market will gain length. Meanwhile, the PTA industry is expected to recover from its current turmoil as the demand ensues post Lunar New year holidays. Since there are no new capacities expected in the year 2019, it is forecasted that the market may remain tight. However, restart of idle units especially in China poses a risk towards increased supply as others rush to enjoy the

current up-cycle. It is forecasted that the PTA industry will operate at 85% in 2019.

The operating rate of domestic Polyester industry is expected to improve by end of first Quarter once downstream inventories return to their optimal levels. Furthermore the Government of Pakistan's recent efforts to increase exports by supporting the textile sector are expected to reinvigorate demand.

The management has been making efforts to initiate the sale of electricity to K-Electric. However, due to recent changes in gas pricing and related complex policies it is unlikely to get required approvals from GoP.

## Compliance with the Code of Corporate Governance

As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operations, cash flows and the changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and departures there from, if any, have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance.

## Principal Activities

The Company is engaged in the manufacture and sale of Pure Terephthalic Acid (PTA). There have been no changes in the nature of the principal activities during the financial year.

## Risk Management

The Board has an overall responsibility for the risk management process and internal control procedures. The Audit Committee monitors the Company's risk management process quarterly or more frequently if required and reviews the adequacy of the risk management framework. The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. A clear organizational structure with defined delegation of authorities is maintained and the senior management takes the day-to-day responsibility for implementation of procedures, ongoing risk monitoring, and effectiveness of controls.

A statement summarizing principal risk and uncertainties faced by the Company is given on page 45 of the Annual Report.

## Composition of the Board

The total number of directors and composition of the board is as follows:

| Total number of Directors | Nos |
|---------------------------|-----|
| (a) Male                  | 7   |
| (a) Female                | 1   |
|                           | 8   |

| Composition of the board      | Nos |
|-------------------------------|-----|
| Independent Directors         | 1   |
| Other Non-executive Directors | 5   |
| Executive Directors           | 2   |

## Committees of the Board

The names of the persons, who at any time during the financial year ended 31 December 2018, were Members of the Board and its Committees along with their attendance is given on page 34 of the Annual Report.

## Director's Remuneration

The Board of Directors has approved a policy for remuneration of Non-Executive Directors (excluding the nominees of major shareholder) in respect of attendance at each Board of Directors, its Committee and General meetings of the

Company. The policy also provides for reimbursement of reasonable expenses incurred for attending required Board and General meetings of the Company.

## Board Evaluation

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2017 evaluation of the board's own performance, members of board and of its committees of the Lotte Chemical Pakistan Limited was completed for the financial year ended 31 December 2018.

The online assessment was carried out by engaging external independent facilitator, Pakistan Institute of Corporate Governance (PICG) in collaboration with The Corporate L.I.F.E. Centre International Inc. (CLCI - a consulting firm based in North America).

## Key Operational and Financial Data

A statement summarizing key operating and financial data for the last six years of the Company is given on page 89 of the Annual Report.

## Investment in Retirement Benefits

The value of investments made by the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2017 is as follows:

|   | Value (Rs '000) |
|---|-----------------|
| Lotte Chemical Pakistan Management Staff Provident Fund                           | 437,144         |
| Lotte Chemical Pakistan Management Staff Gratuity Fund                            | 226,592         |
| Lotte Chemical Pakistan Management Staff Defined Contribution Superannuation Fund | 326,363         |
| Lotte Chemical Pakistan Non-Management Staff Provident Fund                       | 7,588           |
| Lotte Chemical Pakistan Non-Management Staff Gratuity Fund                        | 5,048           |

## Pattern of Shareholding

The statement of Pattern of Shareholding in the Company as at 31 December 2018 is annexed to this Report.

## Adequacy of Internal Financial Controls

The Board, through the Audit Committee monitors and reviews the adequacy of the internal controls. The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control. The internal control framework has been effectively implemented through outsourcing the internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

## Trading in Company Shares

The Directors, Chief Executive, Chief Financial Officer, Company Secretary and Head of Internal Audit and their spouses and minor children did not carry out any transaction in the shares of the Company during the year, except for transfer of one share to Ms Jae Sun Park.

## Holding Company

Lotte Chemical Corporation, South Korea continues to hold 75.01% shares in Lotte Chemical Pakistan Limited.



**Kwang Sik Huh**  
Chairman

Date: 14 February 2019  
Karachi

## Subsequent Events

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company i.e. 31 December 2018 and the date of this report.

## External Auditors

The present auditors M/s EY Ford Rhodes, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board has recommended the re-appointment of the retiring auditors for the year ending 31 December 2019, as recommended by the Audit Committee, for approval of the shareholders in the forthcoming Annual General Meeting.

## Acknowledgement

We acknowledge and are thankful for the continued support of our shareholders, customers, suppliers and employees.



**Humair Ijaz**  
Chief Executive



# Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017

## Lotte Chemical Pakistan Limited Year ended 31 December 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total numbers of directors are eight (8) as per the following:
  - a. Male: 7
  - b. Female: 1
2. The composition of board is as follows:

| Category                      | Names   |
|-------------------------------|---|
| Independent Directors         | Mr Pervaiz Akhtar   |
| Other Non-executive Directors | Mr Jung Neon Kim (Chairman)<br>Mr In Goo Park<br>Ms Jae Sun Park<br>Mr Mohammad Qasim Khan<br>Mr Istaqbal Mehdi |
| Executive Directors           | Mr Humair Ijaz<br>Mr Sang Hyeon Lee   |

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company. Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Boards of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and these Regulations.
9. As at 31 December 2018, five directors namely Mr Jung Neon Kim, Mr Humair Ijaz, Mr Sang Hyeon Lee, Mr Pervaiz Akhtar and Mr Istaqbal Mehdi have obtained the required certification of Directors Training Course from Pakistan Institute of Corporate Governance (PICG). Certification of the remaining Directors will be obtained in accordance with the requirements of these Regulations.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However, no new appointments were made during the year.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

**Audit Committee**

|                     |          |
|---------------------|----------|
| Mr Pervaiz Akhtar   | Chairman |
| Mr Mr Jung Neon Kim | Member   |
| Mr Istaqbal Mehdi   | Member   |

**HR and Remuneration Committee**

|                     |          |
|---------------------|----------|
| Mr Pervaiz Akhtar   | Chairman |
| Mr Mr Jung Neon Kim | Member   |
| Mr Sang Hyeon Lee   | Member   |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committees were as per following:

| Committees                    | Frequency of meetings |
|-------------------------------|-----------------------|
| Audit Committee               | Quarterly             |
| HR and Remuneration Committee | Yearly                |



**Kwang Sik Huh**  
Chairman

Date: 14 February 2019  
Karachi

15. The Board has outsourced the internal audit function to M/s KPMG Taseer Hadi & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



**Humair Ijaz**  
Chief Executive



EY Ford Rhodes  
Chartered Accountants  
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## Independent Auditors' Review Report

### To the members of Lotte Chemical Pakistan Limited Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (here-in-after referred to as 'Code'), prepared by the Board of Directors of **Lotte Chemical Pakistan Limited** (the Company) for the year ended **31 December 2018** in accordance with the requirements of Regulation 40 of the Listed Companies (Code of Corporate Governance) Regulations, 2017.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended **31 December 2018**.

**EY Ford Rhodes**  
Chartered Accountants  
Audit Engagement Partner: Shariq Ali Zaidi

Date: 14 March 2019  
Karachi



## CUSTOMER FOCUS

Our customer's satisfaction is the driving force behind our spirit to meet challenges and achieve excellence in everything we do. Each member of our team remains focused on providing best product and services to our esteemed customers. This has enabled us to remain as the 'Supplier of Choice' in a competitive regional market.

# Functional & Operational Excellence

|                                   |    |
|-----------------------------------|----|
| Human Resources (HR)              | 60 |
| Information Technology (IT)       | 64 |
| Manufacturing Excellence          | 66 |
| Technical Training Centre (TTC)   | 69 |
| Total Productive Management (TPM) | 71 |



# Human Resources (HR)

The most important to the continuing success and existence of an organization is its employees. We know that our employees are our greatest assets and make a positive impact on a business bottom line. We attract, develop and retain talented people who possess all the characteristics necessary to drive the Company forward - helping it to achieve its current and future objectives. We promote learning culture and workplace training, to make sure adequate training is being provided but also to encourage the ongoing development of employees through relevant training courses or workshops, so that they develop personally as well as professionally. Our winning organisational culture is reflective of our flexible and innovative human resource policies, which extracts the best out of each team member. We treat all employees and service providers fairly, compensate them according to industry standards and provide them with a safe working environment.

## Award Winning Year

The Employers' Federation of Pakistan honored the Company with a prestigious award for Best Employer of the year. LCPL ranked first in the category of multinational companies contesting in the Employer of the Year Award. In addition, the Company received one more awards as mentioned below:

- Environmental Excellence Award 2018

These awards recognized the Company's human resource processes and their implementation across the organisation. Protecting the environment and preserving natural resources has always remained a top priority under company's HSE&s programs.

## Training and Development

Training and development remain fundamental to how we function. Though we expect our people to surpass expectations and work hard, we believe the quality of training they receive significantly impacts their performance. Our thorough and timely training and development programmes ensure that our employees possess all the skills necessary to perform optimally.

Through a structured process, we provide management and leadership development opportunities to our employees. The development needs of our employees are identified within the framework of our performance evaluation system. During the performance evaluation

For the past 20 years, through continuous innovations and countless challenges, we have successfully continued our journey to build our LOTTE brand. We commenced with a green field, commissioned PTA complex



technology, successfully operated to make it a sustainable business. We have shaped our high performance culture centered on the care and openness with consistent commitment and conscious effort. Together, we are taking our Company to the highest level of success in the years to come, by anticipating the demands of the future. We do our best to remain the life time value creator and a company that is loved and trusted by employees, customers, shareholders, partners and society.

**Waheed U Khan**  
General Manager HR & IT

period, development areas are determined by comparing employees' existing qualifications and competencies to those targeted, which, in turn, provides input for the Training Need Analysis. This process aligns employees' development in line with the Company's strategies.

"Learning & Team Building" was the key focus area for 2018 because a learning organisation provides its employees the means and opportunities to grow. Accordingly, to encourage a learning culture within the organisation, various Competencies based Programs were organized throughout the year. From Objective Setting to Performance Appraisal, I AM LOTTE and Leadership Grid Seminar, each session was knowledge packed. A total of 261 man-days of external training were completed during 2018. Employees who participated in external training programs were also encouraged to participate in in-house training sessions to share their learning experiences with others. This enhances interaction among employees so they form a cohesive unit in line with the Company's corporate culture.

A Launching Ceremony was also held on 23 February 2018 to acquaint LCPL employees with renewed identity. The new logo was unveiled to mark 50th anniversary of LOTTE Group. LOTTE reimagined its vision to LIFETIME VALUE CREATOR, - bringing better life to all.

## Talent Acquisition

The Company is eager to hire fresh graduates from a range of professional and academic disciplines. We seek talented individuals, who we can nurture within our organisation. We provide training and development opportunities so they become future business and industry leaders. In particular, we are one of the leading companies when it comes to providing training platforms for emerging engineers in Pakistan.



In 2018, Graduate Trainee Engineers Recruitment Drives were initiated multiple times. These drives were aimed to attract young and talented individuals of top engineering universities of Pakistan who undergo rigorous selection criteria. Approximately 311 graduates were tested out of which 13 were selected as "Trainee Engineers" at the Company. A Progressive career path and temporary housing facilities at plant site were also offered to up country individuals to facilitate their stay at the Company.

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

Furthermore, our structured Apprenticeship Programme, under the guidelines of Government of Pakistan rules and regulations, is also one of the talent acquisition sources. Under this program, apprentices are provided with an opportunity to gain 24 months of training in different areas and functions of the plant. In this process, they not only gain a thorough understanding about the technical know-how of the plant, but also a comprehensive understanding of processes related to occupational health and safety. In 2018, 12 candidates were hired for apprenticeship training.

The Company also extends internship opportunities to students from various universities offering technical and business management programs. The internship program provides aspiring and future leaders opportunities to learn the corporate culture and business practices of the Company, while working alongside highly professional and supportive staff. A total of 51 internships were offered during the year.

An online Mandatory Course, LOTTE CODE OF CONDUCT" by LOTTE group was arranged for LCPL Employees (Junior to Senior Management) in September 2018. The purpose of this course is to create understanding of Code of Conduct and application to the standard of daily task and way to make performance. Code of Conduct is the standard for Management control as well as the standard for conducts of all executives and employees. This is important because employees can evade unethical pressures, and if someone asks to do unethical behavior, employees can reject it by using the code of Ethics as the standard.

## Employee Engagement

We realise that our employees, through their dedication and commitment to the Company, drive our business results. We are eager to engage with our employees, willing to hear their voice and help ease their concerns. In 2018, Human Resources department maintained focus on the key HR areas and undertook various initiatives to make further improvements and to enhance employee engagement.

## Dialogue Sessions

Regular 'Timeout' sessions were conducted. These sessions were moderated by senior managers in a focused

group set-up, opinions and feedbacks were expressed by employees and, at times, were considered and incorporated when developing policies and programmes designed to attract, engage and retain talent. In addition to Timeout sessions, Chief Executive's Communication sessions and interdepartmental synergy meetings were also held periodically. These provided a platform for employees to interact with senior management which improved communication and engagement.

## Recreational Activities

In 2018, we organized a number of recreational activities for our employees to provide them an opportunity for teambuilding and enjoyment. Some of these initiatives included an Iftar Dinner, Eid Milan Party, Green Day celebrations and breakfast. Different contests were also organised to challenge hidden talents. Many employees enthusiastically participated in this event and winners were awarded in recognition of their work.



Team Building, a tradition of Lotte Chemical Pakistan, is a highly anticipated event where a group of employees from different departments get a chance to visit the scenic places in Pakistan. This year a Team Building event were organised in Kashmir and Murree, with the aim to increase team spirit and increase the positive element of collaboration across the organisation. At the end of the Team Building activity, participants not only grew closer as a team by engaging in adventurous activities, but also had useful conversations on how to collectively evolve and improve their work and life.

## Sports Activities

In order to improve engagement and increase interaction amongst employees the Company arranges regular sporting events. During the year Cricket matches, Table Tennis Championship and Badminton Competitions were held. In addition, the Company maintains a gymnasium at the plant site to encourage a healthy lifestyle in our employees.

## Newsletter

We publish a quarterly Newsletter "**Connect**", in which important events are shared with employees and other stakeholders. This newsletter serves as a medium for communication, allowing employees to connect with each other. Topics such as HR development, social events, business performance, CSR interventions, HSE performance, and continual improvement initiatives are some of the regular features in the newsletter.



## Employee Satisfaction

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



With time, we have established an online system where employees can log in and raise their concerns, which are immediately addressed and feedback is provided. This fast track service helps us to take quick corrective actions and in turn increases their engagement with the Company.

## Diversity and Inclusion

Our success is dependent on the diversity of candidates we attract. We welcome diversity in terms of gender, ethnicity, thought, skill and life experiences, as we believe this mix drives us forward. Multiple perspectives and experiences in the workplace allow us to understand the mindset of our customers, suppliers and communities which help us to develop innovative solutions and enhance our corporate social responsibility efforts.

One of our key challenges is to balance gender diversification in our organization. With females under-represented in the petrochemical industry, we encourage and fully support them to join our team. Women represent an average of 9% of our workforce in the City Office; however the representation of women at our plant is much lower, probably due to the nature of the petrochemical industry.

Our selection process is unbiased, and our goal is to hire creative thinkers and innovators who display out-of-the-box thinking. Multi-taskers, flexible and passionate people - who retain a global perspective and continuously improve and inspire themselves, remain our key strengths and ultimately our business drivers.



A number of measures including strategic workforce planning, as well as programme and policy development, are used to address issues of diversity and equal opportunity. Recognizing the benefits of diverse workforce, the Company instills a culture of respect and tolerance within its employees.

## Talent Localisation

The Company cultivates constructive and mutually beneficial relationships with its employees, customers, suppliers and communities. Our vision is to be the

preferred supplier and employer in Pakistan, as well as in the markets we operate in.



Our talent management efforts integrate a variety of components to develop local workforce and to utilize talent in Pakistan. In 2018, most of our workforce comprised of local talent.

We work towards employing the right people to deliver the services and operational excellence our customers require, when and where they need them, as well as build and strengthen local talent pools. We offer cutting-edge training and competency development programmes.

From numerous applicants, the Company hired 12 people in the workforce during the year.

## Transparency and Ethics

We expect our employees to adhere to the highest standards of integrity, discipline and ethics, which are fundamental to our daily operations. Our Code of Conduct stipulates our exceptions, guiding employees to carry out ethical business practices. A separate 'Speak Up' policy has been formulated in order to facilitate strict adherence to the Code of Conduct. We follow set procedures for transparent business and free enterprise, which comply with competition laws and regulations.

## Career Portal

The Company continuously improves its recruitment system by leveraging technology. By making use of a web-based resume system, The Career Portal, the Company's HR personnel are able to post job vacancies online and electronically sift through eligible candidate resumes. The system not only saves costs and time, but also allows the HR department to generate statistics and reports pertaining to job applications, conduct analyses and respond to applicant queries. Additionally, this portal provides line managers access to resumes, in turn increasing their participation in the recruitment process.

# Information Technology (IT)



The role of IT has changed drastically over the years. Gone are the days when the IT department used only to store and backup data. Today, the IT is providing information to business that is resulting in enhanced market share, improved product quality, delighted customers, providing insight into unseen and

unobserved trend and patterns across all business functions of the organization. IT is now at par with other departments such as Finance, Marketing, Commercial, Human Resource and has become an imperative and integral function of the organization.

## Information Systems Strategic Planning

IT has become a major resource for fueling business innovation and has more responsibilities than ever to lead the Company forward. The Company's IT function focuses on strategic IT issues - how to make IT work for the business, improve Company performance, examine ways to exploit the maximum potential of information systems from existing and new IT products, and provide innovative and cost-effective IT solutions.

## The Company's Business Processes

We continuously map and document our business processes to reduce process complexity, streamline operations, and improve controls by transforming processes into automated functions. To enhance efficiency and productivity, we also develop plans and conduct trainings to introduce automated workflow systems.

## Teamwork

Our "one team" attitude helps us to engage effectively from the c-suite to the front line. Our collaborative working methodology emphasizes teamwork, trust, and tolerance for varying thoughts. We are a team of multi-skilled and talented people who engage with each other to find solutions to problems - and are keen on tackling challenges with perseverance.

## Major Projects / Improvements

During the year 2018, many new systems were developed and improvements were made in the existing systems to meet business requirements. The systems were developed for all business functions across the organization using different platforms such as Oracle, IBM Notes and Web.

IT infrastructure also upgraded to provide efficient service to users. The upgrade included of servers, routers, switches and internet bandwidth, which resulted in minimizing the down time of the systems and maximizing the productivity of the users. Video conferencing facility has dominated the physical pressure of participants, hence increasing efficiency and saving cost.

## Business Intelligence Tools

We have already started working on business intelligence tools which will provide insights and help simplify information within our Company. Such tools will



result in faster and easier decision making by providing key information to decision makers in a timely and efficient manner by way of dashboards - displaying possibilities for targeted planning and forecasting based on existing data.

## Information Security

Currently, information security is crucial to the entire organisation to protect their information and conduct business. Information security is defined as the protection of information and system, and hardware that use, store and transmit that information. It is important that these systems are used, operated and managed efficiently and effectively to ensure business continuity and to enable the organisation to meet its requirements.

Keeping in view the importance of Information Security, LCPL documented policies and procedures which enable to manage business risks through defined controls that provide appropriate measures to ensure confidentiality, integrity and security of data, and continued availability of business-critical systems and information. The policies and procedures are audited by internal and external auditors annually.

## IT Learning Sessions

The IT Team arranged a series of IT learning sessions during the month of November 2018, this was the first ever event of its kind and was much liked by the participants. The sessions were informative and created awareness among the participants regarding how IT is reshaping the world.

## Value Addition and Future Investment

Our Company is committed to continuously improving its IT infrastructure, technologies, processes and procedures. This results in improved controls, enhanced reporting, optimized procedures and best overall performance.

We foster collaboration, innovation and creativity, trying our best to play a vital role in ensuring efficient and effective business processes, while thinking of innovative ways to help the business benefit from technological advances. We continue to demonstrate "out-of-the-box" thinking and our goal remains to be a model IT function, which plays a critical role for our business.



# Manufacturing Excellence

For over 20 years, LCPL has been known to accomplish its manufacturing targets through unparalleled efforts of its employees and their talents to develop practices that always meet (and sometimes even exceed) company's standards. We believe our employees are our leading assets and their empowerment is crucial in formulating the company's collective growth.

Our unwavering approach towards safety, meticulous technical knowledge, high performance culture and high standards of maintenance and process controls have played an essential role in achieving the absolute excellence throughout our manufacturing journey.

Operational excellence and sustainability are the focus of our Manufacturing Excellence Program, which aims to boost efficiency across the board. We endeavor to present the best quality product to our clients which are beyond their expectations and carry an emphatic reputation in both domestic as well as global markets.

2018 was undoubtedly the most fruitful year for LCPL in terms of production and sales. With incredible figures of PTA 516.7 KT PTA and 521 KT CTA, were the highest ever recorded productions in LCPL's history. Coupled with favorable market conditions, LCPL went on to achieve the highest domestic sales as well which further added to the Company's 20th anniversary celebrations. Timely and successful completions of short shutdowns played a vital role in achieving this feat.

The key areas of Manufacturing Excellence, including various initiatives are highlighted as follows:

## Plant Availability

Plant availability is a very important factor to quantify LCPL's philosophy of operational excellence. It also serves as a yardstick to signify the effectiveness of plant's maintenance activities. In 2018, the Base Plant achieved an overall operating rate of 97.4% which is world class operating rate. Co-Gen Plant's availability was 94.7% which is still commendable given the amount and severity of unplanned outages. Oxidation Plant availability also remained 100% with average Plant rate of 62.9 tonnes/hr in January, February & March 2018.

It has been a great honor and privilege for me to lead one of the most highly skilled and professional Manufacturing teams of this country. LCPL Manufacturing team has continuously



strived to archive excellence in all operational aspects of the plant over the last 20 years. The company has provided a safe and a challenging work environment with an array of career growth opportunities to its employees. Health, safety and environment has been the area of prime focus, the milestones and standards set in this field are undoubtedly unmatched by any other company, operating within this region.

We embrace continuous improvement with sharp focus on optimizing plant efficiencies, timely replacement of obsolete equipment and adopting the most modern operational techniques. Grooming and nurturing new talent has been the hallmark of LCPL Manufacturing and highly trained workforce is a real source of strength to the Business. We pledge to continually innovate and modernize to meet future challenges, posed by changing environment in Petrochemical industry.

**Tariq Nazir Virk**  
General Manager Manufacturing

## Plant Improvement:

The OX Plant was operated with challenges of TA Dryer feed screw conveyor high amperes , DH Column top condensate cooler E1-611/1 plates leakage , Rovac A low throughput and power failures issues . But a dedicated and full committed team never disheartened due to these obstructions and faced with new out of box ideas and continuous synergic efforts.



In the process of drying of PTA in Dryer, some beads are formed, which must be separated before this product is made ready for dispatch. To divest these, end product is passed through a filter, FIL1-2017. Cleaning of this filter led to substantial amount of finished product loss and continuous requirement of area housekeeping. Filter was redesigned and modified in-house and after automation of this filter saved us time, efforts, cost and resources. Also the recovery of PTA powder has appreciably improved since the commissioning of this design.

Co-Gen plant has its own Instrument Air Compressor within its Plant's limit. Initially commissioned as an auto stand-by unit, it remained in continuous operation despite a provision to fulfill instrument air requirement from C1-2902 A/B. In 2018, a suggestion was made to revive its auto cut-in feature so that its running cost could be saved. To make it more practical, its cut-in set point was increased from 6 to 6.15 barg. A further modification was done which used instrument air from C1-2902 to regenerate Co-Gen's Instrument Air Dryers. A successful trial of this revived cut-in feature was carried out. This change in philosophy has contributed substantial savings.

### **Optimizing Variable Cost:**

Variable cost incurred in terms of RO membranes and Demin plant resin was reduced by improving the

performance of RO plant through close monitoring of RO parameters and planning its CIPs accordingly. In addition, minor chemicals consumption like HCL and Caustic was also optimized on Demin area that improved variable cost.

Chemicals for cooling water treatment and RO plant were also changed to improve the efficiency.

Emergencies are the parts and parcel of a continuous running plant which test the true competence of any production team. In 2018, one such situation arose at Co-Gen when NGBC-A tripped and its stand-by unit (NGBC B) came in service. While job was being done on NGBC-A, NGBC-B tripped as well leaving no available source to supply Natural Gas to GTG. It was during this time that a quick decision to take NGBC-A back in service after overriding its faulty transmitter. This vigilant approach helped minimize the power import from KE at that scenario and resulted in a saving which contributed in optimizing the plant's overall variable cost.

Similarly in Nov-18, Co-Gen Team played its vital and perfect role in handling an emergency of BFW leakages from Isolation valve of battery limit of Co-Gen Plant, which may led to the shutdown of whole plant against HP steam failure. However, Co-Gen team handled this unavoidable emergency and saved the plant outage which contributed in saving and reducing variable cost.

A critical step, to optimize variable cost, was taken by controlling the off-spec production during plant shutdown. This was achieved by lowering the PTA contained in the system before plant flush by means of bringing down the levels of all vessels at Purification. Another step, pure plant team was to reduce heating/cooling duration of Purification Reactor by altering its temperature differential limit. These strategic changes have helped in reduction of undesired quality PTA generation during and after planned shut downs and has reduced downtime which also contributed in saving and in reducing variable cost.

Throughout the year, our focus remained on reducing operating and variable costs to maximize profitability with minimum available margins. An initiative taken by OX team was reduction in caustic consumption about ~ 40 tonnes during decontamination of OX Plant was one of the example .Similarly; catalyst consumption was reduced significantly by operating Plant with reduced mother liquor ratio is another bright example.

### **Paraxylene 15k Tonnes Project:**

On the possibility to left one out of three storage tanks at EVTL, it was decided to complete the initial process and design working for Paraxylene tank of 15,000 Tonnes capacity at PTA plant. A team comprising of members from Production, Technical, Projects, Maintenance and E&I completed their working according to the given plan. This project was one of the best examples of synergy between different teams to get the common objective.

### **Resources Management:**

Due to high caliber, skilled and energetic team, Resource management at OX Plant was applied and 02 Operating areas were merged into single one and being operated with half-reduced manpower in efficient manner.

This year a team of Production & Process Managers had visited Ulsan Plant, Korea for technical exchange. Many recommendations implemented of the team and savings in variable cost achieved.



# Technical Training Centre (TTC)

Since 2009, our Technical Training Centre (TTC) has provided a systematic method of training to all plant personnel working in various departments. TTC serves as a training resource to enhance professional skills and competencies of all our manufacturing staff and those of neighboring industries, providing direction to incoming apprentices and graduates, in turn helping businesses achieve their objectives.

Our training centre is equipped with a variety of state-of-the-art facilities. There are number of training rooms of varied sizes, to cater to the requirement of individual training/trainer. The display area contains models of plant equipment to facilitate the trainers. Also a number of training manuals, modules, APIs and other forms of technical and safety literature such as videos are regularly updated by staff members at the TTC.

## Training KPIs

In 2018, continued focus was maintained on TTC activities. A total of 156 Technical & HSE trainings were conducted at the Company. Similarly, training man-days (for both management and non-management staff as well as contractor staff) significantly increased from 805 in 2017 to 1,254 in 2018

## Orientation and Basic Training Plan for Trainee Engineers

A four-week orientation programme has been formulated for fresh graduates who join the Company. The aim of the programme is to give graduates an overview of the basic operational and safety procedures of our plant before they start their formal training in their respective sections. In 2018,





a batch of 12 Trainee Engineers (TEs) completed their orientation training at TTC, which was conducted by our Company staff.

### **Orientation and Basic Training Plan for Apprentices**

An 8-week orientation program has been devised for apprentices, which provides basic training on different areas of the plant. In 2018, a new batch of 07 apprentices completed their classroom training at TTC.

### **Internal Faculty Recognition Programme**

In line with our strategy of talent localization, we developed a talented pool of in-house trainers through the Internal Faculty Recognition Programme (IFRP). Launched in August 2013 by the Sustainability department, the IFRP is driven by the TTC.

The pool of internal trainers conducts various learning and development programmes within the Company, which saves training costs and helps improve a learning-culture based on knowledge sharing.

### **Job Qualifying Programme (JQP)**

Job Qualifying Programme is a structured training programme to enhance competency and skills of the

manufacturing staff. JQP is a self-study programme that is followed by a written and practical examination - providing a great avenue for employees who want to sharpen and diversify their skills while working. Candidates are equipped with thorough knowledge throughout their training, be it in the form of quality reading material or regular guidance from line managers. JQP examinations are held twice a year - in April and September.

### **HSE Awareness Sessions for Neighbouring Industries**

TTC also organizes HSE awareness sessions for other industries and organisations. In 2018 we organized HSE Awareness sessions for Engro Polymer & Chemical Ltd (EPCL), Port Qasim Electric Power Company (Pvt.) Ltd. (PQEPC), K-Electric & Fatima Fertilizer Company (Pvt.) Ltd.

### **Core Development Plan for Engineers (CDPE)**

The CDPE was designed to enhance the technical skills and knowledge of engineers, and bring them in line with the Company's Standards and Practices. CDPE is geared for graduate engineers of all disciplines-ranging from chemical, mechanical and electrical - who have started their careers or have up to 5 years' work experience in the Company.



# Total Productive Management (TPM)

TPM is a plant improvement methodology which enables continuous and rapid improvement through use of employee involvement, employee empowerment, and closed-loop measurement of results. It involves individuals working in small organized teams to create the most efficient working environment and mechanisms, while conforming to the highest safety parameters.

With the goal to achieve global competitiveness through operational excellence, Total Productive Management (TPM) was launched in October 2013.

## 5S Activities

The 5S process is one of the most fundamental and widely-applied methodologies around the world. It is the foundation of TPM. The guiding principles underlining the 5S system include: organization, cleanliness, and standardization.

The concept behind 5S is simple: minimize waste and improve efficiency by ensuring that workers spend time on productive tasks rather than looking for misplaced tools and sort through waste material. 5S implementation ultimately improves workplace environment and creates a self-sustaining culture within the organization.

## TPM Autonomous Maintenance

The first pillar of TPM, Autonomous Maintenance (AM) is about maintaining one's equipment by oneself through cross functional team efforts. This pillar was started in mid-2015, and is a collaborative activity involving Production, Technical, and Engineering teams

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

The third Block of Autonomous Maintenance, started in November 2017, was completed in December this year. The winning teams of AM Block 2 were rewarded at the start of the year.

## TPM Quality Maintenance

The second pillar of TPM, Quality Maintenance (QM), was started in September 2016. This pillar is aimed towards customer satisfaction by maintaining highest quality through defect free manufacturing and on eliminating non-conformances in a systematic manner. In 2018, the laboratory teams completed step 4 and 5 of QM which focused on streamlining the procedures of analysis carried out in laboratory. Now in step 6, teams are developing equipment operation and maintenance manuals.

## Suggestion & Reward System (SRS)

To improve manufacturing functions at the Company's plant site, a suggestion and Reward System (SRS) was initiated in December, 2013. With the help of the IT department, an SRS database was developed, allowing employees to input their suggestions related to plant or process improvement.

Since its launch, more than 1,100 suggestions have been logged in the SRS Database. This year a total of 45 suggestions were implemented, resulting in a significant cost saving for the business.



# HSE&S

We have always given highest priority to HSE&S (Health, Safety, Environment and Security). Our remarkable safety record of no reportable injury since 1998 clearly demonstrates the unwavering commitment and attention of our team towards HSE&S. We endeavor to maintain LCPL a safe workplace for all our employees and contractors.



# Sustainability

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# Health, Safety and Environment

Our performance of 56.88 million man-hours without LTC is a landmark achievement by global standards. It places LCPL amongst the best Petrochemical companies and is a testament to our commitment towards world class safe systems & practices, commitment of management and active participation of our employees & contractors staff.



Health, Safety and Environment (HSE) management forms an integral part of our core values and we remain committed to instill these values among our employees and contractors. To achieve world class standards, the Company has developed HSE management systems which comply with international guidelines and local legislative requirements.

Through the years, we have maintained exceptional safety records. Currently, among the petrochemical industry, the Company is a leader in terms of retaining the highest standards in Health, Safety and Environmental performance in all aspects of its operations. In its twenty years of operation, our Company has sustained an excellent safety record. The Company crossed a milestone of 56 million man-hours without Lost Time Case (LTC) in 2018. Our long-term objective of “zero accidents” remains unchanged because we believe that every occupational accident is one too many.

The continued success of our system and its implementation is indicative of the management's dedication, together with the support and commitment of team members at all levels, who work to ensure high safety standards are maintained. The management's focus on Health, Safety and Environment defines our standards and success criteria for the future.

We continue to instill the importance of safety within our staff members by conducting capacity building workshops and demonstrations to ensure staff members carry out tasks safely, correctly and promptly use first aid kits for emergencies, and follow proactive steps to receive medical care, if necessary. Additionally, we prepare health and hygiene monitoring plans at the beginning of the year, conduct regular medical examinations and focus on field monitoring so our workers remain free from occupational illnesses.

## 2018 HSE Highlights

- Completed 56.88 Million Man-Hours without Lost Time Case (LTC) for our employees and all contractor staff.
- Successfully attained re- certifications of IMS revised & upgraded standards (ISO 9001:2015, 14001:2015) & OHSAS 18001:2007 without any Non Compliance.
- Fully compliant in external audit of sealed radiation sources conducted by Pakistan Nuclear Regulatory Authority (PNRA).
- Fully compliant in external audit of “Fire Safety Insurance” conducted by external agency.
- Received 15th Annual Environmental Excellence Award from NFEH.

## Occupational Health and Safety Management System

In 2012, we embarked on aligning our comprehensive Responsible Care Management System (RCMS) with the International OHSAS-18001 Health & Safety Management System and ISO-14001 Environment Management System. Since March 2012, we are an OHSAS-18001 and ISO-14001 certified Company. Independent auditors from our internal HSE department monitor our compliance with the systems.

OHSAS 18001 systems provide the Company regular updates and benchmarking to Industry’s best practices. The OHSAS 18001 Occupational Health and Safety Management System reduce harm to employees and other personnel, while reducing overall liability.

The Company's OHSAS 18001 Safety Management System focuses on the following best practices in safety management:

**Incident Prevention** - Work-related incidents are prevented through several layers of protection, including safe design, work practices, use of personal protective equipment, safe behavior and by using appropriate engineering, operating and administrative controls.

**Management Leadership and Accountability** - Management establishes clear safety expectations and goals, providing resources, establishing processes and monitoring overall progress.

**Employee Involvement** - Employees are involved in all aspects of the safety programme, and remain committed to working safely and protecting the safety of others.

**Regulatory Compliance** - Complying with applicable laws and regulations is an integral part of the Company's safety programme.



**Inclusive Scope** - Our safety objective is to prevent workplace incidents, injuries and illnesses for employees, contractors, visitors, suppliers and customers. Our ultimate goal is to provide our employees with the skills and attitude to ensure safety remains the number one priority even in their personal lives.

**Safety Education** - Employees are provided with the knowledge and skills necessary to work safely.

**Assessment** - Assessment and benchmarking against the world’s safety leaders drives continual improvement through adopting best practices.

**Emergency Preparedness** - Emergency response plans and capabilities are maintained and tested to manage emergencies related to the Company's facilities and operations.

**Hazard Control** - Hazard studies are a vital component of Company's engineering procedures which are carried out for new plants, processes, buildings, services and operations. We identify, assess, control and monitor various hazards in the workplace. In 2018, we carried out multiple hazard studies, including modifications & Periodic Hazards Reviews (PHR) related to process improvement, variable cost reduction, system upgrade and new initiatives. We included suggestions and preventive measures to comply with HSE policies, national and local legislations.

## Accident Prevention

Industrial accidents not only cause suffering and distress among workers and their families, but also represent a significant material loss to society. Slips, trips and falls are leading causes of accidents within the workplace. Other hazards which can lead to accidents include falling objects, thermal and chemical burns, fires and explosions, dangerous substances and stress. To prevent accidents from occurring, your Company has a comprehensive HSE system that incorporates training, risk assessment and monitoring. We identify and prioritize key risks, strengthen control of contractors working on our sites, as well as extend our safety programme beyond our manufacturing sites - and into our sales and distribution networks.



## Internal Audits

We have a thorough internal audit system which monitors possible wrongdoings during the day and identifies corrective measures. Safety officers conduct daily field audits ensuring workers are practicing in safe working conditions. The safety officers work towards identifying and eliminating immediate safety concerns that could otherwise lead to incidents, or eventually to much graver accidents.

The safe-unsafe act (SUSA) audit system on the other hand, is a more action-driven audit, involving a team of managers who visit the plant every week, and identify both safe and unsafe acts that employees may engage in, while performing their duties. We commend safe acts which are highlighted in weekly communication meetings. Acts which are deemed unsafe are corrected on the spot by counseling the concerned individual. Unsafe acts are also brought forward in weekly meetings so they serve as learning opportunities for others, in turn avoiding future wrongdoings within the plant vicinity.

## Process Safety

Our commitment to protect the environment and our communities begins with operational safety. The Company has extensive processes and procedures to prevent incidents from occurring and, if they do occur, to reduce their impact.

Assessing risks and finding ways to reduce them is our prime responsibility towards the environment, our employees and communities. We engage in risk assessment and management – right from design and construction to start-up and operation, to maintenance and training. We measure performance, conduct audits, and improve conditions. This is an ongoing process, requiring advanced management systems and highly skilled manpower to continuously monitor and test equipment.

The Company maintains process safety programmes based on the principle that our facility is safe, designed and built according to effective engineering practices, and operated and maintained in accordance with the highest safety standards. Our comprehensive process safety programme includes the following:

**Management of change:** A documented process used at each chemical handling site to evaluate any potential hazards associated with process-related changes and incorporate controls in the design.

**Root cause analysis:** A structured approach to incident investigation allows us to learn from past incidents and prevent future incidents.

**Chemical safety testing:** A laboratory analysis of chemicals before use to identify potential hazardous properties.

**Engineering standards:** Using recognized engineering practices in designing and constructing facilities and equipment in accordance with global and local standards.

**Management leadership and commitment:** There is a Committee responsible for process safety which evaluates and controls hazards associated with reactive, flammable and toxic materials at the site.

**Leading indicators:** We collect data to ensure safety management systems are consistently updated so that they are effective.

## Employee Training

Health and Safety training plays a pivotal role in ensuring our staff is equipped with the skills and knowledge to conduct daily tasks in a safe manner so the workplace environment is conducive to safety. Our entire workforce is trained, supported and regularly assessed.

Training needs of employees and contractors are identified in consultation with relevant departments. Training schedules and programmes are then developed including ongoing mandatory and refresher trainings. The objective of these trainings is to enhance the knowledge and skills of individuals - enabling them to perform their jobs with minimum risk. Daily, weekly and monthly audit cycles, continuous trainings, effective communications of HSE incidents (learning events), daily tool box talks, which encompass talks

from supervisors to their staff on any safety topics or learning events from the previous week, all help improve behavior-based safety and system compliance.

Training involves external as well as internal training. We have developed our internal faculty who are experts in delivering HSE trainings. When required, external faculty members are invited to impart employee training.

## HSE Induction Program

The Company has a system to provide HSE induction to employees, contractors and new visitors to the site. HSE induction involves awareness pertaining to Company policy, systems and procedures, relevant hazards present on site, emergency handling, risk assessment, control, as well as behavior-based safety.

## Behavior Based Safety Training

Successfully implementing our sustainability strategy and HSE standards reflects our leadership behavior at the local level. This is why we are particularly concerned about training site managers to detect hazards early and avoid potential accidents.

The programme content ranges from risk assessment and warehousing procedures to emergency management and management systems. Additionally, we conduct training sessions for contractors' staff working at our sites. During 2018, we conducted various trainings for field staff and management staff.

## Computerised HSE System

We have invested in a computerized HSE database system to report personal as well as process safety near misses, accidents, injuries, occupational diseases and environmental accidents. The system also helps us analyze data and determine the root cause of incidents facilitating taking necessary preventative measures. The statistics compiled with the help of this advanced system are analyzed and reported to senior management on pre-defined frequency.

# Energy Conservation

We live in a Country which is suffering from an energy crisis, affecting the lives of millions of people. To conserve energy, we are actively trying to reduce our energy and resource consumption.

Our integrated manufacturing process results in highly-efficient operations, allowing waste heat from one chemical process to be used in a different process. Compared to other facilities which lack comprehensive integration of processes and energy systems, our integrated production process provides:

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

Our Cogeneration power plant has reduced our carbon footprint by 40%. We also believe in continuously innovating - developing new manufacturing processes that reduce energy intensity and ensure our energy related emissions are clean.

We observe and monitor energy consumption on a daily basis and report results to higher management at an agreed frequency. We have also launched a company-wide energy saving plan by creating awareness among employees on switching off their office lights and electronic gadgets when out of office and give up the habit of keeping electronic items on standby mode when they go home.



# Environmental Protection

Protection of the environment remains a critical component of our sustainability vision. Our ongoing efforts to minimize our impact on the environment, whether it be through operational excellence or innovative plant optimization, remains crucial in minimizing environmental risks. Energy, water, waste and resource conservation; biodiversity enhancement; emissions management and regulatory compliance; are all essential areas of focus for us.

We are committed to ensuring that our operations remain environment friendly - taking an avid interest in reducing our carbon footprint. In line with this belief, we have invested in a state-of-the-art deep shaft technology Effluent Treatment Plant to treat liquid emissions. Additionally, we continue to invest in its operation, believing that it will yield long-term economic and environmental benefits.

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

We have also made great strides in lowering our impact on the environment by reducing greenhouse and acid gases through various modification and process optimization which includes installing a co-generation plant, shutting down steam boiler, diesel generators, and an incinerator and installing a project for recovering metals.

## Waste Handling

All types of wastes, be it liquid or solid are reported, controlled and monitored according to site procedures and are reported internally and to local authorities as per legal requirements. Organic waste produced in effluent treatment plant is passed to cement plants as a partial fuel replacement. Clinical waste, on the other hand, is incinerated in line with legal environmental standards.

## Water Consumption

Due to a change in global climatic conditions, it is estimated that Pakistan will experience water scarcity in the coming years, making it imperative that water use be minimized, and water recycling initiatives implemented. Our water management practices are based on principles including, efficient usage, pollution prevention, and maximizing reusing and recycling.





We continuously monitor our water intake and control its use. We optimize water consumption through modern process optimization by recycling part of the waste water within the plant, as well as using it for horticultural purposes and landscaping - which substantially minimizes water intake.

The industrial process we have in place helps minimize our water usage by treating it to meet specific purposes within the manufacturing cycle, and recycling water where ever possible.

Our wastewater treatment plants at our manufacturing facilities are designed and operated to meet and exceed environmental standards, securing the health of our employees, communities and the local ecosystems in which we operate.

Our water efficiency related best practices help reduce:

- Cost of water and waste water treatment
- Capital equipment costs
- Handling and use of potentially hazardous chemicals
- Carbon footprint - by reducing energy consumption associated with water treatment and distribution

## Biodiversity

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

In the past, we were involved in a tree plantation plan within the site which was aimed at improving the number of flora and fauna in the area. Based on recommendations provided by WWF, we planted around 2,500 trees around the premises and within the vicinity to provide nesting grounds to local birds and enhance greenery. Our plantation was also carried out on a three-kilometer portion passing through the Eastern Industrial Zone in Port Qasim, where more than three hundred saplings were planted. Additionally, we have been involved in initiatives to establish organic farming by using waste water from our reverse osmosis plant.

## Emissions Management

Our operational strategy, post power generation, has reduced thousands of tons of carbon, NO<sub>2</sub> and SO<sub>2</sub>, resulting in a substantial reduction in greenhouse gases. We invested US\$ 4 million for a capital project which helped shutdown a unit that used furnace oil as fuel. Additionally, we spent US\$ 50 million in the co-generation power project, resulting in the shutdown of diesel generators and boilers. When it comes to discharge: our effluent quality meets NEQS limits which reflect our dedication to conform to the highest environmental standards.

## Regulatory Compliance

We report our liquid and gaseous emissions to local authorities at SEPA defined frequency. Since commissioning the plant in 1998, we continue to comply with all regulatory requirements related to the environment.

# Societal Responsibility

Taking care of the needs of our people is a vital aspect of our societal initiatives. We contribute towards healthcare, education and disaster relief - helping empower underprivileged individuals and paving the way for a more promising future for the most deserving sectors of society.

We strive to strengthen ties between industry and communities by promoting a favourable environment for business growth. We support projects and initiatives pertaining to education, health, disaster relief, youth engagement, environmental awareness, and other community programmes. We remain supportive towards promoting organisations and programmes, as well as collaborating with them to further augment and impact lives.

Our employees remain committed to establishing relationships with communities by volunteering to serve their time and effort so we can change lives and impact the society positively. Funding for our social impact activities stems from the Company's mission to serve others in need. Our volunteer activities include charity giving and other programs that enhance employee-giving.

## Environment

We remain active in promoting initiatives that benefit the environment and enhance the importance of sustainability within our employees.

Go Green attributes at LCPL were started in 20018, and since then our team is busy in making efforts to maintain and spread the green culture not only at Lotte but to also promote it in other industries. During the year 2018, 3,000 plants were distributed among the employees and nearby industries. Green day was celebrated on 21 December 2018 at Plant site and the day marked the record of planting 15,000 trees. More than hundred enthusiastic Company employees celebrated the day by planting over 700 saplings which shows their commitment and dedications towards clean environment.

The Company pioneered to team up with PQA and some other neighboring industries and involved them in planting new trees on their sites. A project was also done with PQA on beautifying the PQA vicinity.



## Health

During 2018 LCPL organized free medical eye camps with the support of LRBT on quarterly basis. These camps were held at Ghaggar Phatak, Dhabejee, Soomar Goth, and AcharSalar Goth. People from all age groups visited the medical camps for consultation and medicines. The aim was to serve people regardless of their caste, creed, color, religion or ability to pay. It was a Patients' Welfare Program to support the needy. LCPL also bore the cost of eye surgery at LRBT including transportation.

LCPL continue helps in the form of donation to the major hospital, this year we have donated the amount to the Memon Hospital Foundation.

## Education

Lotte Chemical Pakistan is support to the education sector and the company was provided the scholarship thought out the year to the Dar-UI -Sukun children, TFC foundation students and NED University students for one year program.



# Labour Relations, Freedom of Association and Collective Bargaining

Lotte Chemical Pakistan Limited's culture promotes that each of us is responsible for knowing and complying with all applicable statutory laws. Through the years, our practices have earned us a well-deserved reputation for honesty, integrity and fair dealing with our employees and concerned government bodies. Our company is committed to maintain a harmonious atmosphere with all employees to avoid misunderstandings and confusion.

The management always strives to maintain a good business relationship with non-management to break boundaries. Wage settlement 2019-20 was concluded after intensive discussions and negotiations among

CBA and the management teams while maintaining an overall productive and peaceful environment.

This settlement has been a great example of how organization and employees can co-exist in harmony and emerge from the negotiating table with a win-win situation.

We give value to our outsourcing service providers as our business partners, and take care of their manpower as per company policy to avoid any conflict or discrimination because our vision is to create value over a life time.



# Product Stewardship



Like our overall safety processes, we go above and beyond to ensure that we manufacture PTA that is safe for our employees to handle and for our customers to use. We believe Product stewardship forms an integral part of our sustainability strategy. While maintaining our efforts to offer our customers more value and better performance, we aim to reduce the environmental burden throughout the life cycle of our product including manufacturing, packaging, distribution, usage and eventual disposal.

In order to fulfill our Product Stewardship responsibilities we ensure that appropriate training and information is provided to all our staff, contractors, haulers and customers for handling of our products in a safe and responsible manner. Furthermore we ensure compliance with applicable laws, regulations and standards.

## Product safety

Our product is safe when used as intended. All raw materials and finished product are subjected to numerous assessments and tests to ensure that safety is maintained during manufacturing, packaging distribution, usage and eventual disposal.

All customers and haulers are provided with MSDS (Material Safety Data Sheet) which consists of comprehensive information on the physical and chemical properties of the product, handling instructions, hazards, risks and precautionary measures in case of any mishaps during distribution and usage. This product literature is reviewed periodically and new information on adverse effects, types of use and circumstances of misuse are taken into account.

## Customer Satisfaction and Complaint Management

Customer satisfaction plays an integral role in every business. The business sales team conducts regular meetings to maintain business relationships and gauge customer satisfaction. Any concerns and issues are addressed on a priority basis, and systems are in place to ensure that occurrences are not repeated. Moreover, a comprehensive system is in place to handle all complaints, within a defined time frame. Information and status of all complaints are circulated at the highest levels of the organization.

# Economic Contribution

A sustainable business plays a pivotal role in delivering economic and social progress. A business which generates substantial revenue to sustain people's quality of life and safeguard the planet is important, but one that ensures that its employees, owners and members of the community remain financially secure, is also critically important.

We contribute economically in a number of ways: we provide employment, buy from local, regional and global suppliers, distribute our products, and contribute to the National exchequer via direct and indirect taxes.

|  | Amounts in Rs '000 |                   |
|--|--------------------|-------------------|
|  | 2018               | 2017              |
| <b>Suppliers</b>   |                    |                   |
| Cost of material, services and facilities                                | <b>48,650,102</b>  | 34,306,185        |
| <b>Employees</b>   |                    |                   |
| Cost of employees' salaries and benefits                                 | <b>779,456</b>     | 717,836           |
| <b>Government</b>  |                    |                   |
| Tax paid, including remittance taxes and excise taxes                    | <b>5,461,248</b>   | 2,376,951         |
| <b>Shareholders</b>  |                    |                   |
| Dividend   | <b>2,271,311</b>   | 302,841           |
| <b>Community</b>   |                    |                   |
| Voluntary contributions and investment of funds in the broader community | <b>3,192</b>       | 1,608             |
| <b>Retained within Company</b>   |                    |                   |
| Depreciation, amortisation and retained earnings                         | <b>3,005,668</b>   | 759,144           |
| <b>Total Economic Contribution</b>                                       | <b>60,170,977</b>  | <b>38,464,565</b> |

## Transparent Approach to Taxation

We recognise the growing interest in the level of taxes paid by multinational companies. We remain transparent in our dealings and pay appropriate amount of taxes according to country-specific laws and regulations.

In the year, total taxes borne and collected by the Company amounted to Rs 5,461.2 million (2017: Rs 2,376.9 million). This figure includes excise taxes, transactional taxes and taxes incurred by employees. We consider the wider tax footprint to be an appropriate indication of tax contribution from our operations. Our presence in Pakistan is beneficial to the Country as it provides employment to people - affecting income levels and subsequently tax revenues.

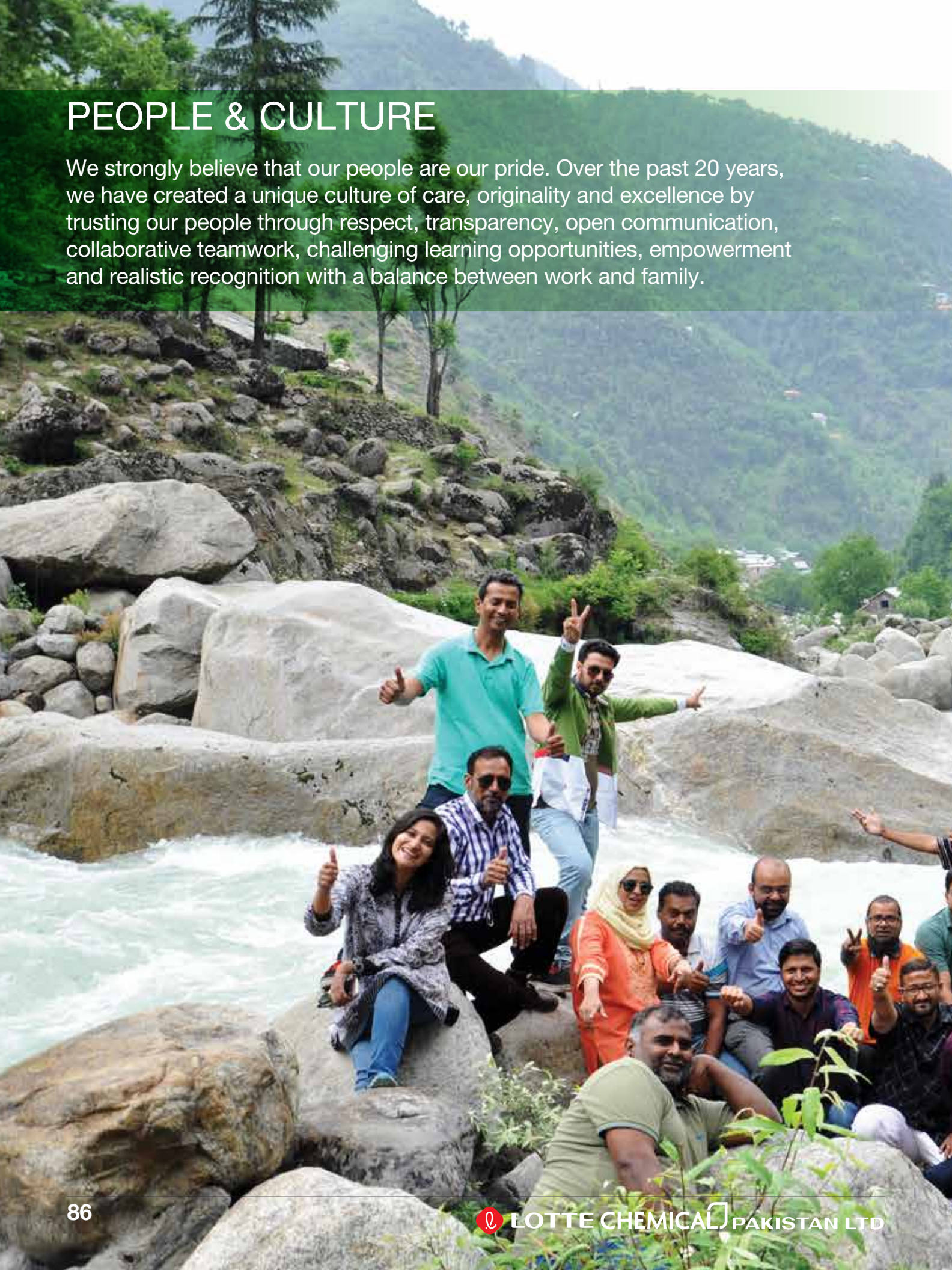
## Understanding our Role and Responsibilities in our Value Chain

The reach and scale of our business result in us playing a pivotal role in the economic development of the Country.

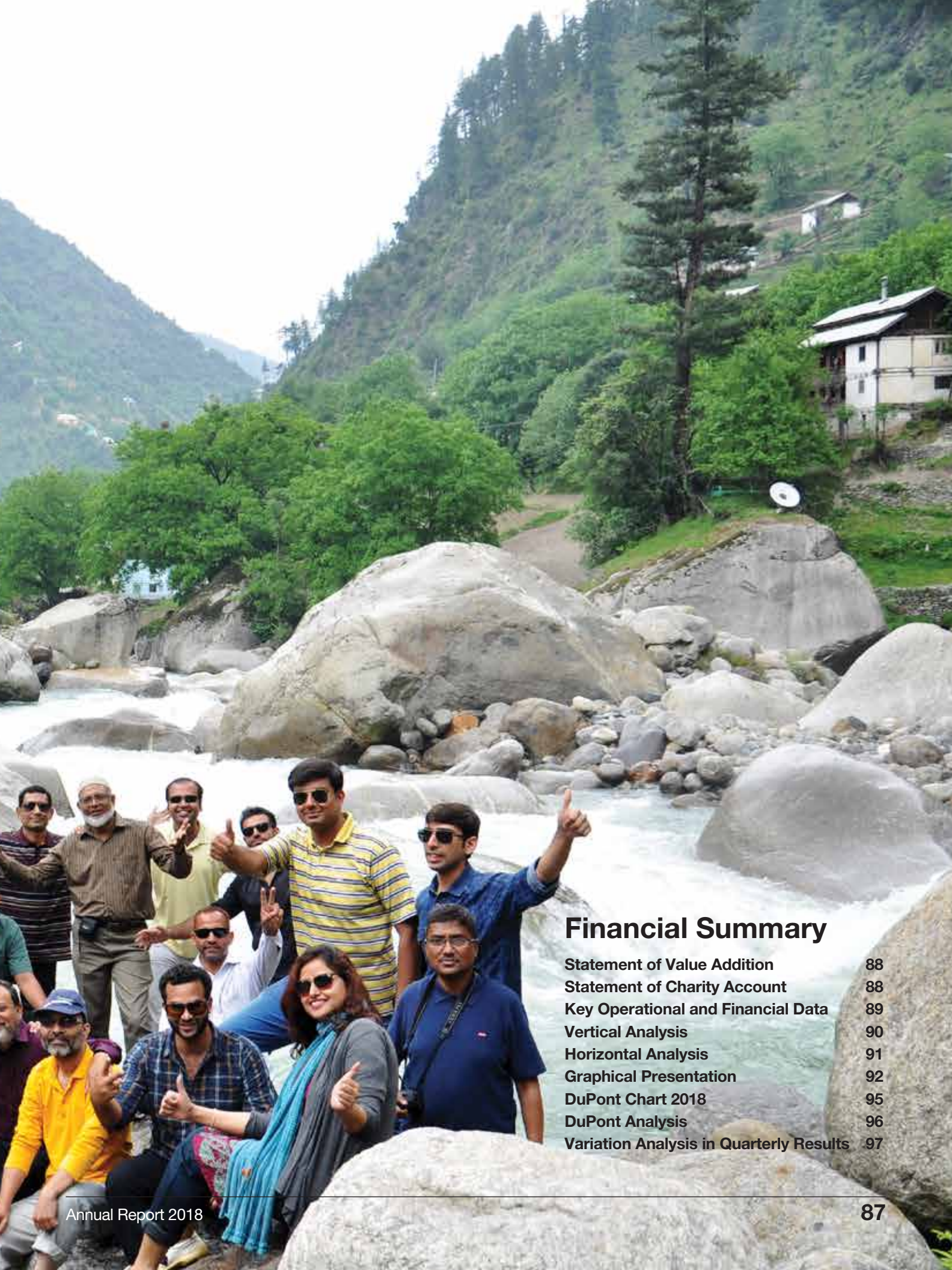
We remain aware of our influence on our suppliers and the importance of developing long-term relationships with them. Our goal remains to pay fairly for their products, materials and services. In addition, we often work in collaboration with them, to help improve their working practices and conditions, as well as their overall efficiency, which in turn, impacts their income levels.

# PEOPLE & CULTURE

We strongly believe that our people are our pride. Over the past 20 years, we have created a unique culture of care, originality and excellence by trusting our people through respect, transparency, open communication, collaborative teamwork, challenging learning opportunities, empowerment and realistic recognition with a balance between work and family.







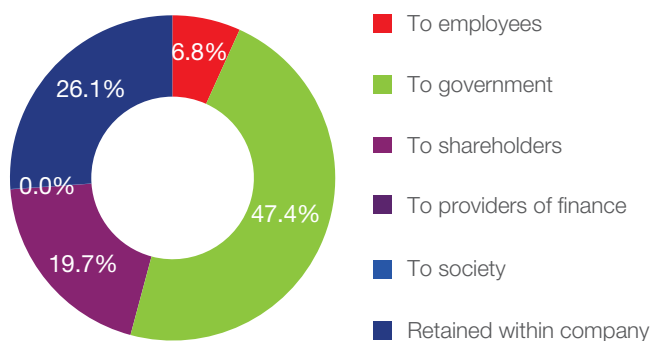
## Financial Summary

|   |    |
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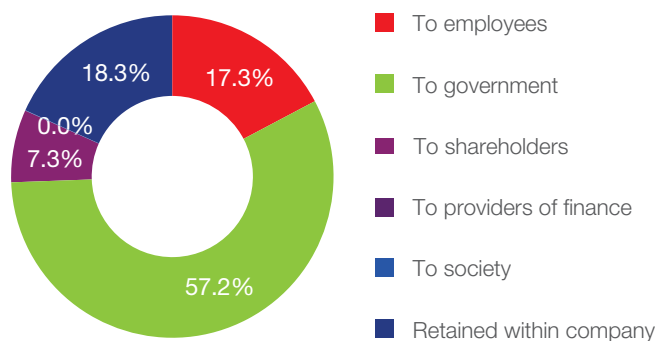
# Statement of Value Addition and Its Distribution

|   | 2018              |        | 2017             |        |
|---|-------------------|--------|------------------|--------|
|   | Rs ('000)         | %      | Rs ('000)        | %      |
| <b>Wealth generated</b>                             |                   |        |                  |        |
| Total revenue (including other income)              | 60,170,977        |        | 38,464,565       |        |
| Bought-in material and services                     | (48,650,102)      |        | (34,306,185)     |        |
|   | <b>11,520,875</b> | 100.0% | <b>4,158,380</b> | 100.0% |
| <b>Wealth distribution</b>                          |                   |        |                  |        |
| <b>To employees</b>                                 |                   |        |                  |        |
| Salaries, wages and other benefits                  | 779,456           | 6.8%   | 717,836          | 17.3%  |
| <b>To government</b>                                |                   |        |                  |        |
| Income tax, sales tax, excise duty, WWF and WPPF    | 5,461,248         | 47.4%  | 2,376,951        | 57.2%  |
| <b>To shareholders</b>                              |                   |        |                  |        |
| Dividend  | 2,271,311         | 19.7%  | 302,841          | 7.3%   |
| <b>To providers of finance</b>                      |                   |        |                  |        |
| Finance costs                                       | -                 | 0.0%   | -                | 0.0%   |
| <b>To society as donations</b>                      |                   |        |                  |        |
| Donations towards education, health and environment | 3,192             | 0.0%   | 1,608            | 0.0%   |
| <b>Retained within company</b>                      |                   |        |                  |        |
| Depreciation, amortisation and retained earnings    | 3,005,668         | 26.1%  | 759,144          | 18.3%  |
|   | <b>11,520,875</b> | 100.0% | <b>4,158,380</b> | 100.0% |

**Wealth Distribution 2018**



**Wealth Distribution 2017**



# Statement of Charity Account

| Description          | Amounts in Rs '000 |       |
|----------------------|--------------------|-------|
|                      | 2018               | 2017  |
| Education            | 435                | 384   |
| Community Projects   | 1,607              | 1,116 |
| Health & Environment | 1,150              | 108   |
| Total                | 3,192              | 1,608 |

# Key Operational and Financial Data

## Six Years at a Glance

|  |       | 2018      | 2017      | 2016      | 2015     | 2014      | 2013      |
|--|-------|-----------|-----------|-----------|----------|-----------|-----------|
| <b>STATEMENT OF FINANCIAL POSITION SUMMARY</b>           |       |           |           |           |          |           |           |
| Issued, subscribed & paid-up capital                     | Rs m  | 15,142    | 15,142    | 15,142    | 15,142   | 15,142    | 15,142    |
| Capital reserves   | Rs m  | 2         | 2         | 2         | 2        | 2         | 2         |
| Accumulated losses                                       | Rs m  | (2,625)   | (4,467)   | (4,869)   | (5,188)  | (4,439)   | (3,335)   |
| Current liabilities                                      | Rs m  | 8,629     | 9,766     | 7,188     | 7,229    | 6,133     | 7,652     |
| Fixed assets   | Rs m  | 5,143     | 5,652     | 5,149     | 6,127    | 7,380     | 8,714     |
| Current assets   | Rs m  | 15,570    | 13,152    | 10,661    | 9,601    | 8,470     | 11,078    |
| <b>STATEMENT OF PROFIT OR LOSS ACCOUNT SUMMARY</b>       |       |           |           |           |          |           |           |
| Revenue - net  | Rs m  | 57,400    | 37,034    | 34,785    | 33,863   | 47,800    | 57,070    |
| Cost of sales  | Rs m  | (50,019)  | (35,837)  | (34,080)  | (34,119) | (49,769)  | (56,921)  |
| Gross profit / (loss)                                    | Rs m  | 7,382     | 1,198     | 705       | (257)    | (1,969)   | 149       |
| Distribution and selling expenses                        | Rs m  | (102)     | (93)      | (78)      | (81)     | (180)     | (120)     |
| Administrative expenses                                  | Rs m  | (388)     | (351)     | (332)     | (343)    | (398)     | (332)     |
| Other expenses   | Rs m  | (555)     | (55)      | (28)      | (20)     | (14)      | (94)      |
| Other income   | Rs m  | 515       | 249       | 214       | 99       | 118       | 180       |
| Finance (costs) / income                                 | Rs m  | (505)     | (52)      | (10)      | (26)     | 79        | (84)      |
| Profit / (loss) before taxation                          | Rs m  | 6,346     | 895       | 470       | (628)    | (2,364)   | (300)     |
| Taxation   | Rs m  | (1,914)   | (483)     | (147)     | (119)    | 1,263     | (198)     |
| Profit / (loss) after taxation                           | Rs m  | 4,431     | 412       | 324       | (748)    | (1,100)   | (498)     |
| EBITDA   | Rs m  | 7,697     | 1,597     | 1,695     | 807      | (1,052)   | 1,174     |
| <b>STATEMENT OF CASH FLOW SUMMARY</b>                    |       |           |           |           |          |           |           |
| Net cash generated / (used in) from operating activities | Rs m  | 237       | 2,878     | 1,764     | 918      | (1,987)   | 2,339     |
| Net cash used in investing activities                    | Rs m  | (223)     | (1,154)   | (234)     | (155)    | (56)      | (150)     |
| Net cash used in financing activities                    | Rs m  | (851)     | (0)       | (0)       | (0)      | (1)       | (0)       |
| Cash and cash equivalents at year end                    | Rs m  | 4,221     | 5,043     | 3,319     | 1,789    | 1,026     | 3,069     |
| <b>KEY RATIOS</b>  |       |           |           |           |          |           |           |
| Gross profit ratio                                       | %     | 12.86     | 3.23      | 2.03      | (0.76)   | (4.12)    | 0.26      |
| EBITDA margin to sales                                   | %     | 13.41     | 4.31      | 4.87      | 2.38     | (2.20)    | 2.25      |
| Net profit margin  | %     | 7.72      | 1.11      | 0.93      | (2.21)   | (2.30)    | (0.87)    |
| ROE  | %     | 35.39     | 3.86      | 3.15      | (7.51)   | (10.28)   | (4.22)    |
| ROCE   | %     | 35.39     | 3.86      | 3.15      | (7.51)   | (10.28)   | (4.22)    |
| Inventory turnover                                       | times | 11.63     | 11.02     | 10.69     | 11.46    | 17.33     | 15.38     |
| Inventory turnover in days                               | days  | 31.38     | 33.13     | 34.16     | 31.84    | 21.07     | 23.73     |
| Debtors turnover   | times | 18.46     | 15.73     | 18.96     | 21.88    | 23.33     | 18.77     |
| Average collection period                                | days  | 19.77     | 23.21     | 19.25     | 16.68    | 15.64     | 19.45     |
| Creditors turnover                                       | times | 17.70     | 9.30      | 10.61     | 11.06    | 13.10     | 11.10     |
| Payable turnover in days                                 | days  | 20.62     | 39.25     | 34.39     | 33.00    | 27.87     | 32.87     |
| Operating cycle  | days  | 30.53     | 17.08     | 19.02     | 15.52    | 8.84      | 10.31     |
| Total asset turnover                                     | times | 2.75      | 1.95      | 2.00      | 1.98     | 2.60      | 2.79      |
| Fixed asset turnover                                     | times | 10.63     | 6.86      | 6.17      | 5.01     | 5.94      | 6.08      |
| Current ratio  | times | 1.80      | 1.35      | 1.48      | 1.33     | 1.38      | 1.45      |
| Quick ratio  | times | 1.10      | 0.92      | 0.92      | 0.76     | 0.75      | 0.95      |
| Cash to current liabilities                              | times | 0.49      | 0.52      | 0.46      | 0.25     | 0.17      | 0.40      |
| Cash flow from operation to sales                        | times | 0.00      | 0.08      | 0.05      | 0.03     | (0.04)    | 0.04      |
| Interest cover   | times | 225.63    | 16.88     | 22.81     | (15.44)  | (28.83)   | (4.75)    |
| Debt equity ratio  | times | 1.00      | 1.00      | 1.00      | 1.00     | 1.00      | 1.00      |
| Price earnings ratio                                     | times | 5.77      | 26.33     | 38.90     | (13.16)  | (9.44)    | (22.32)   |
| EPS  | Rs    | 2.93      | 0.27      | 0.21      | (0.49)   | (0.73)    | (0.33)    |
| Cash dividend per share                                  | Rs    | 1.50      | 0.20      | -         | -        | -         | -         |
| Dividend yield ratio                                     | %     | 8.88      | 2.79      | -         | -        | -         | -         |
| Dividend payout ratio                                    | %     | 51.26     | 73.45     | -         | -        | -         | -         |
| Dividend cover ratio                                     | times | 1.95      | 1.36      | -         | -        | -         | -         |
| Breakup value per share                                  | Rs    | 8.27      | 7.05      | 6.79      | 6.58     | 7.07      | 7.80      |
| Market value per share - 31 December                     | Rs    | 16.89     | 7.17      | 8.32      | 6.50     | 6.86      | 7.34      |
| Market value per share - High                            | Rs    | 20.67     | 12.89     | 9.49      | 9.43     | 8.40      | 9.13      |
| Market value per share - Low                             | Rs    | 7.08      | 5.77      | 5.00      | 5.10     | 6.15      | 6.20      |
| Market capitalization                                    | Rs m  | 25,574.96 | 10,856.87 | 12,598.20 | 9,842.35 | 10,387.46 | 11,114.28 |

# Vertical Analysis

|  | 2018         | 2017   | 2016   | 2015    | 2014    | 2013   |
|--|--------------|--------|--------|---------|---------|--------|
|  | -----%       |        |        |         |         |        |
| <b>Statement of Financial Position</b> |              |        |        |         |         |        |
| Fixed assets                           | 24.2         | 27.5   | 29.4   | 35.5    | 43.7    | 43.8   |
| Other non-current assets               | 2.6          | 8.5    | 9.9    | 8.8     | 6.2     | 0.5    |
| Current assets                         | 73.2         | 64.0   | 60.8   | 55.7    | 50.1    | 55.7   |
| <b>Total Assets</b>                    | <b>100.0</b> | 100.0  | 100.0  | 100.0   | 100.0   | 100.0  |
| Shareholders equity                    | 58.8         | 52.0   | 58.6   | 57.7    | 63.4    | 59.4   |
| Non-current liabilities                | 0.6          | 0.5    | 0.4    | 0.4     | 0.3     | 2.2    |
| Current liabilities                    | 40.6         | 47.5   | 41.0   | 41.9    | 36.3    | 38.5   |
| <b>Total Equity and Liabilities</b>    | <b>100.0</b> | 100.0  | 100.0  | 100.0   | 100.0   | 100.0  |
| <b>Statement of Profit or Loss</b>     |              |        |        |         |         |        |
| Revenue - net                          | 100.0        | 100.0  | 100.0  | 100.0   | 100.0   | 100.0  |
| Cost of sales                          | (87.1)       | (96.8) | (98.0) | (100.8) | (104.1) | (99.7) |
| <b>Gross profit / (loss)</b>           | <b>12.9</b>  | 3.2    | 2.0    | (0.8)   | (4.1)   | 0.3    |
| Distribution and selling expenses      | (0.2)        | (0.3)  | (0.2)  | (0.2)   | (0.4)   | (0.2)  |
| Administrative expenses                | (0.7)        | (0.9)  | (1.0)  | (1.0)   | (0.8)   | (0.6)  |
| Other expenses                         | (1.0)        | (0.1)  | (0.1)  | (0.1)   | (0.0)   | (0.2)  |
| Other income                           | 0.9          | 0.7    | 0.6    | 0.3     | 0.2     | 0.3    |
| Finance (costs) / income               | (0.9)        | (0.1)  | (0.0)  | (0.1)   | 0.2     | (0.1)  |
| <b>Profit / (loss) before taxation</b> | <b>11.1</b>  | 2.4    | 1.4    | (1.9)   | (4.9)   | (0.5)  |
| Taxation                               | (3.3)        | (1.3)  | (0.4)  | (0.4)   | 2.6     | (0.3)  |
| <b>Profit / (loss) after taxation</b>  | <b>7.7</b>   | 1.1    | 0.9    | (2.2)   | (2.3)   | (0.9)  |

# Horizontal Analysis

Year on Year

| <b>2018<br/>over<br/>2017</b> | 2017<br>over<br>2016 | 2016<br>over<br>2015 | 2015<br>over<br>2014 | 2014<br>over<br>2013 | 2013<br>over<br>2012 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|

-----%-----

## Statement of Financial Position Analysis (%)

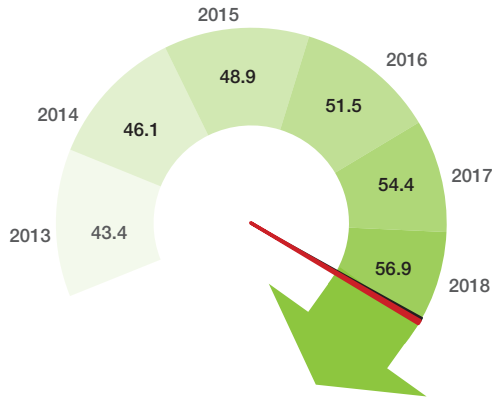
|                                     |               |      |        |        |        |        |
|-------------------------------------|---------------|------|--------|--------|--------|--------|
| Fixed assets                        | <b>(9.0)</b>  | 9.8  | (16.0) | (17.0) | (15.3) | (13.4) |
| Other non-current assets            | <b>(67.7)</b> | 0.5  | 13.8   | 45.4   | 891.7  | (16.6) |
| Current assets                      | <b>18.4</b>   | 23.4 | 11.0   | 13.4   | (23.5) | 1.9    |
| <b>Total Assets</b>                 | <b>3.6</b>    | 17.1 | 1.7    | 2.1    | (15.1) | (5.5)  |
| Shareholders equity                 | <b>17.3</b>   | 3.9  | 3.2    | (7.0)  | (9.4)  | (4.0)  |
| Non-current liabilities             | <b>27.7</b>   | 30.4 | 22.7   | 12.6   | (87.5) | (46.1) |
| Current liabilities                 | <b>(11.6)</b> | 35.9 | (0.6)  | 17.9   | (19.8) | (3.7)  |
| <b>Total Equity and Liabilities</b> | <b>3.6</b>    | 17.1 | 1.7    | 2.1    | (15.1) | (5.5)  |

## Statement of Profit or Loss (%)

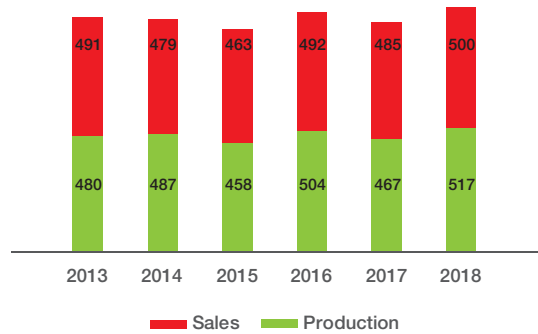
|  |              |       |         |         |           |            |
|--|--------------|-------|---------|---------|-----------|------------|
| Revenue - net                          | <b>55.0</b>  | 6.5   | 2.7     | (29.2)  | (16.2)    | 8.0        |
| Cost of sales                          | <b>39.6</b>  | 5.2   | (0.1)   | (31.4)  | (12.6)    | 8.2        |
| <b>Gross profit / (loss)</b>           | <b>516.3</b> | 69.9  | (374.5) | (87.0)  | (1,420.5) | (28.6)     |
| Distribution and selling expenses      | <b>9.6</b>   | 19.8  | (4.0)   | (54.9)  | 50.1      | (9.1)      |
| Administrative expenses                | <b>10.5</b>  | 5.7   | (3.3)   | (13.7)  | 19.8      | 9.3        |
| Other expenses                         | <b>917.4</b> | 92.0  | 40.7    | 49.3    | (85.6)    | 101.8      |
| Other income                           | <b>107.0</b> | 16.4  | 115.3   | (16.0)  | (34.5)    | (50.2)     |
| Finance (costs) / income               | <b>864.0</b> | 449.3 | (63.1)  | (132.8) | (194.3)   | (42.7)     |
| <b>Profit / (loss) before taxation</b> | <b>609.1</b> | 90.2  | (174.9) | (73.4)  | 687.8     | 421.8      |
| Taxation                               | <b>296.7</b> | 229.2 | 22.9    | (109.4) | (738.2)   | (424.0)    |
| <b>Profit / (loss) after taxation</b>  | <b>974.7</b> | 27.3  | (143.3) | (32.1)  | 121.0     | (13,979.2) |

# Graphical Presentation

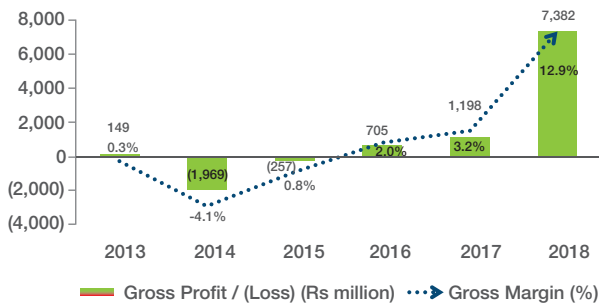
Million man-hours without Lost Time Case (employees + contractors)



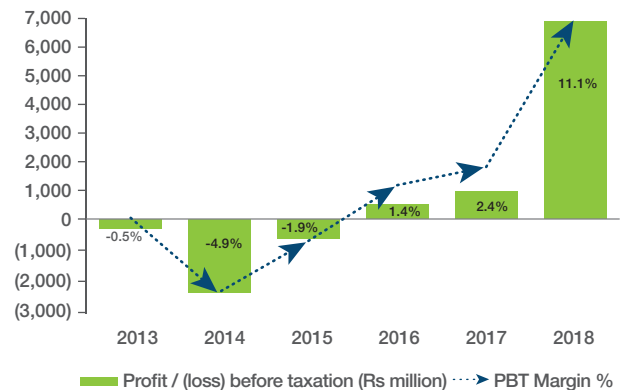
Production & Sales (000 tes)



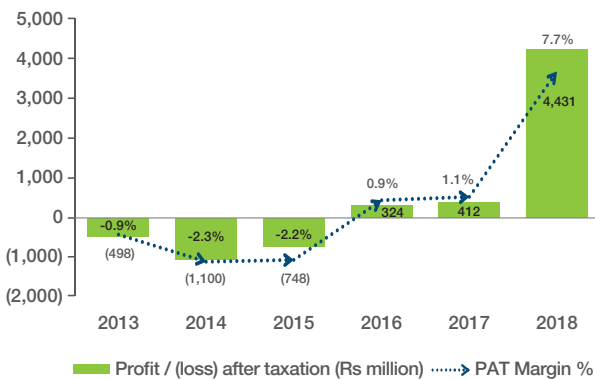
Gross Profit / (Loss) (Rs million) & Gross Margin (%)



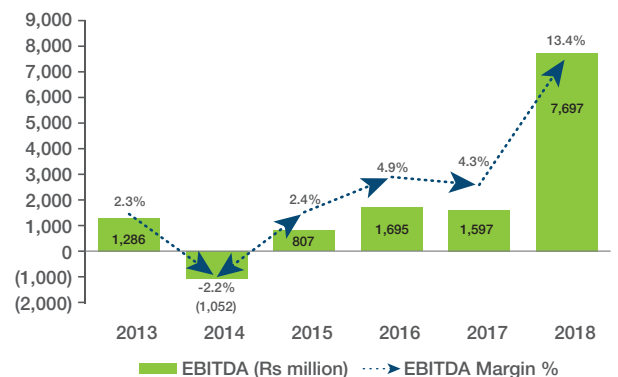
PBT (Rs million) & PBT Margin (%)



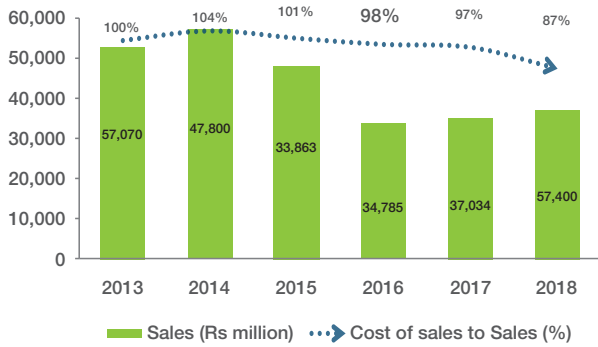
PAT (Rs million) & PAT Margin (%)



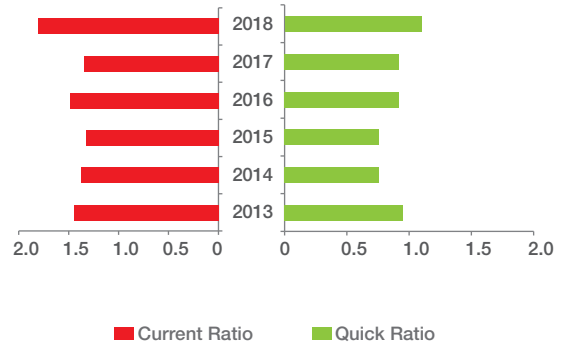
EBITDA (Rs million) & EBITDA Margin (%)



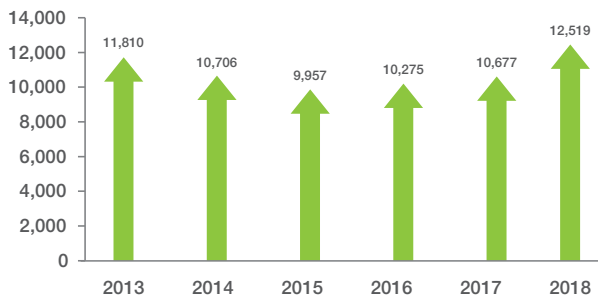
### Sales (Rs million) & Cost of sales to Sales (%)



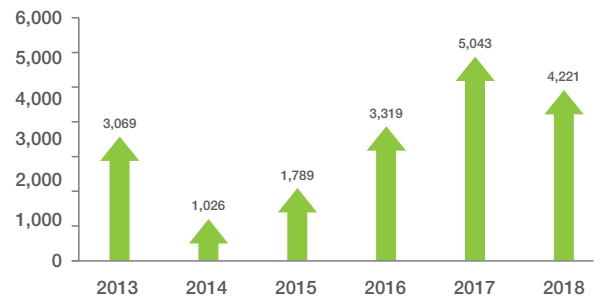
### Liquidity Ratios (times)



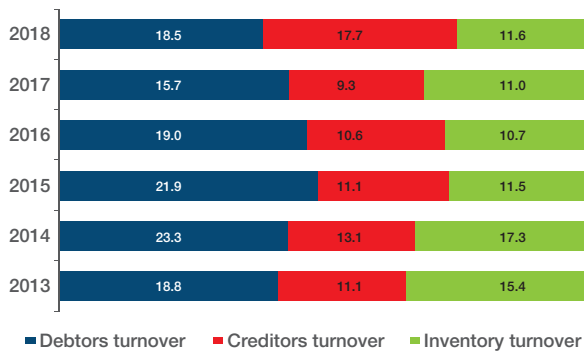
### Debt Equity (Rs million)



### Cash & Cash Equivalents at Year End (Rs million)



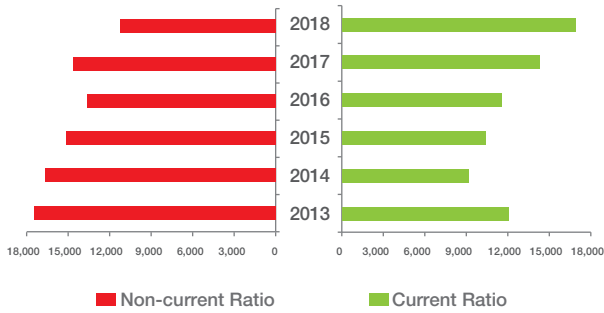
### Debtors, Creditors & Inventory Turnover (times)



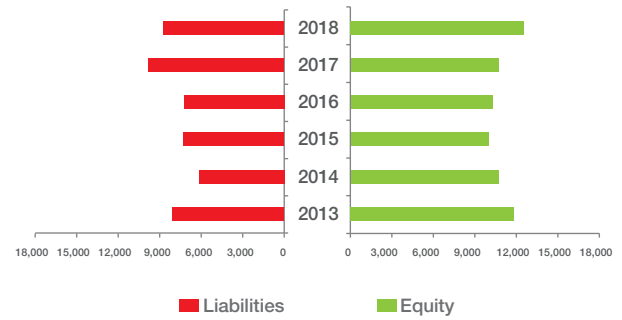
### Market Value per Share (Rs)



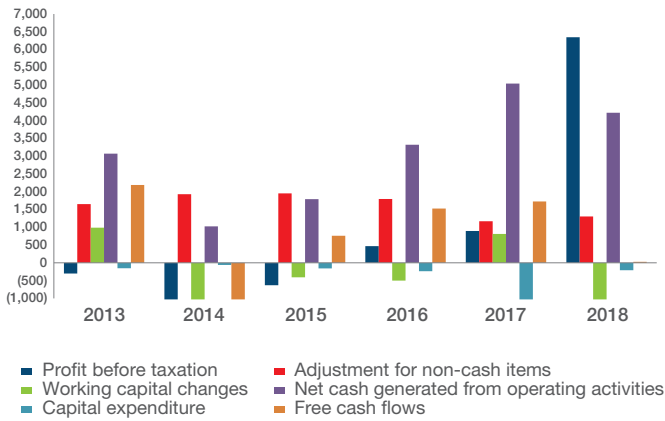
### Statement of Financial Position Analysis - Assets (Rs million)



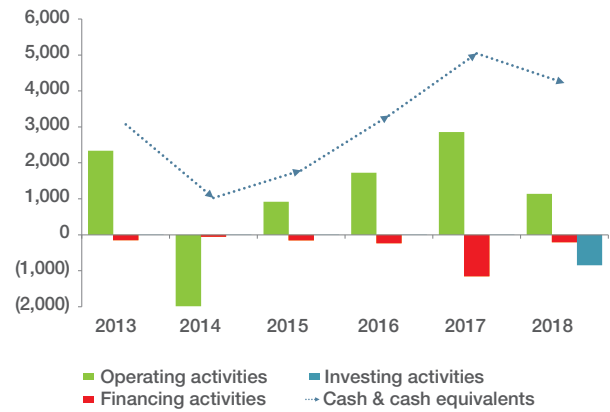
### Statement of Financial Position Analysis - Equity & Liabilities (Rs million)



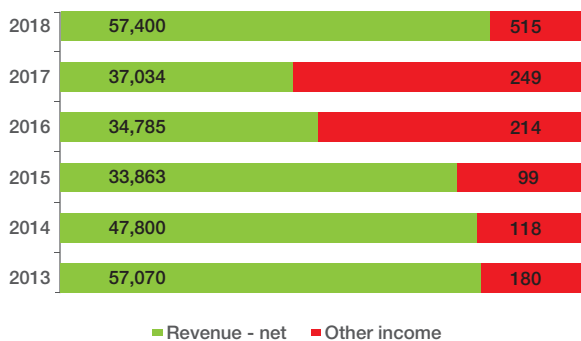
### Free Cash Flows (Rs million)



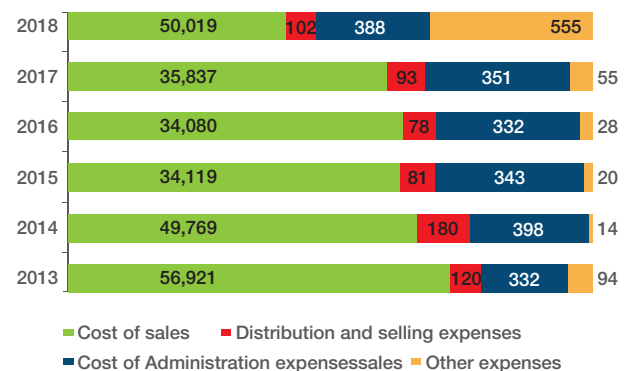
### Cash Flow Analysis (Rs million)



### Sales and Other Income (Rs million)

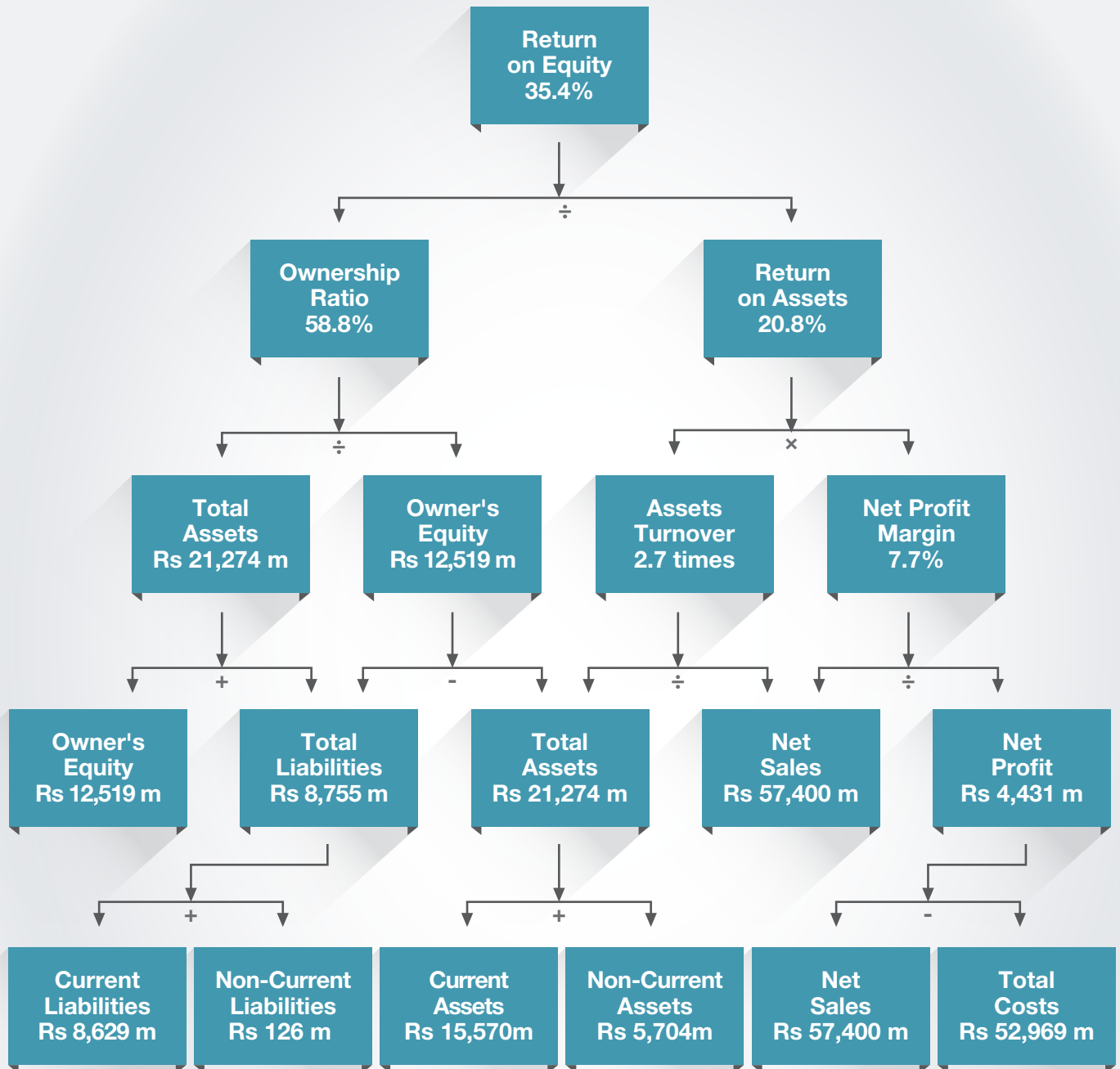


### Expenses (Rs million)





# DuPont Chart 2018



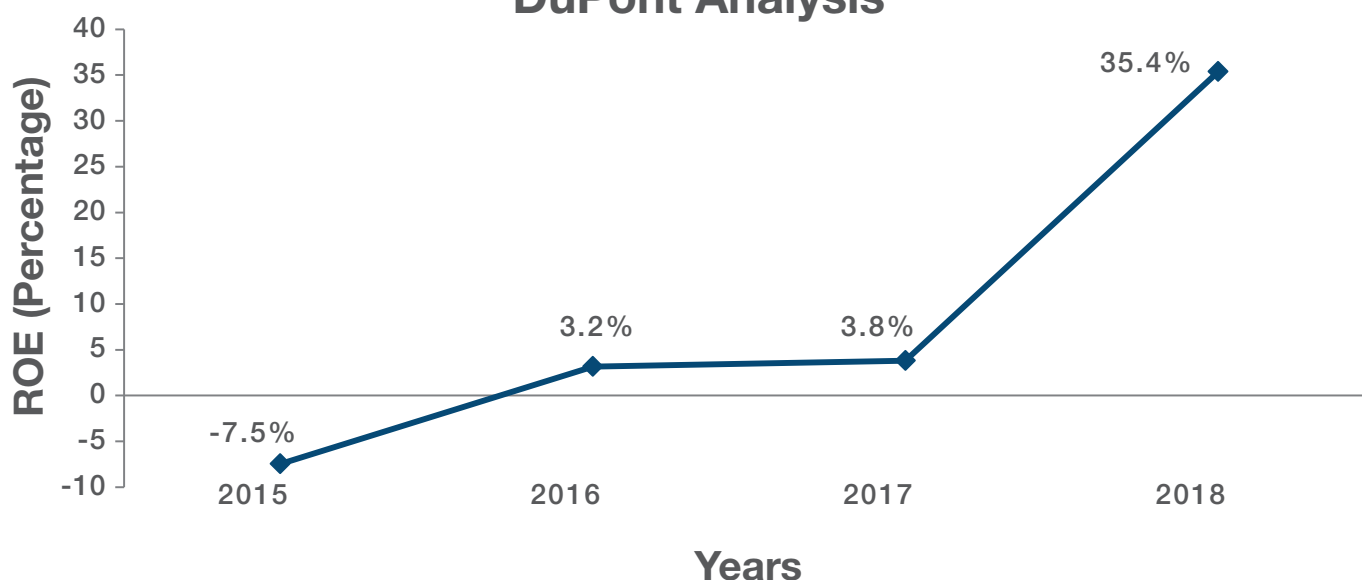
## Analysis:

Net Sales increased by 55% due to higher average PTA price per tonne as well as the stable PTA margin over PX, which consequently increased the net margin from 1.1% to 7.7%. Total assets increased by 4% due to higher trade debts, Stock-in-trade and rebates receivable at year end, which consequently increased the return on assets to 21% from 2%. This resulted in 35.4% return on equity as compared to 3.8% in 2017.

# DuPont Analysis

| Year | Net Profit Margin      | Assets Turnover          | Ownership Ratio               | ROE            |
|------|------------------------|--------------------------|-------------------------------|----------------|
|      | Net Profit / Net Sales | Net Sales / Total Assets | Owner's Equity / Total Assets |                |
|      | A                      | B                        | C                             | (A*B)/C        |
| Unit | Percentage (%)         | Times                    | Percentage (%)                | Percentage (%) |
| 2015 | (2.2)                  | 2.0                      | 57.7                          | (7.5)          |
| 2016 | 0.9                    | 2.0                      | 58.6                          | 3.2            |
| 2017 | 1.1                    | 1.8                      | 52.0                          | 3.8            |
| 2018 | 7.7                    | 2.7                      | 58.8                          | 35.4           |

## Graphical Presentation of DuPont Analysis



### Comments on DuPont Analysis:

- The improved PTA margin over PX resulted in a higher Net Profit margin for the Company over the previous years.
- The assets turnover of the Company has improved during the current year mainly on account of Stock-in-trade and trade debts against PTA for the Company over the previous years.
- The Ownership ratio of the Company was higher than the previous years due to lower accumulated losses.

# Variation Analysis in Quarterly Results

Amounts in Rs '000

|                        | Q1         | Q2         | Q3         | Q4         | 2018       |
|------------------------|------------|------------|------------|------------|------------|
| Revenue - net          | 12,376,493 | 13,318,789 | 16,444,852 | 15,260,107 | 57,400,241 |
| Gross profit           | 1,121,315  | 1,712,872  | 2,936,596  | 1,610,853  | 7,381,636  |
| Profit before taxation | 834,110    | 1,452,200  | 2,685,452  | 1,373,804  | 6,345,566  |
| Profit after taxation  | 355,448    | 990,042    | 2,062,475  | 1,023,135  | 4,431,100  |

## Q1

- The Crude Oil market showed bullishness led by civil unrest in Iran and the continued compliance to OPEC production cuts causing prices to peak at US\$ 66 per barrel. However, the bullish sentiment was kept in check by the continued increase in US crude production which consistently propped US Crude and distillate inventories.
- Paraxylene market largely followed upstream crude, trending upwards during the start of the quarter. It was supported by supply concerns due to the planned turnarounds of major PX units in the region. However, PX prices weakened as PTA inventories started to build and news of PX capacity additions of almost 2 million MTs arrived in the market.
- PTA market trended higher on account of tight prompt availability and increased spot lifting by regional producers to meet their contractual commitments. Expectations of capacity additions in the downstream Polyester sector lent support to the upward trend. However, downstream Polyester sales weakened towards the end of the Quarter due to a credit crunch in China thereby causing PTA inventories to build, resulting in weakness in pricing.
- Domestic Polyester industry maintained healthy operating rates due to strong seasonal demand.
- Production during the quarter was 11% higher than corresponding period last year.
- The overall sales volume constituting of domestic sales alone, was 3% lower than the corresponding quarter last year.

## Q2

- The Crude Oil market continued its upward trend as the market experienced supply disruptions from Venezuela and Libya as well as geopolitical tensions in Saudi Arabia and Syria. The market came under pressure as OPEC+ agreed on a 1 million bpd increase in production, however, increased uncertainty over Libyan and Iranian exports/production weighed heavy on the market sentiment pushing Crude prices towards US\$ 75 per barrel by quarter end.
- The Paraxylene market showed strength due to improved demand from the downstream PTA and the bullish upstream crude market. Prices were further strengthened as delays in the startup of new capacities was observed including major PX units going offline for planned turnarounds. While PX prices crossed the US\$ 1,000 per tonne mark in Q2, they weakened towards the end of the quarter as the new PX units in Vietnam and Saudi Arabia initiated production.
- There was an improvement in demand for PTA as the market geared up for the peak season in downstream Polyester sector. Additionally, low inventories for Polyester in the region kept prices impervious of other external factors. As the Quarter came to a close, PTA prices stagnated as the seasonal demand from downstream Polyester market showed signs of weakness.
- Domestic Polyester industry maintained healthy operating rates while one PSF manufacturer conducted a turnaround which lowered the average operational run rate of the industry.
- Production during the quarter was lower by 2.77% than the corresponding quarter last year.
- Sales volume, for Q2 2018 was also lower by a margin compared to the corresponding quarter last year.

## Q3

- The crude market showed bullishness as production issues from emerging economies, the anticipated sanctions on Iran and the declining US inventories kept prices bolstered. However, the US-China trade war engulfed the market with skepticism, raising concerns of a global economic slowdown and eventually resulting in lower demand for Crude.
- Paraxylene (PX) market moved away from crude and followed downstream PTA and Polyester due to the supply/demand imbalance in the market. The expected new PX units failed to provide reliable consistent material to the market which combined with the higher than expected PTA demand led PX spot prices pushing past US\$ 1,370, a US\$ 300 per tonne increase. Towards the end of the quarter, PX prices started to soften, as demand from downstream Polyester sector started to weaken due to their inability to pass on the high upstream feedstock costs to customers.
- The PTA market experienced a sharp price hike owing to the addition of major PET and PSF capacities. The additional demand via the downstream sector and the higher feedstock prices propelled PTA prices to cross US\$ 1,100 per tonne. However, PTA prices fell towards the end of the quarter as downstream Polyester was forced to accommodate operations as high feedstock prices led to unfavorable economics.
- Domestic Polyester industry operated at stable rates and continued smooth off-take of PTA.
- Production during the quarter was 12.86% higher than the corresponding period last year.
- Sales volume, for Q3 2018 was 10.94% higher than the corresponding quarter last year.

## Q4

- The final quarter started with crude prices showing some resilience due to the sanctions on Iran. However, prices tumbled towards the end of October as crude production levels remained high and concerns of a global economic slowdown penetrated the market. The US-China trade war continued to keep the market depressed amid fears of an oversupplied crude market limiting any upside from the Iranian sanctions and the OPEC+ production cut in December.
- PX prices plunged following upstream crude which was further exasperated by the decrease in demand from the downstream Polyester sector. Market sentiment remained bearish throughout the quarter on fears of lower economic growth derived from Crude, thereby, affecting the entire petrochemical chain.
- The PTA industry experienced a downward trend as the downstream Polyester market was unable to pass on the existing high feedstock prices. The PTA market continued its descent as weak Polyester demand gave no respite owing to the seasonal lull. Towards the end of the quarter, downstream Polyester units reduced operations to offload high inventories in preparation for the Chinese New Year holidays further impacting PTA demand.
- Domestic Polyester industry operations declined in the last quarter as unfavorable business conditions including frequent devaluations of the local currency forced local producers to adopt a wait and watch approach and subsequently reduce operations.
- Production during the quarter was 24.23% higher than the corresponding period last year.
- Sales volume for Q4 2018 was 7.25% higher than the corresponding period last year.

# CSR

Throughout our journey of 20 years, we have maintained a purposeful focus on volunteering in the communities around us by supporting projects pertaining to education, health, disaster relief, youth engagement, environmental awareness, tree plantation and other community programs. We strive to strengthen our ties with our communities with the objective to improve the lives of the underprivileged.



استادان ۽ شاگردن کي گھرجي ته اسين

## Financial Statements

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# INDEPENDENT AUDITORS' REPORT

## To the members of Lotte Chemical Pakistan Limited Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **Lotte Chemical Pakistan Limited** (the Company), which comprise the statement of financial position as at **31 December 2018**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| Key audit matter  | How the matter was addressed in our audit   |
|---|---|
| <b>1. Valuation of stock-in-trade</b>   |   |
| <p>As of 31 December 2018, the Company held finished goods relating to Pure Terephthalic Acid (PTA) amounting to Rs. 2,371 million.</p> <p>Due to the price trend of PTA in international market, there is a risk that PTA stock at year end is subject to valuation at lower than its cost. For this reason, we considered valuation of stock-in-trade a key audit matter.</p> <p>Refer note 9 to the accompanying financial statements.</p> | <p>We tested the valuation of PTA i.e. weighted average cost calculation during the year and at year end.</p> <p>We reviewed the management procedures for evaluation of NRV of stock-in-trade including working for stock valuation at lower of cost and NRV at reporting date with the source information such as trend of international prices, selling prices for PTA, etc.</p> |

| Key audit matter  | How the matter was addressed in our audit   |
|---|---|
|   | <p>We further tested the NRV of stock-in-trade by performing a review of sales close to and subsequent to the year-end and compared with its cost to assess whether any write down is required.</p> <p>We also evaluated the adequacy of financial statement disclosures in accordance with the applicable financial reporting framework.</p>   |
| <p><b>2. Preparation of financial statements under Companies Act, 2017</b></p>  |   |
| <p>The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 31 December 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in note 2.1.1 to the financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p> <p>Refer note 2.1.1 to the accompanying financial statements.</p> | <p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act.</p> <p>We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.</p> <p>We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</p> |

### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



Chartered Accountants

Place: Karachi

Date: 12 March 2019

# Statement of Financial Position

As at 31 December 2018

Amounts in Rs '000

|   | Note | 2018                     | 2017                     |
|---|------|--------------------------|--------------------------|
| <b>Assets</b>                                 |      |                          |                          |
| <b>Non-current assets</b>                     |      |                          |                          |
| Fixed assets                                  | 4    | 5,142,935                | 5,652,212                |
| Long-term loans and advances                  | 5    | 82,912                   | 74,539                   |
| Long-term deposits and prepayments            | 6    | 42,149                   | 62,545                   |
| Deferred tax assets                           | 7    | 435,938                  | 1,599,561                |
|   |      | <u>5,703,934</u>         | <u>7,388,857</u>         |
| <b>Current assets</b>                         |      |                          |                          |
| Stores and spare parts                        | 8    | 866,638                  | 848,828                  |
| Stock-in-trade                                | 9    | 5,238,450                | 3,361,974                |
| Trade debts                                   | 10   | 3,401,047                | 2,817,600                |
| Loans and advances                            | 11   | 27,150                   | 27,292                   |
| Trade deposits and short-term prepayments     | 12   | 59,488                   | 47,234                   |
| Interest accrued on short-term fixed deposits |      | 7,061                    | 15,236                   |
| Other receivables                             | 13   | 756,689                  | 20,054                   |
| Tax refunds due from government - sales tax   | 14   | 189,950                  | 373,653                  |
| Taxation - payments less provision            |      | 802,967                  | 597,121                  |
| Cash and bank balances                        | 15   | 4,220,756                | 5,043,188                |
|   |      | <u>15,570,196</u>        | <u>13,152,180</u>        |
| <b>Total assets</b>                           |      | <u><u>21,274,130</u></u> | <u><u>20,541,037</u></u> |

|                                      |      | Amounts in Rs '000 |                   |
|--------------------------------------|------|--------------------|-------------------|
|                                      | Note | 2018               | 2017              |
| <b>Equity and liabilities</b>        |      |                    |                   |
| <b>Share capital and reserves</b>    |      |                    |                   |
| Share capital                        | 16   | 15,142,072         | 15,142,072        |
| Capital reserves                     | 17   | 2,345              | 2,345             |
| Accumulated losses                   |      | (2,625,192)        | (4,467,337)       |
| <b>Total equities</b>                |      | <b>12,519,225</b>  | <b>10,677,080</b> |
| <b>Liabilities</b>                   |      |                    |                   |
| <b>Non-current liabilities</b>       |      |                    |                   |
| Retirement benefit obligations       | 18   | 125,482            | 98,280            |
| <b>Current liabilities</b>           |      |                    |                   |
| Trade and other payables             | 19   | 6,682,630          | 9,585,372         |
| Accrued interest                     | 20   | 211,018            | 168,159           |
| Unpaid dividend                      |      | 1,703,790          | -                 |
| Unclaimed dividend                   |      | 31,985             | 12,146            |
|                                      |      | <b>8,629,423</b>   | <b>9,765,677</b>  |
| <b>Total liabilities</b>             |      | <b>8,754,905</b>   | <b>9,863,957</b>  |
| <b>Total equity and liabilities</b>  |      | <b>21,274,130</b>  | <b>20,541,037</b> |
| <b>Contingencies and commitments</b> | 21   |                    |                   |

The annexed notes 1 to 41 form an integral part of these financial statements.



**Kwang Sik Huh**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

# Statement of Profit or Loss

For the year ended 31 December 2018

|                                   |      | Amounts in Rs '000 |                  |
|-----------------------------------|------|--------------------|------------------|
|                                   | Note | 2018               | 2017             |
| Revenue - net                     | 22   | 57,400,241         | 37,034,324       |
| Cost of sales                     | 23   | (50,018,605)       | (35,836,664)     |
| <b>Gross profit</b>               |      | <b>7,381,636</b>   | <b>1,197,660</b> |
| Distribution and selling expenses | 24   | (102,444)          | (93,462)         |
| Administrative expenses           | 25   | (387,655)          | (350,938)        |
| Other expenses                    | 26   | (555,343)          | (54,587)         |
| Other income                      | 27   | 514,501            | 248,610          |
| Finance costs                     | 28   | (505,129)          | (52,398)         |
| <b>Profit before taxation</b>     |      | <b>6,345,566</b>   | <b>894,885</b>   |
| Taxation                          | 29   | (1,914,466)        | (482,589)        |
| <b>Profit after taxation</b>      |      | <b>4,431,100</b>   | <b>412,296</b>   |

|   |    | Rupees      |             |
|---|----|-------------|-------------|
| <b>Earnings per share - basic and diluted</b> | 31 | <b>2.93</b> | <b>0.27</b> |

The annexed notes 1 to 41 form an integral part of these financial statements.



**Kwang Sik Huh**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

|   |      | Amounts in Rs '000 |          |
|---|------|--------------------|----------|
|   | Note | 2018               | 2017     |
| <b>Profit after taxation</b>  |      | <b>4,431,100</b>   | 412,296  |
| <b>Other comprehensive loss:</b>  |      |                    |          |
| Other comprehensive loss not to be reclassified to profit or loss in the subsequent periods |      |                    |          |
| Remeasurement loss on defined benefit plans   | 18   | (20,278)           | (14,712) |
| Impact of deferred tax  |      | 5,475              | 4,414    |
| Net comprehensive loss not to be reclassified to profit or loss in the subsequent periods   |      | (14,803)           | (10,298) |
| <b>Total comprehensive income for the year</b>  |      | <b>4,416,297</b>   | 401,998  |

The annexed notes 1 to 41 form an integral part of these financial statements.



**Kwang Sik Huh**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

# Statement of Changes in Equity

For the year ended 31 December 2018

Amounts in Rs '000

|   | Issued,<br>subscribed<br>and paid-up<br>capital | Reserves            |                       |                    | Total<br>equity   |
|---|---|---------------------|-----------------------|--------------------|-------------------|
|   |   | Capital<br>reserves | Accumulated<br>losses | Sub-<br>total      |                   |
| <b>Balance at 01 January 2017</b>   | 15,142,072                                      | 2,345               | (4,869,335)           | (4,866,990)        | 10,275,082        |
| Total comprehensive income for the<br>year ended 31 December 2017           |   |                     |                       |                    |                   |
| - Profit for the year ended 31 December 2017                                | -   | -                   | 412,296               | 412,296            | 412,296           |
| - Other comprehensive loss for the year<br>ended 31 December 2017           | -   | -                   | (10,298)              | (10,298)           | (10,298)          |
|   | -   | -                   | 401,998               | 401,998            | 401,998           |
| <b>Balance as at 01 January 2018</b>  | <b>15,142,072</b>                               | <b>2,345</b>        | <b>(4,467,337)</b>    | <b>(4,464,992)</b> | <b>10,677,080</b> |
| Total comprehensive income for the<br>year ended 31 December 2018           |   |                     |                       |                    |                   |
| - Profit for the year ended 31 December 2018                                | -   | -                   | 4,431,100             | 4,431,100          | 4,431,100         |
| - Other comprehensive loss for the year<br>ended 31 December 2018           | -   | -                   | (14,803)              | (14,803)           | (14,803)          |
|   | -   | -                   | 4,416,297             | 4,416,297          | 4,416,297         |
| Final dividend for the year ended<br>31 December 2017 @ Rs 0.20 per share   | -   | -                   | (302,841)             | (302,841)          | (302,841)         |
| Interim dividend for the year ended<br>31 December 2018 @ Rs 1.50 per share | -   | -                   | (2,271,311)           | (2,271,311)        | (2,271,311)       |
| <b>Balance as at 31 December 2018</b>                                       | <b>15,142,072</b>                               | <b>2,345</b>        | <b>(2,625,192)</b>    | <b>(2,622,847)</b> | <b>12,519,225</b> |

The annexed notes 1 to 41 form an integral part of these financial statements.



**Kwang Sik Huh**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

# Statement of Cash Flows

For the year ended 31 December 2018

Amounts in Rs '000

|   | Note | 2018             | 2017             |
|---|------|------------------|------------------|
| <b>Cash flows from operating activities</b>                   |      |                  |                  |
| Cash generated from operations                                | 30   | 1,137,180        | 2,857,909        |
| Long-term loans and advances - net                            |      | (8,373)          | (4,293)          |
| Long-term deposits and prepayments - net                      |      | 20,396           | (18,682)         |
| Finance costs paid  |      | (32,435)         | (56,091)         |
| Payments to retirement benefit obligations                    |      | (19,591)         | (16,076)         |
| Taxes paid  |      | (1,331,202)      | (112,993)        |
| Interest received from short-term fixed deposits              |      | 470,983          | 227,727          |
| Net cash generated from operating activities                  |      | 236,958          | 2,877,501        |
| <b>Cash flows from investing activities</b>                   |      |                  |                  |
| Payments for capital expenditure                              |      | (222,812)        | (1,153,569)      |
| Proceeds from disposal of property, plant and equipment       |      | 13,945           | -                |
| Net cash used in investing activities                         |      | (208,867)        | (1,153,569)      |
| <b>Cash flows from financing activities</b>                   |      |                  |                  |
| Dividend paid   |      | (850,523)        | 6                |
| Net cash (used in) / generated from financing activities      |      | (850,523)        | 6                |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |      | <b>(822,432)</b> | <b>1,723,938</b> |
| Cash and cash equivalents at the beginning of the year        |      | 5,043,188        | 3,319,250        |
| <b>Cash and cash equivalents at the end of the year</b>       |      | <b>4,220,756</b> | <b>5,043,188</b> |

The annexed notes 1 to 41 form an integral part of these financial statements.



**Kwang Sik Huh**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

# Notes to the Financial Statements

For the year ended 31 December 2018

## 1. Status and nature of business

1.1 Lotte Chemical Pakistan Limited ("the Company") was incorporated in Pakistan on 30 May 1998 and is listed on Pakistan Stock Exchange Limited, and is engaged in the manufacture and sale of Pure Terephthalic Acid (PTA).

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

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

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

## 1.4 Summary of significant transactions and events

Following is the summary of significant transactions and events that have affected the Company's financial position and performance during the year:

- a) Trend of PTA prices and exchange rates has contributed significantly to the Company's profitability margins for the current year - note 22
- b) Increased PTA production due to smooth operations has also resulted positively to the profit for the year - note 34
- c) Adoption of Companies Act, 2017 - note 2.1.1

## 2. Basis of preparation and summary of significant accounting policies

### 2.1 Basis of preparation

#### 2.1.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in nomenclature of primary statements and change in respect of presentation and measurement of surplus on revaluation of property, plant and equipment and preference shares. Further, the disclosure requirements contained in the Fourth Schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRSs disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company - note 4.1.1, management assessment of sufficiency of tax provision in the financial statements - note 29.5, change in threshold for identification of executives - notes 5, 11 and 32, additional disclosure requirements for related parties - notes 33, etc.



# Notes to the Financial Statements

For the year ended 31 December 2018

## 2.1.2 Accounting convention

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

## 2.2 Changes in accounting standards, interpretations and pronouncements

### Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as follows:

The Company has adopted the following amended standards, interpretations and improvements to IFRSs which became effective for the current year:

|          |   |
|----------|---|
| IFRS 2   | Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments) |
| IFRS 4   | Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments) |
| IAS 40   | Investment Property: Transfers of Investment Property (Amendments)                                      |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration   |

### Improvements to accounting standards issued by IASB in December 2016

|        |  |
|--------|--|
| IAS 28 | Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment by investment choice |
|--------|--|

The adoption of the above amendments, interpretations and improvements does not have any material effect on these financial statements.

## 2.3 Fixed assets

### 2.3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation charge is based on the straight-line method whereby the cost of an asset is written off to Statement of profit or loss over its estimated useful life, from the date the asset is available for use. Full month's depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal. The rates of depreciation are disclosed in note 4.1 to these financial statements. The cost of leasehold land is amortised in equal installments over the lease period.

Renewals and improvements are included in an asset's carrying amount and are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to Statement of profit or loss during the financial period, in which they are incurred.

The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of assets are taken to the Statement of profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 2.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of operating fixed assets or intangible assets when they are available for use.

## 2.3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Major computer software licences are capitalised on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years using the straight-line method. Full month's amortisation is charged in the month of acquisition and no amortisation is charged in the month of disposal.

Costs associated with maintaining computer software programmes are recognised as an expense as and when incurred.

## 2.4 Stores and spare parts

Stores and spare parts are valued at lower of weighted average cost and net realisable value. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

## 2.5 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value. Cost is determined using the weighted average method, except for in transit which comprises invoice value and the direct charges in respect thereof. Manufactured finished goods include prime cost and an appropriate portion of production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

## 2.6 Trade debts and other receivables

Trade debts are recognised initially at original invoice amount and subsequently measured at amortised cost less provision for impairment, if any.

Other receivables are stated at amortised cost less provision for impairment.

## 2.7 Cash and cash equivalents

Cash and cash equivalents are stated at cost and comprise of cash in hand, short-term fixed deposits having maturity upto three months and current accounts held with commercial banks. Running finance and short-term finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 2.8 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to Statement of profit or loss.

## 2.9 Impairment

### 2.9.1 Financial assets

A financial asset or a group of financial assets is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset or a group of financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivables and other financial assets at specific asset levels. Losses are recognised as an expense in the Statement of profit or loss. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the Statement of profit or loss.

### 2.9.2 Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then an asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as an expense in the Statement of profit or loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is ascertained through discounting of the estimated future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. The fair value less costs to sell calculation is based on the available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

### 2.10 Trade and other payables

Trade and other payables, excluding provisions are carried at the fair value of the consideration to be paid for goods and services received, whether or not billed to the Company.

### 2.11 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of that can be made. Provisions are reviewed at each reporting date and accordingly adjusted to reflect current best estimate.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 2.12 Offsetting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

## 2.13 Lease payments

Payments made under operating leases / Ijarah contracts are recognised in the Statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At the inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

## 2.14 Staff retirement benefits

### 2.14.1 Defined benefit plans

The Company operates an approved funded defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company.

The Company also has an unfunded medical scheme to provide post retirement medical benefits for all of its full-time management staff, who joined the Company on or before 01 October 2012 and are also the members of defined contribution superannuation fund.

Contributions to all schemes are made periodically on the basis of recommendations of the actuary and in line with the provisions of the Income Tax Ordinance, 2001.

The liability recognised in the Statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

# Notes to the Financial Statements

For the year ended 31 December 2018

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to Statement of profit or loss and other comprehensive income in the period in which they arise and are not reclassified to Statement of profit or loss in the subsequent periods.

Past-service costs are recognised immediately in Statement of profit or loss.

## 2.14.2 Defined contribution plans

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions are made to the fund, both by the Company and the employees at the rate of 10 percent of basic salary and cost of living allowance wherever applicable. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company also operates a defined contribution superannuation fund for its management staff who joined the Company on or before 01 October 2012. Contributions are made at the rate of 10.6 percent of basic salary of the members of the fund.

## 2.15 Dividend

Dividend distribution to the Company's shareholders and appropriation to reserve is recognised in the financial statements as a liability in the period in which these dividend are approved. However, if these are approved after the reporting period but before the financial statements are authorised for issue, they are disclosed in the notes to the financial statements.

## 2.16 Taxation

Income tax expense is recognised in the Statement of profit or loss, except to the extent that it relates to items recognised in Statement of profit or loss and other comprehensive income or directly in equity. In this case, the tax is also recognised in Statement of profit or loss and other comprehensive income or directly in equity.

### 2.16.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account the available tax credits and rebates, if any, in accordance with the Income Tax Ordinance, 2001. The charge for current tax includes adjustments to charge for prior years, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

### 2.16.2 Deferred

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit at the time of the transaction. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 2.17 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pakistani Rupees using the exchange rate prevailing at the dates of transactions.

Monetary assets and liabilities in foreign currencies at reporting date are translated into Pakistani Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## 2.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The following are the specific recognition criteria that must be met before revenue is recognised:

- a) Revenue from the sale of goods is recognised on despatch of goods i.e. when the significant risks and rewards of ownership are transferred to the customer.
- b) Income on funds invested is recognised as it accrues in the Statement of profit or loss, using the effective interest method.

## 2.19 Borrowings and their cost

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

## 2.20 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the functional currency of the Company and figures are rounded off to the nearest thousands of Rupees.

## 2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

## 2.22 Earning per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 2.23 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| <b>Standards</b> | <b>Effective date<br/>(annual periods<br/>beginning<br/>on or after)</b>  |                   |
|------------------|---|-------------------|
| IFRS 3           | Definition of a Business (Amendments)   | 01 January 2020   |
| IFRS 9           | Financial Instruments   | 01 July 2018      |
| IFRS 9           | Prepayment Features with Negative Compensation (Amendments)   | 01 January 2019   |
| IFRS 10          | Consolidated Financial Statements and IAS 28 Investment<br>in Associates and Joint Ventures - Sale or Contribution of Assets<br>between an Investor and its Associate or Joint<br>Venture (Amendment) | Not yet finalised |
| IFRS 15          | Revenue from Contracts with Customers   | 01 July 2018      |
| IFRS 16          | Leases  | 01 January 2019   |
| IAS 1/ IAS 8     | Definition of Material (Amendments)   | 01 January 2020   |
| IAS 19           | Plan Amendment, Curtailment or Settlement (Amendments)  | 01 January 2019   |
| IAS 28           | Long-term Interests in Associates and Joint Ventures (Amendments)   | 01 January 2019   |
| IFRIC 23         | Uncertainty over Income Tax Treatments  | 01 January 2019   |

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application, except for IFRS 9 and IFRS 15 for which the Company is currently evaluating the impact of said IFRSs.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| <b>Standards</b>                       | <b>IASB Effective date<br/>(annual periods<br/>beginning<br/>on or after)</b> |
|--|---|
| IFRS 14 – Regulatory Deferral Accounts | 01 January 2016   |
| IFRS 17 – Insurance Contracts          | 01 January 2021   |

# Notes to the Financial Statements

For the year ended 31 December 2018

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

## 3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities are addressed below:

#### 3.1.1 Property, plant and equipment and intangible assets

The Company reviews the useful lives, method of depreciation / amortisation and residual values of property, plant and equipment and intangible assets on the reporting date. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment and intangible assets with a corresponding effect on the depreciation / amortisation charge and impairment.

#### 3.1.2 Impairment reviews

Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Changes in the assumptions used by management, in particular the PTA-Px margins, discount rate and expected capacity utilizations may affect the Company's impairment evaluation and accordingly the amounts recognised in the financial statements.

#### 3.1.3 Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

#### 3.1.4 Defined benefit plans

The Company has adopted certain actuarial assumptions as disclosed in note 18 to these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice.

3.2 No critical judgment has been used in applying the accounting policies.



# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

|                               | Note | 2018             | 2017      |
|-------------------------------|------|------------------|-----------|
| <b>4. Fixed assets</b>        |      |                  |           |
| Property, plant and equipment |      |                  |           |
| Operating fixed assets        | 4.1  | <b>5,008,430</b> | 5,277,381 |
| Capital work-in-progress      | 4.2  | <b>133,746</b>   | 373,677   |
|                               |      | <b>5,142,176</b> | 5,651,058 |
| Intangible assets             | 4.3  | <b>759</b>       | 1,154     |
|                               |      | <b>5,142,935</b> | 5,652,212 |

## 4.1 Operating fixed assets

The following is a statement of operating fixed assets:

|                                    | Leasehold land | Buildings on leasehold land | Plant and machinery | Motor vehicles | Furniture and equipment | Total            |
|------------------------------------|----------------|-----------------------------|---------------------|----------------|-------------------------|------------------|
| <b>Net carrying value basis</b>    |                |                             |                     |                |                         |                  |
| <b>Year ended 31 December 2018</b> |                |                             |                     |                |                         |                  |
| Opening net book value (NBV)       | 43,384         | 61,633                      | 5,125,574           | 177            | 46,613                  | 5,277,381        |
| Additions (at cost)                | -              | 6,394                       | 563,373             | -              | 6,823                   | 576,590          |
| Disposals (at NBV)                 | -              | -                           | -                   | -              | (57)                    | (57)             |
| Depreciation charge - note 23      | (1,422)        | (9,510)                     | (820,585)           | (95)           | (13,872)                | (845,484)        |
| Closing net book value (NBV)       | <b>41,962</b>  | <b>58,517</b>               | <b>4,868,362</b>    | <b>82</b>      | <b>39,507</b>           | <b>5,008,430</b> |
| <b>Gross carrying value basis</b>  |                |                             |                     |                |                         |                  |
| <b>at 31 December 2018</b>         |                |                             |                     |                |                         |                  |
| Cost                               | 90,278         | 1,004,901                   | 32,430,052          | 53,773         | 231,589                 | 33,810,593       |
| Accumulated depreciation           | (48,316)       | (744,673)                   | (26,303,576)        | (53,691)       | (192,082)               | (27,342,338)     |
| Accumulated impairment losses      | -              | (201,711)                   | (1,258,114)         | -              | -                       | (1,459,825)      |
| Net book value (NBV)               | <b>41,962</b>  | <b>58,517</b>               | <b>4,868,362</b>    | <b>82</b>      | <b>39,507</b>           | <b>5,008,430</b> |
| <b>Net carrying value basis</b>    |                |                             |                     |                |                         |                  |
| <b>Year ended 31 December 2017</b> |                |                             |                     |                |                         |                  |
| Opening net book value (NBV)       | 44,806         | 76,769                      | 4,736,897           | 354            | 44,222                  | 4,903,048        |
| Additions (at cost)                | -              | 140                         | 1,006,919           | -              | 16,960                  | 1,024,019        |
| Disposals (at NBV)                 | -              | -                           | (455)               | -              | -                       | (455)            |
| Depreciation charge - note 23      | (1,422)        | (15,276)                    | (617,787)           | (177)          | (14,569)                | (649,231)        |
| Closing net book value (NBV)       | <b>43,384</b>  | <b>61,633</b>               | <b>5,125,574</b>    | <b>177</b>     | <b>46,613</b>           | <b>5,277,381</b> |
| <b>Gross carrying value basis</b>  |                |                             |                     |                |                         |                  |
| <b>at 31 December 2017</b>         |                |                             |                     |                |                         |                  |
| Cost                               | 90,278         | 998,507                     | 32,216,630          | 57,808         | 225,237                 | 33,588,460       |
| Accumulated depreciation           | (46,894)       | (735,163)                   | (25,832,942)        | (57,631)       | (178,624)               | (26,851,254)     |
| Accumulated impairment losses      | -              | (201,711)                   | (1,258,114)         | -              | -                       | (1,459,825)      |
| Net book value (NBV)               | <b>43,384</b>  | <b>61,633</b>               | <b>5,125,574</b>    | <b>177</b>     | <b>46,613</b>           | <b>5,277,381</b> |
| Depreciation % per annum           | <b>2</b>       | <b>5</b>                    | <b>5 - 20</b>       | <b>25</b>      | <b>10 - 33</b>          |                  |

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

4.1.1 The details of immovable operating fixed assets i.e. land and building of the Company is as follows:

| Location and Address  | Usage               | Total area<br>in acres |
|---|---------------------|------------------------|
| EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi.   | Manufacturing Plant | 150.975                |
|   | <b>2018</b>         | 2017                   |
| <b>4.2 Capital work-in-progress</b>   |                     |                        |
| Civil works and buildings   | 1,038               | 5,700                  |
| Plant and machinery   | 80,292              | 354,667                |
| Other equipments  | 1,100               | -                      |
| Advances to suppliers   | 51,316              | 13,310                 |
|   | <u>133,746</u>      | <u>373,677</u>         |
| <b>4.2.1 Capital work-in-progress - movement</b>  |                     |                        |
| Opening balance   | 373,677             | 244,173                |
| Capital expenditure   | 328,056             | 1,146,819              |
| Transferred to operating fixed assets   | (567,987)           | (1,017,315)            |
| Closing balance - note 4.2.2  | <u>133,746</u>      | <u>373,677</u>         |
| <b>4.2.2</b> These include capital stores as at 31 December amounting to Rs Nil (2017: Rs 152.3 million). |                     |                        |
|   | <b>2018</b>         | 2017                   |
| <b>4.3 Intangible assets</b>  |                     |                        |
| <b>4.3.1 Net carrying value basis</b>   |                     |                        |
| Opening net book value  | 1,154               | 1,566                  |
| Additions during the year   | -                   | 46                     |
| Amortisation charge - note 23   | (395)               | (458)                  |
| Closing net book value  | <u>759</u>          | <u>1,154</u>           |
| <b>4.3.2 Gross carrying value basis</b>   |                     |                        |
| Cost  | 216,049             | 216,049                |
| Accumulated amortisation  | (215,290)           | (214,895)              |
| Net book value  | <u>759</u>          | <u>1,154</u>           |
| Amortisation % per annum  | <u>20</u>           | <u>20</u>              |

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

4.4 The details of operating fixed assets written off during the year are as follows:

| Description   | Cost           | Accumulated depreciation | Net book value | Sales proceeds | Particulars of buyers / others |
|---|----------------|--------------------------|----------------|----------------|--------------------------------|
| Items having book value of less than Rs. 500,000 each |                |                          |                |                |                                |
| Plant and machinery                                   | 341,849        | 341,849                  | -              | 11,667         | Various                        |
| Motor vehicles  | 1,980          | 1,980                    | -              | 2,162          | Various                        |
| Furniture and equipment                               | 238            | 181                      | 57             | 116            | Various                        |
| <b>2018</b>   | <b>344,067</b> | <b>344,010</b>           | <b>57</b>      | <b>13,945</b>  |                                |
| 2017  | 8,102          | 7,647                    | 455            | -              |                                |

5. Long-term loans and advances - considered good

|  | 2018      |                           |        |          | 2017    |
|--|-----------|---------------------------|--------|----------|---------|
|  | Motor car | House building assistance | Others | Total    | Total   |
| Due from executives - note 5.1             | 20,569    | 16,165                    | 28     | 36,762   | 35,115  |
| Less: receivable within one year - note 11 | (3,204)   | (5,618)                   | (28)   | (8,850)  | (8,062) |
|  | 17,365    | 10,547                    | -      | 27,912   | 27,053  |
| Due from employees                         | 56,647    | 4,714                     | 4,077  | 65,438   | 57,205  |
| Less: receivable within one year - note 11 | (8,144)   | (1,660)                   | (634)  | (10,438) | (9,719) |
|  | 48,503    | 3,054                     | 3,443  | 55,000   | 47,486  |
|  | 65,868    | 13,601                    | 3,443  | 82,912   | 74,539  |

| 5.1 Reconciliation of carrying amount of loans and advances to executives | 2018     | 2017     |
|---|----------|----------|
| Balance at 1 January  | 35,115   | 63,961   |
| Disbursement  | 16,758   | 9,846    |
| Repayments  | (15,111) | (38,692) |
| Balance at 31 December  | 36,762   | 35,115   |

5.2 Loans for purchase of motor cars and house building assistance are repayable between two to ten years. All the loans are interest free and are secured, where applicable, against respective assets granted to the employees of the Company in accordance with their terms of employment.

5.3 The maximum aggregate amount of loans and advances due from Executives at the end of any month during the year was Rs 41.43 million (2017: Rs 40.11 million).

5.4 Comparative figures have been restated to reflect changes in the definition of executives as per Companies Act, 2017.

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

| 6. Long-term deposits and prepayments   | 2018             | 2017             |
|---|------------------|------------------|
| Deposits - unsecured and considered good - note 6.1   | 40,357           | 40,374           |
| Prepayments   | 1,792            | 22,171           |
|   | <u>42,149</u>    | <u>62,545</u>    |
| <b>6.1</b> These include Rs 14.42 million (2017: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2017: Rs 24.27 million) paid to K-Electric Limited. |                  |                  |
| 7. Deferred tax assets  | 2018             | 2017             |
| (Credit) balance arising in respect of property, plant and equipment  | (594,241)        | (738,186)        |
| Debit balances arising in respect of:   |                  |                  |
| - provisions for:   |                  |                  |
| - sales tax refundable  | 33,368           | 25,651           |
| - retirement benefit obligations  | 22,051           | 32,536           |
| - slow moving, obsolete and rejected items of stores and spare parts  | -                | 3,432            |
| - provision for Gas Infrastructure Development Cess and Sindh Infrastructure Development Cess   | 974,760          | 414,339          |
| - carry forward of minimum tax  | -                | 1,631,635        |
| - taxable losses  | -                | 230,154          |
|   | <u>1,030,179</u> | <u>2,337,747</u> |
|   | <u>435,938</u>   | <u>1,599,561</u> |
| 8. Stores and spare parts   |                  |                  |
| Stores  | 91,024           | 30,436           |
| Spare parts   | 775,614          | 830,433          |
|   | <u>866,638</u>   | <u>860,869</u>   |
| Provision for slow moving, obsolete, and rejected items - note 8.1  | -                | (12,041)         |
|   | <u>866,638</u>   | <u>848,828</u>   |
| 8.1 Provision for slow moving, obsolete and rejected items  |                  |                  |
| Provision at 1 January  | 12,041           | 19,701           |
| Charge for the year   | 4,482            | 1,910            |
|   | <u>16,523</u>    | <u>21,611</u>    |
| Write-offs  | (16,523)         | (9,570)          |
| Provision at 31 December  | <u>-</u>         | <u>12,041</u>    |

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

| 9. Stock-in-trade   | 2018        | 2017        |
|---|-------------|-------------|
| Raw and packing materials [including in-transit Rs 184.0 million (2017: Rs 111.9 million)]                              | 2,779,589   | 2,843,041   |
| <b>Finished goods</b>   |             |             |
| - Manufactured goods  | 2,371,381   | 322,157     |
| - Trading goods [including in-transit Rs 25.1 million (2017: Rs 133.0 million)]   | 87,480      | 196,776     |
|   | 2,458,861   | 518,933     |
|   | 5,238,450   | 3,361,974   |
| <b>9.1 Cost of stock-in-trade held with the third parties include the following:</b>                                    |             |             |
| Paraxylene and Acetic acid held for consumption   |             |             |
| - Engro Vopak Terminal Limited  | 1,665,478   | 1,849,057   |
| Acetic acid held for trading  |             |             |
| - Chempro Pakistan (Private) Limited  | 2,798       | 2,420       |
| - Engro Vopak Terminal Limited  | 59,588      | 61,385      |
|   | 62,386      | 63,805      |
|   | 1,727,864   | 1,912,862   |
| <b>10. Trade debts</b>  |             |             |
| <b>10.1</b> All of the Company's trade debts are secured by letters of credit of 30 to 90 days issued by various banks. |             |             |
| <b>10.2</b> These balances are neither past due nor impaired and are considered good.                                   |             |             |
| <b>11. Loans and advances - considered good</b>   | <b>2018</b> | <b>2017</b> |
| Loans due from:   |             |             |
| - Executives - note 5   | 8,850       | 8,062       |
| - Employees - note 5  | 10,438      | 9,719       |
|   | 19,288      | 17,781      |
| Advances to:  |             |             |
| - Executives  | 4,562       | 5,647       |
| - Employees   | 3,300       | 1,843       |
| - Contractors and suppliers   | -           | 2,021       |
|   | 7,862       | 9,511       |
|   | 27,150      | 27,292      |

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

- 11.1** The maximum aggregate amount of loans and advances due from executives at the end of any month during the year was Rs 5.14 million (2017: Rs 4.30 million).
- 11.2** All of the above loans and advances are secured except for advances to contractors and suppliers.
- 11.3** Comparative figures have been restated to reflect changes in the definition of executives as per Companies Act, 2017.

| <b>12. Trade deposits and short-term prepayments</b> | <b>2018</b>   | <b>2017</b> |
|--|---------------|-------------|
| <b>Trade deposits</b>                                |               |             |
| Deposits - secured and considered good               | <b>2,009</b>  | 1,764       |
| Margin on import letters of credit                   | <b>4,630</b>  | -           |
|  | <b>6,639</b>  | 1,764       |
| <b>Short-term prepayments</b>                        | <b>52,849</b> | 45,470      |
|  | <b>59,488</b> | 47,234      |

**13. Other receivables - considered good**

|                                |                |        |
|--------------------------------|----------------|--------|
| Rebates receivable - note 13.1 | <b>735,247</b> | 19,969 |
| Insurance claims               | <b>20,842</b>  | -      |
| Others                         | <b>600</b>     | 85     |
|                                | <b>756,689</b> | 20,054 |

- 13.1** This represents amounts receivable from suppliers on account of price and exchange rate differentials in respect of paraxylene and acetic acid settlements.

**14. Tax refunds due from government - sales tax**

|  | <b>2018</b>      | <b>2017</b> |
|--|------------------|-------------|
| Sales tax refundable - note 14.1               | <b>320,040</b>   | 463,657     |
| Provision for doubtful receivables - note 14.2 | <b>(130,090)</b> | (90,004)    |
|  | <b>189,950</b>   | 373,653     |

- 14.1** This includes Rs 114.09 million (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 year, the Company has received a refund of Rs 84.11 million from FBR.

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

| <b>14.2 Reconciliation of Provision for doubtful receivables</b>     | <b>2018</b>   | 2017              |
|--|---|-------------------|
| Balance as at 1 January  | <b>90,004</b>   | 90,004            |
| Provision against sales tax refundable - note 26                     | <b>42,000</b>   | -                 |
| Reversal of provision against receipt of sales tax refunds - note 27 | <b>(1,914)</b>  | -                 |
| Balance as at 31 December  | <u><b>130,090</b></u>   | <u>90,004</u>     |
| <br>   |   |                   |
| <b>15. Cash and bank balances</b>                                    | <b>2018</b>   | 2017              |
| Short-term fixed deposits - note 15.1                                | <b>2,652,300</b>  | 5,026,900         |
| With banks in current accounts                                       | <b>1,566,900</b>  | 14,519            |
| Cash in hand   | <b>1,556</b>  | 1,769             |
|  | <u><b>4,220,756</b></u>   | <u>5,043,188</u>  |
| <br>   |   |                   |
| <b>15.1</b>  | During the year, the mark-up rates on term deposits ranged from 5.50% to 10.75% (2017: 5.00% to 6.80%) per annum and had maturities of less than three months.  |                   |
| <br>   |   |                   |
| <b>16. Share capital</b>   | <b>2018</b>   | 2017              |
| <b>16.1</b>  | Authorised capital 2,000,000,000 ordinary shares of Rs 10 each <b>20,000,000</b> 20,000,000   |                   |
| <b>16.2</b>  | 504,735,636 ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 16.3 <b>5,047,356</b> 5,047,356  |                   |
|  | 1,009,471,572 ordinary shares of Rs 10 each fully paid-up in cash <b>10,094,716</b> 10,094,716  |                   |
|  | <u><b>15,142,072</b></u>  | <u>15,142,072</u> |
| <br>   |   |                   |
| <b>16.3</b>  | With effect from 1 October 2000, the PTA Business of ICI Pakistan Limited was demerged under a Scheme of Arrangement (Scheme), dated 12 December 2000, as approved by the shareholders and sanctioned by the Honourable High Court of Sindh, in consideration for ordinary shares of the Company. |                   |
| <b>16.4</b>  | At 31 December 2018 and 2017, Lotte Chemical Corporation, South Korea held 1,135,860,105 ordinary shares of Rs 10 each representing 75.01% shareholding of the Company.   |                   |
| <b>16.5</b>  | These fully paid ordinary shares carry one vote per share and right to dividend.  |                   |
| <br>   |   |                   |
| <b>17. Capital reserves</b>  |   |                   |
|  | Capital reserves represent the amount received from various overseas companies of AkzoNobel Group (then group companies), for purchase of fixed assets. The remitting companies have no claim to their repayments.  |                   |

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

## 18. Retirement benefit obligations

### 18.1 Staff retirement benefits

**18.1.1** As stated in note 2.14.1 to these financial statements, the Company operates two retirement benefit plans (the Plans) namely approved funded gratuity scheme for all its permanent employees and unfunded medical scheme to provide post retirement medical benefits to all full-time management staff employees who are also the members of defined contribution superannuation fund. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at 31 December 2018.

**18.1.2** Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Act, 2017, Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

**18.1.3** The latest actuarial valuations of the Fund as at 31 December 2018 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

|  | 2018               |                     |                  | 2017               |                     |                 |
|--|--------------------|---------------------|------------------|--------------------|---------------------|-----------------|
|  | Funded<br>Gratuity | Unfunded<br>Medical | Total            | Funded<br>Gratuity | Unfunded<br>Medical | Total           |
| <b>18.1.4 Statement of financial position</b>                              |                    |                     |                  |                    |                     |                 |
| Present value of defined benefit obligation at 31 December - note 18.1.5   | (288,710)          | (85,969)            | (374,679)        | (248,758)          | (76,275)            | (325,033)       |
| Fair value of plan assets at 31 December note 18.1.6                       | 249,197            | -                   | 249,197          | 226,753            | -                   | 226,753         |
|  | <u>(39,513)</u>    | <u>(85,969)</u>     | <u>(125,482)</u> | <u>(22,005)</u>    | <u>(76,275)</u>     | <u>(98,280)</u> |
| <b>18.1.5 Movement in the present value of defined benefit obligations</b> |                    |                     |                  |                    |                     |                 |
| Balances as at 1 January   | 248,758            | 76,275              | 325,033          | 229,016            | 65,830              | 294,846         |
| Benefits paid by the plan  | (8,332)            | (1,459)             | (9,791)          | (16,513)           | (979)               | (17,492)        |
| Current service costs  | 15,717             | 2,813               | 18,530           | 15,252             | 2,800               | 18,052          |
| Interest cost  | 22,013             | 6,821               | 28,834           | 20,420             | 6,044               | 26,464          |
| Remeasurement loss   | 10,554             | 1,519               | 12,073           | 583                | 2,580               | 3,163           |
| Balance as at 31 December  | <u>288,710</u>     | <u>85,969</u>       | <u>374,679</u>   | <u>248,758</u>     | <u>76,275</u>       | <u>325,033</u>  |
| <b>18.1.6 Movement in the fair value of plan assets</b>                    |                    |                     |                  |                    |                     |                 |
| Fair value of plan assets at 1 January                                     | 226,753            | -                   | 226,753          | 219,482            | -                   | 219,482         |
| Contributions paid into the plan   | 18,132             | -                   | 18,132           | 15,097             | -                   | 15,097          |
| Benefits paid by the plan  | (8,332)            | -                   | (8,332)          | (16,513)           | -                   | (16,513)        |
| Interest income  | 20,849             | -                   | 20,849           | 20,236             | -                   | 20,236          |
| Remeasurement loss   | (8,205)            | -                   | (8,205)          | (11,549)           | -                   | (11,549)        |
| Fair value of plan assets at 31 December                                   | <u>249,197</u>     | <u>-</u>            | <u>249,197</u>   | <u>226,753</u>     | <u>-</u>            | <u>226,753</u>  |



# Notes to the Financial Statements

For the year ended 31 December 2018

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|   | 2018          |               |                | 2017          |               |               |
|---|---------------|---------------|----------------|---------------|---------------|---------------|
|   | Funded        | Unfunded      | Total          | Funded        | Unfunded      | Total         |
|   | Gratuity      | Medical       |                | Gratuity      | Medical       |               |
| <b>18.1.7 Expense recognised in Statement of profit or loss</b>   |               |               |                |               |               |               |
| Current service costs   | 15,717        | 2,813         | 18,530         | 15,252        | 2,800         | 18,052        |
| Net interest cost   | 1,164         | 6,821         | 7,985          | 184           | 6,044         | 6,228         |
| Expense recognised in Statement of profit or loss   | <u>16,881</u> | <u>9,634</u>  | <u>26,515</u>  | <u>15,436</u> | <u>8,844</u>  | <u>24,280</u> |
| <b>18.1.8 Remeasurement loss recognised in Statement of profit or loss and other comprehensive income</b> |               |               |                |               |               |               |
| Experience losses   | 10,554        | 1,519         | 12,073         | 583           | 2,580         | 3,163         |
| Remeasurement of fair value of plan assets  | 8,205         | -             | 8,205          | 11,549        | -             | 11,549        |
| Remeasurement loss  | <u>18,759</u> | <u>1,519</u>  | <u>20,278</u>  | <u>12,132</u> | <u>2,580</u>  | <u>14,712</u> |
| <b>18.1.9 Net recognised liability / (asset)</b>  |               |               |                |               |               |               |
| Net liability at beginning of the year  | 22,005        | 76,275        | 98,280         | 9,534         | 65,830        | 75,364        |
| Charge for the year   | 16,881        | 9,634         | 26,515         | 15,436        | 8,844         | 24,280        |
| Contribution made during the year to the fund   | (18,132)      | (1,459)       | (19,591)       | (15,097)      | (979)         | (16,076)      |
| Remeasurement loss recognised in statement of profit or loss and other comprehensive income               | 18,759        | 1,519         | 20,278         | 12,132        | 2,580         | 14,712        |
| Recognised liability / (asset) as at 31 December  | <u>39,513</u> | <u>85,969</u> | <u>125,482</u> | <u>22,005</u> | <u>76,275</u> | <u>98,280</u> |
| <b>18.1.10 Actuarial assumptions</b>  |               |               |                |               |               |               |
| Discount rate at 31 December  | 13.25%        | 13.25%        |                | 9.00%         | 9.00%         |               |
| Future salary increases   | 11.25%        | -             |                | 7.00%         | -             |               |
| Medical cost trend rate   | -             | 7.75%         |                | -             | 3.75%         |               |

|  | 2018<br>(Un-audited) | 2017<br>(Audited) |
|--|----------------------|-------------------|
| <b>18.1.11 Plan assets comprise of following</b> |                      |                   |
| <b>31 December</b>                               |                      |                   |
| Government bonds                                 | 112,238              | 95,796            |
| Other bonds (TFCs)                               | 90,241               | 87,136            |
| Shares   | 44,615               | 41,097            |
| Term deposits                                    | 2,103                | 2,724             |
| Total as at 31 December                          | <u>249,197</u>       | <u>226,753</u>    |

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

**18.1.13** In case of the funded plans, the Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2017 consist of government bonds and national savings deposits. The Company believes that government bond offer the best returns over the long term with an acceptable level of risk.

**18.1.14** The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date.

The Company's contribution to the gratuity funds in 2019 is expected to be Rs 23.46 million.

The actuary conducts valuations for calculating contribution rate and the Company contributes to the gratuity fund according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

## 18.2 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|                              | Impact on retirement benefit obligations |                         |                         |
|------------------------------|--|-------------------------|-------------------------|
|                              | Change in assumptions                    | Increase in assumptions | Decrease in assumptions |
| Discount rate at 31 December | 1%                                       | (33,164)                | 38,452                  |
| Future salary increases      | 1%                                       | 24,559                  | (22,246)                |
| Medical cost trend           | 1%                                       | 14,774                  | (12,101)                |

If longevity increases by 1 year, obligation increases by Rs 0.59 million.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

A sensitivity analysis was conducted to determine the impact of a 1% change in the medical cost trend, which was not material.

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

# Notes to the Financial Statements

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**18.3** The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Fund, at the beginning of the period, for returns over the entire life of related obligation.

**18.4** The Company's contributions towards the provident fund and defined contribution superannuation fund for the year ended 31 December 2018 amounted to Rs 25.31 million (2017: Rs 23.36 million) and Rs 21.32 million (2017: Rs 19.83 million).

**18.5** The weighted average duration of the defined benefit obligations is 11 years.

Expected maturity analysis of undiscounted retirement benefit plans.

| <u>At 31 December 2018</u> | <b>Less than<br/>a year</b> | <b>Between<br/>1-2 years</b> | <b>Between<br/>2-5 years</b> | <b>Over<br/>5 years</b> | <b>Total</b>   |
|----------------------------|-----------------------------|------------------------------|------------------------------|-------------------------|----------------|
| Retirement benefit plans   | <u>7,132</u>                | <u>11,776</u>                | <u>107,716</u>               | <u>509,987</u>          | <u>636,611</u> |

| <b>19. Trade and other payables</b>             | <b>2018</b>             | <b>2017</b>      |
|---|-------------------------|------------------|
| Trade creditors including bills payable         | <b>876,202</b>          | 4,775,613        |
| Accrued expenses                                | <b>670,360</b>          | 683,429          |
| Advances from customer                          | <b>7,102</b>            | 3,413            |
| Infrastructure cess - note 19.1                 | <b>2,418,030</b>        | 2,144,434        |
| Gas infrastructure development cess - note 19.2 | <b>2,410,863</b>        | 1,895,783        |
| Workers' Profit Participation Fund - note 19.3  | <b>42,372</b>           | 46,359           |
| Workers' Welfare Fund                           | <b>149,583</b>          | 23,713           |
| Others  | <b>108,118</b>          | 12,628           |
|   | <u><b>6,682,630</b></u> | <u>9,585,372</u> |

**19.1** 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 upto December 2006 was declared to be illegal while amounts charged after that date were decreed to be within the law. Appeals were filed in the Honourable Supreme Court of Pakistan (SCP) both by the companies and the Government of Sindh in respect of the aforesaid judgement of the SHC. During the year 2011, the SCP referred the case back to the SHC.

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

During the last year, 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 on 17 October 2017 and the matter adjourned to 24 October 2017. The Honourable SHC grant interim arrangement in line with its order dated 02 June 2011 in this case as well.

# Notes to the Financial Statements

For the year ended 31 December 2018

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As per legal advice sought by the Company in respect of the aforementioned case, the SHC may uphold the validity of the law against the Company upon its re-filing since the matter has been referred back to the SHC by the SCP, thereby making the Company liable to pay the levy for all consignments cleared till date. As a matter of abundant caution, full amount of provision has been made in these financial statements in this respect.

|                           | 2018             | 2017             |
|---------------------------|------------------|------------------|
| Balance as at 1 January   | 2,144,434        | 1,962,548        |
| Charge for the year       | 273,596          | 181,886          |
| Balance as at 31 December | <u>2,418,030</u> | <u>2,144,434</u> |

**19.2** In accordance with the Gas Infrastructure Development Cess Act, 2011 (GIDC Act, 2011), the Company was required to pay GIDC to applicable supplier of Gas, as specified in the First Schedule and at rates specified in the Second Schedule to the GIDC Act, 2011. The provisions of the GIDC Act 2011 were amended through subsequent notifications. The Honourable Sindh High Court (SHC) restrained Sui Southern Gas Company Limited (SSGCL) from charging GIDC above Rs 13 per MMBTU and accordingly the Company paid GIDC at the reduced rate. On 22 August 2014, the Honorable Supreme Court of Pakistan (SCP) struck down the GIDC Act, 2011 on the grounds of it being unconstitutional. In response, the President of Pakistan promulgated the GIDC Ordinance, 2014 on 25 September 2014 with retrospective effect. On 29 September 2014, the SHC issued an interim order restraining the defendants such as SSGCL from raising demand or issuing gas bills in pursuance of the GIDC Ordinance, 2014. Accordingly, SSGCL has not levied GIDC since August 2014. The approval of the GIDC Ordinance, 2014 was awaited from the National Assembly and on 22 May 2015, the Gas Infrastructure Development Cess Act, 2015 (GIDC Act 2015) was promulgated and was made applicable with immediate effect superseding GIDC Act, 2011. The Company, on 23 July 2015 has obtained a ad-interim stay order against the GIDC Act, 2015 from the High Court of Sindh.

Later in the year 2016, the High Court of Sindh vide its order dated 26 October 2016, has decided the case in the favor of plaintiffs. Accordingly, GIDC Act 2015 declared ultra vires to constitution along with GIDC Act 2011 and GIDC Ordinance 2014. However, on prudent basis, the Company has recognized a provision in these financial statements due to inherent uncertainties involved in such matters.

| <b>19.3 Reconciliation of Workers' Profit Participation Fund</b> | 2018             | 2017            |
|--|------------------|-----------------|
| Balance as at 1 January  | 46,359           | 24,376          |
| Allocation for the year - note 26                                | 342,372          | 46,359          |
| Interest on funds utilised - note 28                             | 23               | 250             |
| Amount paid to the Fund  | <u>(346,382)</u> | <u>(24,626)</u> |
| Balance as at 31 December  | <u>42,372</u>    | <u>46,359</u>   |

## **20. Accrued interest**

|                             |                |                |
|-----------------------------|----------------|----------------|
| Long-term loans - note 20.1 | <u>211,018</u> | <u>168,159</u> |
|-----------------------------|----------------|----------------|

**20.1** This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (2017: USD 1.52 million) on long-term loans previously repaid. The amount is still unpaid due to certain legal and procedural complexities with respect to foreign remittance.

# Notes to the Financial Statements

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## 21. Contingencies and commitments

### Contingencies

- 21.1** 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 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 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 (2017: Rs 149.69 million) in these financial statements.
- 21.2** On 31 January 2018, Deputy Commissioner Inland Revenue, Large Tax payers Unit (LTU), Karachi issued an order-in-original for the payment of input tax claimed twice in the month of November 2015 and December 2015 by the Company involving sales tax amount of Rs 4.49 million, penalty Rs 0.13 million and default surcharge Rs 0.911 million. The Company has paid the Principal amount on 26 December 2017 to tax authorities and has filed appeal related to the levy of penalty and default surcharge against the aforesaid order with Commissioner Inland Revenue (Appeals) which was rejected on 03 December 2018 (order received on 17 December 2018). The Company is in the process of filing appeal before Appellate Tribunal Inland Revenue (ATIR) against the said order of CIR (A). Accordingly, no provision has been made in these financial statements and the management is confident of the favourable outcome in this regard.
- 21.3** The Deputy Commissioner Inland Revenue passed an orders on 06 December 2018 for non-furnishing of monthly statements for the period of July, August and September 2018 u/s 165(2) of the Income Tax Ordinance, 2001 involving penalty amount Rs. 0.03 million. The Company has applied for rectification of the Order on the grounds that the documentary evidence for timely submission of statements was not considered at the time of issue of said order. The Company is confident that the order will be rectified by the department, hence no provision was made in these financial statements.
- 21.4** Outstanding guarantees of the Company as at 31 December 2018 were Rs 2,594.8 million (2017: Rs 2,289.7 million).
- ### Commitments
- 21.5** Commitments in respect of capital expenditure as at 31 December 2018 amounts to Rs 19.94 million (2017: Rs 47.31 million).

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

**21.6** Commitments for rentals under operating lease agreements / Ijarah contracts in respect of vehicles as at 31 December are as follows:

| Year | 2018          | 2017          |
|------|---------------|---------------|
| 2018 | -             | 16,294        |
| 2019 | <b>22,695</b> | 14,247        |
| 2020 | <b>21,967</b> | 13,495        |
| 2021 | <b>16,835</b> | 8,359         |
| 2022 | <b>10,304</b> | 2,013         |
| 2023 | <b>4,598</b>  | -             |
|      | <b>76,399</b> | <b>54,408</b> |

**21.7** Commitments for rentals under operating lease agreements for certain supplies in respect of goods and services as at 31 December are as follows:

| Year | 2018             | 2017 |
|------|------------------|------|
| 2019 | <b>827,742</b>   | -    |
| 2020 | <b>844,297</b>   | -    |
| 2021 | <b>861,183</b>   | -    |
| 2022 | <b>878,407</b>   | -    |
| 2023 | <b>149,329</b>   | -    |
|      | <b>3,560,958</b> | -    |

**21.7.1** Commitments for rentals under operating lease agreements in respect of goods and services are stated at minimum lease payments. Some of these are priced in foreign currency and payable in Pakistani Rupees, converted at exchange rates applicable on the date of payment.

**21.8** Letters of credit issued on behalf of the Company as at 31 December 2018 were Rs 20 million (2017: Rs 642.5 million).

## 22. Revenue - net

|                                 | 2018               |                  |                    | 2017               |               |             |
|---------------------------------|--------------------|------------------|--------------------|--------------------|---------------|-------------|
|                                 | Manufactured goods | Trading goods    | Total              | Manufactured goods | Trading goods | Total       |
| Local sales                     | <b>60,046,868</b>  | <b>1,158,202</b> | <b>61,205,070</b>  | 38,577,176         | 561,347       | 39,138,523  |
| Export sales                    | -                  | -                | -                  | 236,705            | -             | 236,705     |
|                                 | <b>60,046,868</b>  | <b>1,158,202</b> | <b>61,205,070</b>  | 38,813,881         | 561,347       | 39,375,228  |
| Less: Sales tax and excise duty | <b>(2,221,651)</b> | <b>(34,584)</b>  | <b>(2,256,235)</b> | (1,171,673)        | (9,958)       | (1,181,631) |
| Price settlements and discounts | <b>(1,534,226)</b> | <b>(14,368)</b>  | <b>(1,548,594)</b> | (1,149,107)        | (10,166)      | (1,159,273) |
|                                 | <b>56,290,991</b>  | <b>1,109,250</b> | <b>57,400,241</b>  | 36,493,101         | 541,223       | 37,034,324  |

**22.1** Four (2017: four) of the Company's customers contributed towards 89% (2017: 91%) of the revenue during the year amounting to Rs 51,747.61 million (2017: Rs 34,287.60 million) and each customer individually exceeded 10% of the revenue.

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

| <b>23. Cost of sales</b>                           | <b>2018</b>        | <b>2017</b>        |
|--|--------------------|--------------------|
| Raw and packing materials consumed:                |                    |                    |
| Opening stock - note 9                             | 2,843,041          | 1,599,579          |
| Purchases  | 46,529,304         | 31,307,803         |
| Closing stock - note 9                             | <u>(2,779,589)</u> | <u>(2,843,041)</u> |
|  | <b>46,592,756</b>  | <b>30,064,341</b>  |
| Salaries, wages and benefits - note 23.1           | 524,795            | 485,999            |
| Stores and spares consumed                         | 216,843            | 179,059            |
| Lease rentals / Ijarah arrangements                | 8,427              | 11,531             |
| Insurance  | 35,459             | 49,631             |
| Oil, gas and electricity                           | 2,528,450          | 2,392,122          |
| Travelling   | 62,576             | 52,820             |
| Depreciation and amortisation - note 4.1 and 4.3.1 | 845,879            | 649,689            |
| Repairs and maintenance                            | 265,983            | 280,030            |
| Others   | <u>57,488</u>      | <u>51,525</u>      |
| Cost of goods manufactured                         | <b>51,138,656</b>  | <b>34,216,747</b>  |
| Opening stock of manufactured goods - note 9       | <u>322,157</u>     | <u>1,497,266</u>   |
|  | <b>51,460,813</b>  | <b>35,714,013</b>  |
| Closing stock of manufactured goods - note 9       | <u>(2,371,381)</u> | <u>(322,157)</u>   |
|  | <b>49,089,432</b>  | <b>35,391,856</b>  |
| <b>Trading goods</b>                               |                    |                    |
| Opening stock - note 9                             | 196,776            | 46,329             |
| Purchases  | 819,877            | 595,255            |
| Closing stock - note 9                             | <u>(87,480)</u>    | <u>(196,776)</u>   |
|  | <b>929,173</b>     | <b>444,808</b>     |
|  | <b>50,018,605</b>  | <b>35,836,664</b>  |

**23.1** Salaries, wages and benefits include Rs 15.28 million (2017: Rs 15.82 million) and Rs 30.41 million (2017: Rs 28.45 million) in respect of defined benefit and defined contribution plans respectively.

| <b>24. Distribution and selling expenses</b> | <b>2018</b>    | <b>2017</b>   |
|--|----------------|---------------|
| Salaries and benefits - note 24.1            | 62,392         | 57,857        |
| Outward freight and handling                 | 11,233         | 18,367        |
| Lease rentals / Ijarah arrangements          | 1,417          | 878           |
| Repairs and maintenance                      | 3,817          | 3,101         |
| Travelling                                   | 3,016          | 3,068         |
| Postage and telephone                        | 1,197          | 1,287         |
| Advertising and sales promotion              | 11,212         | 1,004         |
| Others                                       | <u>8,160</u>   | <u>7,900</u>  |
|  | <b>102,444</b> | <b>93,462</b> |

**24.1** Salaries and benefits include Rs 3.09 million (2017: Rs 2.92 million) and Rs 4.67 million (2017: Rs 4.33 million) in respect of defined benefit plans and defined contribution plans respectively.

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

| <b>25. Administrative expenses</b>   | <b>2018</b>    | <b>2017</b>    |
|--|----------------|----------------|
| Salaries and benefits - note 25.1  | <b>192,269</b> | 173,980        |
| Legal, professional and consultancy  | <b>12,204</b>  | 8,544          |
| Lease rentals / Ijarah arrangements  | <b>5,459</b>   | 4,998          |
| Travelling   | <b>11,204</b>  | 9,357          |
| Repairs and maintenance  | <b>29,083</b>  | 24,220         |
| Expenses on information technology   | <b>14,751</b>  | 14,714         |
| Security   | <b>21,436</b>  | 19,121         |
| Rent, rates and taxes  | <b>37,413</b>  | 35,789         |
| Publication and subscriptions  | <b>3,241</b>   | 3,025          |
| Postage and telephone  | <b>7,635</b>   | 7,515          |
| Printing and stationary  | <b>2,769</b>   | 2,646          |
| Others   | <b>50,191</b>  | 47,029         |
|  | <b>387,655</b> | <b>350,938</b> |
| <b>25.1</b> Salaries and benefits include Rs 8.15 million (2017: Rs 7.19 million) and Rs 11.55 million (2017: Rs 10.41 million) in respect of defined benefit plans and defined contribution plans respectively. |                |                |
| <b>26. Other expenses</b>  | <b>2018</b>    | <b>2017</b>    |
| Auditors' remuneration - note 26.1   | <b>3,351</b>   | 3,544          |
| Donations - note 26.2  | <b>3,192</b>   | 1,608          |
| Property, plant and equipment written off  | -              | 455            |
| Provision against sales tax refundable - note 14.2   | <b>42,000</b>  | -              |
| Obsolete stores and spare parts  |                |                |
| - provision  | -              | 1,910          |
| - write off  | <b>4,482</b>   | -              |
| Receivables written off  | -              | 70             |
| Workers' Profit Participation Fund   | <b>342,372</b> | 46,359         |
| Workers' Welfare Fund  | <b>159,499</b> | 641            |
| Others   | <b>447</b>     | -              |
|  | <b>555,343</b> | <b>54,587</b>  |
| <b>26.1 Auditors' remuneration</b>   |                |                |
| Audit fee  | <b>2,000</b>   | 2,000          |
| Limited reviews, group reporting package, and various certifications   | <b>1,114</b>   | 1,307          |
| Out of pocket expenses   | <b>237</b>     | 237            |
|  | <b>3,351</b>   | <b>3,544</b>   |
| <b>26.2</b> Donations include payments in respect of the following:  |                |                |
| Community services   | <b>2,757</b>   | 1,224          |
| Education  | <b>435</b>     | 384            |



# Notes to the Financial Statements

For the year ended 31 December 2018

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|   | 2018             | 2017           |
|---|------------------|----------------|
| <b>26.2.1</b> Donations to a single party exceeding Rs 500,000 are as follows:        |                  |                |
| Dar-ul-Sukun  | 720              | -              |
| Memon Health & Education Foundation   | 1,000            | -              |
| Layton Rahmatulla Benevolent Trust  | 693              | 682            |
|   | <u>2,413</u>     | <u>682</u>     |
| <b>26.2.2</b> None of the directors or their spouse had any interest in the donee(s). |                  |                |
| <b>27. Other income</b>   |                  |                |
| Scrap sales   | 29,500           | 9,335          |
| Gain on disposal of property, plant and equipment                                     | 13,888           | -              |
| Income from short-term fixed deposits   | 462,808          | 235,683        |
| Reversal of provision against receipt of sales tax refunds - note 14.2                | 1,914            | -              |
| Liabilities no longer payable written back  | 5                | 409            |
| Indenting commission  | 4,831            | 2,498          |
| Cellular tower rental income  | 1,555            | 671            |
| Others  | -                | 14             |
|   | <u>514,501</u>   | <u>248,610</u> |
| <b>28. Finance costs</b>  |                  |                |
| Discounting charges on trade debts  | 8,018            | 7,963          |
| Interest on Workers' Profit Participation Fund  | 23               | 250            |
| Exchange loss / (gain) - net  | 472,671          | (3,943)        |
| Bank and other charges  | 24,417           | 48,128         |
|   | <u>505,129</u>   | <u>52,398</u>  |
| <b>29. Taxation</b>   |                  |                |
| Current - for the year  | 1,994,958        | 395,457        |
| - for prior year - note 29.2  | 160,413          | 68,222         |
|   | <u>2,155,371</u> | <u>463,679</u> |
| Deferred - for the year   | 1,169,097        | -              |
| - for prior year  | (1,410,002)      | 18,910         |
|   | <u>(240,905)</u> | <u>18,910</u>  |
|   | <u>1,914,466</u> | <u>482,589</u> |

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

| <b>29.1 Reconciliation of income tax expense for the year</b> | <b>2018</b>             | 2017           |
|---|-------------------------|----------------|
| Profit before taxation  | <u>6,345,566</u>        | <u>894,885</u> |
| Applicable tax rate   | <u>29%</u>              | <u>30%</u>     |
| Tax calculated at the applicable tax rate                     | <b>1,840,214</b>        | 268,466        |
| <b>Tax effect of :</b>  |                         |                |
| - permanent differences                                       | <b>(3,066)</b>          | 479            |
| - tax rate difference   | <b>(16,606)</b>         | -              |
| - super tax for the current year                              | <b>132,401</b>          | -              |
| - income chargeable to tax under FTR basis                    | <b>1,067</b>            | 15,580         |
| - prior year tax charge - note 29.2                           | <b>160,413</b>          | 68,222         |
| - adjustment of minimum tax pertaining to prior year          | <b>(157,966)</b>        | 157,966        |
| - others  | <b>(41,991)</b>         | (28,124)       |
|   | <u><b>1,914,466</b></u> | <u>482,589</u> |

**29.2** Included herein super tax for TY 2018 of Rs 93.7 million (2017: Rs 36.6 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 through Finance Act, 2017 and Rs 35.3 million (2017: Nil) tax on undistributed profit under section 5A of the Income Tax Ordinance, 2001 related to TY 2017.

## **29.5 Management assessment of sufficiency of Tax provision**

The comparison of tax provisions as per financial statements and tax assessments for last three years are as follows:

| <b>Tax Year</b> | <b>Tax Provisions as per Financial Statements</b> | <b>Tax Assessments</b> |
|-----------------|---|------------------------|
| 2016            | 332,362   | 333,150                |
| 2017            | 348,017   | 352,768                |
| 2018            | 395,457   | 426,883                |

The Company computes tax provisions based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available. Accordingly, the management of the Company has assessed the sufficiency of the tax provisions and believes that the tax provisions are sufficient to reflect the actual tax liability of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

| <b>30. Cash generated from operations</b>                 | <b>2018</b>        | <b>2017</b> |
|---|--------------------|-------------|
| Profit before taxation                                    | <b>6,345,566</b>   | 894,885     |
| Adjustments for non cash charges and other items:         |                    |             |
| Depreciation and amortisation                             | <b>845,879</b>     | 649,689     |
| Obsolete stores and spare parts                           |                    |             |
| - provision   | -                  | 1,910       |
| - write off   | <b>4,482</b>       | -           |
| Other receivables written off                             | -                  | 70          |
| Provision against sales tax refundable                    | <b>42,000</b>      | -           |
| Property, plant and equipment written off                 | -                  | 455         |
| Gain on disposal of property, plant and equipment         | <b>(13,888)</b>    | -           |
| Provision for retirement benefit obligations              | <b>26,515</b>      | 24,280      |
| Finance costs   | <b>75,294</b>      | 64,667      |
| Interest accrued on short-term fixed deposits             | <b>(462,808)</b>   | (235,683)   |
| Infrastructure cess                                       | <b>273,596</b>     | 181,886     |
| Gas infrastructure development cess                       | <b>515,080</b>     | 483,845     |
|   | <b>1,306,150</b>   | 1,171,119   |
|   | <b>7,651,716</b>   | 2,066,004   |
| <b>Effect on cashflows due to working capital changes</b> |                    |             |
| (Increase) / decrease in current assets                   |                    |             |
| Stores and spare parts                                    | <b>(136,139)</b>   | 83,926      |
| Stock-in-trade  | <b>(1,876,476)</b> | (218,800)   |
| Trade debts   | <b>(583,447)</b>   | (925,775)   |
| Loans and advances  | <b>142</b>         | (4,578)     |
| Trade deposits and short-term prepayments                 | <b>(12,254)</b>    | (24,429)    |
| Other receivables   | <b>(736,635)</b>   | 305         |
| Tax refunds due from government - sales tax               | <b>141,703</b>     | (22,232)    |
|   | <b>(3,203,106)</b> | (1,111,583) |
| (Decrease) / increase in trade and other payables         | <b>(3,311,430)</b> | 1,903,488   |
| Cash generated from operations                            | <b>1,137,180</b>   | 2,857,909   |

## 31. Earnings per share - basic and diluted

|   |                         |               |
|---|-------------------------|---------------|
| Profit after taxation                                     | <b>4,431,100</b>        | 412,296       |
|   | <b>Number of shares</b> |               |
| Weighted average ordinary shares in issue during the year | <b>1,514,207,208</b>    | 1,514,207,208 |
|   | <b>Rupees</b>           |               |
| Earnings / (loss) per share                               | <b>2.93</b>             | 0.27          |

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

# Notes to the Financial Statements

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## 32. Remuneration of chief executive, directors and executives

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company were as follows:

|                            | Chief Executive |               | Executive Director |               | Executives     |                |
|----------------------------|-----------------|---------------|--------------------|---------------|----------------|----------------|
|                            | 2018            | 2017          | 2018               | 2017          | 2018           | 2017           |
| Managerial remuneration    | 17,602          | 15,656        | 9,538              | 9,817         | 175,891        | 165,819        |
| Retirement benefits        | 3,619           | 3,048         | -                  | -             | 53,276         | 44,605         |
| Group insurance            | 6               | 65            | 7                  | 7             | 474            | 994            |
| Rent and house maintenance | 122             | 11            | 2,410              | 2,253         | 69,741         | 62,002         |
| Utilities                  | -               | -             | -                  | -             | 15,193         | 13,246         |
| Medical expenses           | 85              | 160           | 87                 | -             | 11,376         | 11,244         |
|                            | <u>21,434</u>   | <u>18,940</u> | <u>12,042</u>      | <u>12,077</u> | <u>325,951</u> | <u>297,910</u> |
| Number of persons          | <u>1</u>        | <u>1</u>      | <u>1</u>           | <u>1</u>      | <u>78</u>      | <u>73</u>      |

**32.1** In addition to the above, amount charged in these financial statements for remuneration and meeting attendance fee to the non-executive directors, were Rs Nil (2017: Rs Nil) and Rs 0.553 million (2017: Rs 0.015 million) respectively.

**32.2** An amount of Rs 122.28 million (2017: Rs 89.40 million) on account of variable pay has been recognised in these financial statements. This amount is payable in 2019 after verification of target achievements.

Out of variable pay recognised for 2017 and 2016, following payments were made:

|                             | Paid in 2018<br>relating<br>to 2017 | Paid in 2017<br>relating<br>to 2016 |
|-----------------------------|-------------------------------------|-------------------------------------|
| Chief Executive             | 5,038                               | 3,862                               |
| Executives - note 32.4      | 53,314                              | 53,422                              |
| Other employees - note 32.4 | 27,631                              | 21,225                              |
|                             | <u>85,983</u>                       | <u>78,509</u>                       |

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

**32.4** Comparative figures have been restated to reflect changes in the definition of executives as per Companies Act, 2017.

## 33. Transactions with related parties

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

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

| Relationship             | Nature of Transactions                 | 2018   | 2017   |
|--------------------------|--|--------|--------|
| Parent company           | Purchase of services                   | -      | 2,813  |
|                          | Amount payable                         | -      | 2,813  |
| Associates               | Purchase of services                   | -      | 151    |
|                          | Purchase of goods                      | 557    | -      |
|                          | Amount payable                         | 557    | -      |
| Key management personnel | Salaries and other short term benefits | 53,488 | 47,472 |
|                          | Post employment benefit                | 6,700  | 5,780  |
|                          | Loans                                  |        |        |
|                          | - given                                | 21,346 | -      |
|                          | - received                             | 21,346 | -      |
| Others                   | Payment to retirement benefit funds    | 82,274 | 71,534 |

**33.1** The following are the related parties with whom the Company had entered into transaction or have arrangement / agreement in place:

|                              |   |
|------------------------------|---|
| Name of the Related Party:   | Lotte Chemical Corporation  |
| Basis of association:        | Parent Company  |
| Country of incorporation:    | South Korea   |
| Registered address:          | 14F-16F, Lotte World Tower, 300 Olympic-ro, Songpa-gu, Seoul , South Korea. |
| Shareholding in the Company: | 75.01% (2017: 75.01%)   |
| Name of the Chief Executive: | Mr. Kim Gyo-hyun  |
| Operational Status:          | Active  |
| Auditor's opinion:           | Unqualified (as at 31 December 2017)  |
| Date of Opinion:             | 08 March 2018   |

|  |  |
|--|--|
| Name of the Related Party:             | Lotte Kolson Private Limited                             |
| Basis of association:                  | Group Company  |
| Country of incorporation:              | Pakistan   |
| Registered address:                    | L-14, Block 21, F.B. Industrial Area, Karachi, Pakistan. |
| Associate shareholding in the Company: | Nil (2017: Nil)  |

|                                       |                    |
|---------------------------------------|--------------------|
| Names of the Key management personnel | Mr. Sang Hyeon Lee |
|                                       | Mr. Humair Ijaz    |
|                                       | Mr. Ashiq Ali      |
|                                       | Mr. Faisal Abid    |

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

## 34. Capacity and production / generation

|   | Annual name plate capacity |                | Actual production / generation |                |
|---|----------------------------|----------------|--------------------------------|----------------|
|   | 2018                       | 2017           | 2018                           | 2017           |
| Pure Terephthalic Acid - in metric tonnes - note 34.1 | <u>506,750</u>             | <u>506,750</u> | <u>516,688</u>                 | <u>467,014</u> |
| Electricity - in thousands of Kw - note 34.2          | <u>421,356</u>             | <u>421,356</u> | <u>229,485</u>                 | <u>210,215</u> |

**34.1** The current production is based on 95% plant availability.

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

## 35. Financial instruments and related disclosures

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency, interest rate and other price risks). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

### 35.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

Financial assets and liabilities by category and their respective maturities

|  | Interest bearing        |                         |                  | Non-Interest bearing    |                         |                  | Total            |
|--|-------------------------|-------------------------|------------------|-------------------------|-------------------------|------------------|------------------|
|  | Maturity up to one year | Maturity after one year | Total            | Maturity up to one year | Maturity after one year | Total            |                  |
| <b>Financial assets</b>                        |                         |                         |                  |                         |                         |                  |                  |
| Loans and advances                             | -                       | -                       | -                | 27,150                  | 82,912                  | 110,062          | 110,062          |
| Deposits                                       | -                       | 24,272                  | 24,272           | 6,639                   | 16,085                  | 22,724           | 46,996           |
| Trade debts                                    | -                       | -                       | -                | 3,401,047               | -                       | 3,401,047        | 3,401,047        |
| Interest accrued on short-term fixed deposits  | -                       | -                       | -                | 7,061                   | -                       | 7,061            | 7,061            |
| Other receivables                              | -                       | -                       | -                | 756,689                 | -                       | 756,689          | 756,689          |
| Cash and bank balances                         | 2,652,300               | -                       | 2,652,300        | 1,568,456               | -                       | 1,568,456        | 4,220,756        |
| <b>December 31, 2018</b>                       | <b>2,652,300</b>        | <b>24,272</b>           | <b>2,676,572</b> | <b>5,767,042</b>        | <b>98,997</b>           | <b>5,866,039</b> | <b>8,542,611</b> |
| December 31, 2017                              | 5,026,900               | 24,272                  | 5,051,172        | 2,898,234               | 90,641                  | 2,988,875        | 8,040,047        |
| <b>Financial liabilities</b>                   |                         |                         |                  |                         |                         |                  |                  |
| <b>At amortised cost</b>                       |                         |                         |                  |                         |                         |                  |                  |
| Trade and other payables                       | -                       | -                       | -                | 6,490,675               | -                       | 6,490,675        | 6,490,675        |
| Accrued interest                               | -                       | -                       | -                | 211,018                 | -                       | 211,018          | 211,018          |
| <b>December 31, 2018</b>                       | <b>-</b>                | <b>-</b>                | <b>-</b>         | <b>6,701,693</b>        | <b>-</b>                | <b>6,701,693</b> | <b>6,701,693</b> |
| December 31, 2017                              | -                       | -                       | -                | 9,683,459               | -                       | 9,683,459        | 9,683,459        |
| <b>On balance sheet date gap</b>               |                         |                         |                  |                         |                         |                  |                  |
| <b>December 31, 2018</b>                       | <b>2,652,300</b>        | <b>24,272</b>           | <b>2,676,572</b> | <b>(934,651)</b>        | <b>98,997</b>           | <b>(835,654)</b> | <b>1,840,918</b> |
| December 31, 2017                              | 5,026,900               | 24,272                  | 5,051,172        | (6,785,225)             | 90,641                  | (6,694,584)      | (1,643,412)      |
| <b>OFF BALANCE SHEET ITEMS</b>                 |                         |                         |                  |                         |                         |                  |                  |
| Letter of credits / guarantees                 |                         |                         |                  |                         |                         | 625,235          | 1,247,685        |
| Operating lease and ijarah contracts liability |                         |                         |                  |                         |                         | 3,637,357        | 54,408           |

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

## 35.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and deposits with banks.

### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To reduce exposure to credit risk, substantially all the sales are made against letters of credit. Approximately 38 percent (2017: 36 percent) of the Company's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The Board has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available. The customers associated with the Company for four years have contributed more than 88% of the revenue and losses have occurred infrequently.

# Notes to the Financial Statements

For the year ended 31 December 2018

Amounts in Rs '000

The maximum exposure to credit risk as at 31 December was:

| <b>Financial assets</b>                       | <b>2018</b>      | <b>2017</b> |
|---|------------------|-------------|
| Loans and advances - notes 5 and 11           | <b>110,062</b>   | 101,831     |
| Deposits - notes 6 and 12                     | <b>46,996</b>    | 42,138      |
| Trade debts                                   | <b>3,401,047</b> | 2,817,600   |
| Interest accrued on short-term fixed deposits | <b>7,061</b>     | 15,236      |
| Other receivables - note 13                   | <b>756,689</b>   | 20,054      |
| Bank balances - note 15                       | <b>4,219,200</b> | 5,041,419   |
|   | <b>8,541,055</b> | 8,038,278   |
|   |                  |             |
| Secured                                       | <b>3,401,047</b> | 2,817,600   |
| Unsecured                                     | <b>5,140,008</b> | 5,220,678   |
|   | <b>8,541,055</b> | 8,038,278   |
|   |                  |             |
| Not past due                                  | <b>8,541,055</b> | 8,038,278   |

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

|          | <b>2018</b>      | <b>2017</b> |
|----------|------------------|-------------|
| Domestic | <b>3,401,047</b> | 2,817,600   |

The Company has placed its funds with banks which are rated AA or above by PACRA / JCR VIS.

### 35.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the maturity date.

|  | <b>31 December</b>     |                               |                           |                  |                  |                  |
|--|------------------------|-------------------------------|---------------------------|------------------|------------------|------------------|
|  | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>Less than one year</b> | <b>1-2 years</b> | <b>2-3 years</b> | <b>3-5 years</b> |
| <b>Financial liabilities</b>                   |                        |                               |                           |                  |                  |                  |
| Trade and other payables                       | <b>6,490,675</b>       | <b>6,490,675</b>              | <b>6,490,675</b>          | -                | -                | -                |
| Accrued interest                               | <b>211,018</b>         | <b>211,018</b>                | <b>211,018</b>            | -                | -                | -                |
| <b>Off balance sheet</b>                       |                        |                               |                           |                  |                  |                  |
| Operating lease and Ijarah contracts liability | -                      | <b>3,637,357</b>              | <b>850,437</b>            | <b>866,264</b>   | <b>1,766,729</b> | <b>153,927</b>   |
| <b>2018</b>                                    | <b>6,701,693</b>       | <b>10,339,050</b>             | <b>7,552,130</b>          | <b>866,264</b>   | <b>1,766,729</b> | <b>153,927</b>   |
| <b>2017</b>                                    | 9,695,605              | 9,750,013                     | 9,711,899                 | 14,247           | 13,495           | 10,372           |



# Notes to the Financial Statements

For the year ended 31 December 2018

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Company manages liquidity risk by maintaining sufficient cash in bank accounts. At 31 December 2018, the Company had financial assets of Rs 8,541.1 million (2017: Rs 8,038.3 million), which include Rs 4,219.2 million (2017: Rs 5,041.4 million) of cash placed in bank accounts.

As at reporting date, the facilities amounting to Rs 2,280 million (2017: Rs 2,280 million) for running finance available from various banks remain unutilised. These facilities carry mark-up at rates ranging from 1 month KIBOR plus 1.0 percent per annum to 3 months KIBOR plus 1.75 percent per annum and are secured by joint pari-passu hypothecation charge over all the present and future stock and book debts of the Company.

As at reporting date, the foreign currency import and export finance facilities available from a local bank amounting to USD 21.59 million (2017: USD 27.1 million) remain unutilised. These facilities are available at interest rates to be negotiated at the time of booking and are secured against trust receipts and / or joint pari-passu hypothecation charge over all the present and future stock and book debts of the Company.

## 35.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price. Market risk comprise of three types of risks: currency risk, interest rate risk and other price risk.

### 35.4.1 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions based on currencies other than Pakistani Rupees. The Company is exposed to currency risk on receivables, payables and borrowings that are in a currency other than Pakistani Rupees.

The currency exposure in Pakistani Rupees at the year end was as follows:

|  | 2018                           |                 |                    | 2017    |       |             |
|--|--------------------------------|-----------------|--------------------|---------|-------|-------------|
|  | GBP                            | Euro            | US\$               | GBP     | Euro  | US\$        |
|  | ----- Equivalent Rs '000 ----- |                 |                    |         |       |             |
| <b>Financial liabilities</b>                     |                                |                 |                    |         |       |             |
| Trade payables                                   | <b>(7,882)</b>                 | <b>(25,464)</b> | <b>(2,044,475)</b> | (3,013) | (684) | (4,340,682) |
| Operating lease liability<br>(off balance sheet) | -                              | -               | <b>(3,560,958)</b> | -       | -     | -           |

Significant exchange rates applied during the year were as follows:

|                              | Average rate for the year |       | Spot rate as at 31 December |       |
|------------------------------|---------------------------|-------|-----------------------------|-------|
|                              | 2018                      | 2017  | 2018                        | 2017  |
|                              | Rupees                    |       | Rupees                      |       |
| US Dollar                    | <b>121.8</b>              | 105.9 | <b>139.0</b>                | 110.7 |
| Great Britain Pound Sterling | <b>163.3</b>              | 137.4 | <b>176.3</b>                | 149.0 |
| Euro                         | <b>144.9</b>              | 120.3 | <b>158.8</b>                | 132.3 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will decrease or increase profit before tax for the year by Rs 20.78 million (2017: Rs 43.44 million).

### 35.4.2 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at the reporting date, the Company is not exposed to change in floating interest rate on any of its assets and liabilities.

### 35.4.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments securities. As at reporting date, the Company is not exposed to other price risk.

## 36. Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal structure to reduce the cost of capital. The Company has no debt as at 31 December 2018.

## 37. Information about operating segment

For management purposes, the activities of the Company are organised into one operating segment i.e. manufacture and sale of chemicals. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. The operating interests of the Company are confined to Pakistan in terms of production/generation capacity. Accordingly, the information and figures reported in these financial statements are related to the Company's only reportable segment in Pakistan.

The geographical breakup of the Company's gross turnover is disclosed in note 22 to these financial statements.

The revenue information is based on the location of the customer. The details of customers with whom the revenue from sales transactions amount to 10% or more of the Company's overall revenue related to manufactured and sale of chemicals are disclosed in note 22 to these financial statements.

Non-current assets of the Company are confined within Pakistan and consist of property, plant and equipment, intangible asset, long-term loans, advances and deposits.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 38. Provident and other contributory funds related disclosures

The investments out of provident fund and contributory fund (Gratuity) have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

|   | 2018       | 2017       |
|---|------------|------------|
| <b>39. Number of employees</b>                          |            |            |
| Number of employees at 31 December - note 39.1          | <u>232</u> | <u>231</u> |
| Average number of employees during the year - note 39.1 | <u>232</u> | <u>235</u> |

**39.1** Included herein are 181 (2017: 178) factory employees as of 31 December 2018 and average number of these employees during the year is 179 (2017: 183).

## 40. General

### 40.1 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    |
|---------------------------------|-------------------------------|------|---------------|
| Current liabilities             | Current liabilities           |      |               |
| - Trade and other payables      | - Unclaimed dividend          | 19   | <u>12,146</u> |
| - Trade and other payables      | - Unpaid dividend             | 19   | <u>-</u>      |

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

## 41. Date of authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on 14 February 2019.



**Kwang Sik Huh**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

# Glossary / List of Abbreviations

|             |  |
|-------------|--|
| AGM         | Annual General Meeting   |
| ATIR        | Appellate Tribunal Inland Revenue  |
| ATL         | Active Tax Payer List  |
| BAC         | Board Audit Committee  |
| BCM         | Business Continuity Manager  |
| BCP         | Business Continuity Planning   |
| Board       | Board of Directors   |
| CCG         | Code of Corporate Governance   |
| CDC         | Central Depository Company of Pakistan   |
| CE          | Chief Executive  |
| CFO         | Chief Financial Officer  |
| CIR         | Commissioner Inland Revenue  |
| The Company | Lotte Chemical Pakistan Limited  |
| CBA         | Collective Bargaining Agent  |
| CSR         | Corporate Social Responsibility  |
| DCIR        | Deputy Commissioner Inland Revenue   |
| EFP         | Employees' Federation of Pakistan  |
| EPS         | Earning Per Share  |
| FBR         | Federal Board of Revenue   |
| FPAP        | Fire Protection Association of Pakistan  |
| FTO         | Federal Tax Ombudsman  |
| FTR         | Final Tax Regime   |
| GIDC        | Gas Infrastructure Development Cess  |
| HR          | Human Resource   |
| HSE         | Health, Safety and Environment   |
| IAS         | International Accounting Standards   |
| ICAP        | Institute of Chartered Accountants of Pakistan   |
| ICMAP       | Institute of Cost and Management Accountants of Pakistan   |
| IFAC        | International Federation of Accountants  |
| IFRIC       | International Financial Reporting Interpretation Committee   |
| IFRS        | International Financial Reporting Standards  |
| IPT         | Invista Performance Technologies   |
| ISO         | International Organisation for Standardization   |
| ITAT        | Income Tax Appellate Tribunal  |
| IT          | Information Technology   |
| KIBOR       | Karachi Interbank Offer Rate   |
| KT          | Kilo Ton   |
| LTC         | Lost Time Case   |
| MT          | Metric Ton   |
| NBV         | Net Book Value   |
| NEPRA       | National Electric Power Regulatory Authority   |
| NFEH        | National Forum for Environment and Health  |
| OHSAS       | Occupational Health and Safety Assessment System   |
| OPEC        | Organisation of the Petroleum Exporting Countries  |
| PACRA       | Pakistan Credit Rating Agency  |
| PET         | Polyethylene Terephthalate   |
| PFY         | Polyester Filament Yarn  |
| PICG        | Pakistan Institute of Corporate Governance   |
| PSF         | Polyester Staple Fibre   |
| PSX         | Pakistan Stock Exchange  |
| PTA         | Pure Terephthalic Acid   |
| PX          | Paraxylene   |
| Rs.         | Rupees   |
| SECP        | Securities and Exchange Commission of Pakistan   |
| SOX         | Sarbanes-Oxley Act   |
| SSGC        | Sui Southern Gas Company Limited   |
| US\$        | United States Dollar   |
| WPPF        | Workers' Profit Participation Fund   |
| WWF         | Workers' Welfare Fund  |
| WTI         | West Texas Intermediate, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing |

# Notice of Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of Lotte Chemical Pakistan Limited will be held on Thursday, 18 April 2019 at 11:00 a.m. at the Institute of Bankers Pakistan (IBP), M.T. Khan Road, Karachi to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Company's audited financial statements together with the Directors' and Auditors' reports for the year ended 31 December 2018.
2. To appoint the Auditors of the Company for the year ending 31 December 2019 and to fix their remuneration.

## SPECIAL BUSINESS

3. To approve House Building Loan to full-time Working Director/Chief Executive of the Company in accordance with the terms and conditions of his employment.

A statement as required by Section 134(3) of the Companies Act, 2017, in respect of the special business to be considered at the AGM is annexed.

25 March 2019  
Karachi

By Order of the Board

**Faisal Abid**  
Company Secretary

## Notes:

1. The Share Transfer books of the Company will be closed from Friday, 12 April 2019 to Thursday, 18 April 2019 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, Famco Associates (Pvt) Ltd, 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, by the close of business on 11 April 2019, will be treated in time for the purpose of attending the Annual General Meeting.
2. A member of the Company entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the holding of the Meeting. In calculating the aforesaid period, no account shall be taken of any day that is not a working day. Proxy Form may also be downloaded from the Company's website: [www.lottechem.pk](http://www.lottechem.pk)

CDC Account Holders will have to follow further undermentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

- a) For Attending the Meeting:
  - i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall authenticate his / her identity by showing his / her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.
  - ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
- b) For Appointing Proxies:
  - i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
  - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

- iv. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
  - v. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy to the Company.
3. **Payment of Cash Dividend through electronic mode.** In accordance with the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is **mandatory** for a listed company to pay cash dividend to its shareholder only through electronic mode directly into the bank account designated by the entitled shareholder. Accordingly, shareholders are requested to fill in “Electronic Credit Mandate Form” available on Company’s website and send it duly signed along with a copy of valid CNIC/NTN to their respective CDC participant / CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company’s Share Registrar M/s. Famco Associates (Pvt) Ltd (in case of shareholding in Physical Form).

In case of non-receipt of valid CNIC/NTN and complete and valid details of designated bank account of entitled shareholder, the Company will be constrained to withhold payment of dividend under the Companies (Distribution of Dividends) Regulations, 2017.

4. **Zakat Declaration (CZ-50).** Zakat will be deducted from the dividend at source under the Zakat & Ushr Laws and will be deposited within the prescribed period with the relevant authority. To claim exemption, shareholders are requested to submit notarized copy of Zakat Declarations on duly filled in ‘CZ-50 Form’ to their respective brokers or CDC Pakistan Limited (in case the shares are held in CDS-Sub Account or CDC Investor Account) or to Company’s Share Registrar, M/s. Famco Associates (Pvt) Ltd.
5. **Withholding Tax on Dividend.** Pursuant to the Finance Act, 2017, effective July 01, 2018, the rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001 from payment of dividend have been revised as 15% for Filer and 20% for Non-filer of income tax returns.

To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 20% all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of the Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

Further, according to clarification received from FBR, withholding tax will be determined separately on ‘Filer/Non-Filer’ status of Principal Shareholder as well as Joint-holder(s) based on their shareholding proportions in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to Company’s Share Registrar, in writing as follows.

| Folio/CDC Account No. | Total Shares | Principal Shareholder |   | Joint Shareholder |   |
|-----------------------|--------------|-----------------------|---|-------------------|---|
|                       |              | Name and CNIC No.     | Shareholding Proportion (No. of Shares) | Name and CNIC No. | Shareholding proportion (No. of Shares) |
|                       |              |                       |   |                   |   |

Shareholders are advised to ensure that they have provided their CNIC/NTN to their respective Participant/CDC Investor Account Services (if shareholding in Book Entry Form) or Company Share Registrar (if shareholding in Physical Form) for checking the tax status as per the ATL issued by FBR from time to time.

[As per FBR Circulars C. No.1 (29) WHT/2006 dated 30 June 2010 and C. No.1 (43) DG (WHT)/2008-Vol. II -66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part -IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar M/s. Famco Associates (Pvt) Ltd before book closure otherwise tax will be deducted on dividend as per applicable rates.]

6. **Transmission of Annual Financial Statements through email.** Pursuant to notification vide SRO. 787(I)/2014 dated 8 September 2014, the SECP has allowed the circulation of Audited Financial Statements and notice of AGM to the shareholders via email. Members who wish to avail this facility can communicate their email addresses to the Company’s Secretary and/or Share Registrar on the Standard Request form available on the Company’s website.
7. **Video Conference Facility.** If the Company receives consent from the members collectively holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 7 days prior to date of the meeting, the Company shall arrange facility of video-link in the city subject to availability of such facility in that city. In this regard, members are requested to submit duly filled in “Video Conference Facility Consent Form” available on Company’s website to the registered address of the Company.
8. Audited accounts of the Company for the year ended 31 December 2018 have been provided on the Company’s website.

### Statement under Section 134(3) of the Companies Act, 2017

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Thursday, 18 April 2019.

#### Item (3) of the Agenda:

The approval is being sought for approval of House Building Loan to full-time working director /Chief Executive Mr Humair Ijaz in accordance with the terms and conditions of service.

The relevant details are given below:

|    |  |  |
|----|--|--|
| a) | Amount of loan   | Rs 21 million  |
| b) | Rate of interest, mark up etc  | Non-interest bearing as per contract of employment and applicable service rules of the Company |
| c) | Security if any, obtained/ to be obtained by the company                               | Secured against Management Staff Gratuity Fund   |
| d) | Repayment schedule   | Within five years in equal monthly installments  |
| e) | Disclosure regarding mandatory approval of the Commission, in case of a listed company | Yes, to be obtained subsequent to approval from shareholders                                   |

None of the Directors of the Company have any, direct or indirect, interest in the above said special business, except that mentioned therein.

## متعلقہ واقعات

## اظہار تشکر

ہم اپنے شیئر ہولڈرز، کسٹمرز، سپلائرز اور ملازمین کا ان کے مستقل تعاون اور اعتماد پر اظہار تشکر کے طور پر شکر یہ ادا کرتے ہیں۔

31 دسمبر 2018 کو ختم شدہ سال کے دوران اور اس رپورٹ کی اشاعت کے درمیان کمپنی کی مالیاتی پوزیشن میں کسی طرح کے کوئی قابل ذکر تبدیلی یا کوئی اثر انداز ہونے والی صورت حال پیش نہیں آئی۔

## بیرونی آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز EY فورڈ رھوڈز، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور قابلیت کی بنیاد پر خود کو دوبارہ انتخاب کے لئے پیش کیا ہے۔ بورڈ نے ریٹائر ہونے والے آڈیٹرز کو 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے دوبارہ منتخب کرنے کی تجویز دی ہے، جس کی منظوری آنے والے سالانہ اجلاس عام میں شیئر ہولڈرز سے لی جائے گی۔



حمیرا جاز  
چیف ایگزیکٹو



کوانگ سک ہو  
چیرمین

بتاریخ: 14 فروری 2019  
کراچی



## ڈائریکٹرز کی کل تعداد اور بورڈ کی تشکیل درج ذیل ہے:

## ریٹائرمنٹ فوآئند میں سرمایہ کاری

ملازمین کے ریٹائرمنٹ فنڈ سے متعلق سرمایہ کاریوں کے آڈٹ شدہ مالیاتی گوشوارے 31 دسمبر 2017 کو ختم شدہ سال کی تفصیل درج ذیل ہے:

| قدر (000 روپے) |  |
|----------------|--|
| 437,144        | Lotte کیمیکل پاکستان ہیجمنٹ اسٹاف پراویڈنٹ فنڈ                       |
| 226,592        | Lotte کیمیکل پاکستان ہیجمنٹ اسٹاف گریجویٹ فنڈ                        |
| 326,363        | Lotte کیمیکل پاکستان ہیجمنٹ اسٹاف ڈیفائنڈ کنٹری یوشن سپرائیونیشن فنڈ |
| 7,588          | Lotte کیمیکل پاکستان نان ہیجمنٹ اسٹاف پراویڈنٹ فنڈ                   |
| 5,048          | Lotte کیمیکل پاکستان نان ہیجمنٹ اسٹاف گریجویٹ فنڈ                    |

| ڈائریکٹرز کی کل تعداد |        |
|-----------------------|--------|
| 7                     | مرد    |
| 1                     | خواتین |
| 8                     |        |

| بورڈ کی تشکیل |                             |
|---------------|-----------------------------|
| 1             | آزاد ڈائریکٹرز              |
| 5             | دیگر نان ایگزیکٹو ڈائریکٹرز |
| 2             | ایگزیکٹو ڈائریکٹرز          |

## پیٹرن آف شیئر ہولڈنگ

کمپنی میں پیٹرن آف شیئر ہولڈنگ سے متعلق اسٹیٹمنٹ برائے 31 دسمبر 2018 اس سالانہ رپورٹ سے منسلک ہے۔

## بورڈ کی کمیٹیاں

31 دسمبر 2018 کو ختم شدہ مالیاتی سال کے دوران بورڈ کے ممبر رہنے والے افراد کے نام، بورڈ کمیٹیاں اور ان کی حاضری سے متعلق معلومات سالانہ رپورٹ کے صفحہ نمبر 34 پر درج کی گئی ہے۔

## انٹرنل فنانشل کنٹرولرز کا جائزہ

بورڈ، آڈٹ کمیٹی کے ذریعے انٹرنل کنٹرول کا جائزہ اور نگرانی انجام دیتا ہے۔ کمپنی کا اپنا ضابطے کا نظام مضبوط ہے اور اس کی اثر پذیری اور ضابطے کو مسلسل جانچا جاتا ہے۔ اندرونی ضابطے کے نظام کو جانچنے کے لیے باہر سے انٹرنل آڈٹ کرانے کے لیے KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو بلا یا جاتا ہے جنہیں ان امور کی انجام دہی کے لیے مناسب تصور کیا جاتا ہے اور یہ کمپنی کی پالیسیوں اور عملدرآمد کے امور سے واقف بھی ہوتے ہیں۔

## ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کے بورڈ نے نان ایگزیکٹو ڈائریکٹرز (اکثریتی شیئر ہولڈر کے نامزد کردہ کے علاوہ) کا مشاہرہ بورڈ اجلاسوں، اس کی کمیٹیوں اور اجلاس عام میں حاضری کے حوالے سے منظور کیا ہے۔ پالیسی میں کمپنی بورڈ کے اجلاسوں اور کمیٹیوں میں شرکت پر ہونے والے مناسب اخراجات ادا کرنے کی سہولت بھی دی گئی ہے۔

## بورڈ کا جائزہ

لے کیٹینیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے تحت مطلوب بورڈ کے اپنے جائزے، بورڈ ممبران اور ان کی کمیٹیوں کا جائزہ برائے سال ختم شدہ 31 دسمبر 2018 کے لیے مکمل کر لیا گیا ہے۔

آن لائن جائزے کا انتظام بیرونی آزاد سہولت کار، پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس اور ناتھ امریکہ کے کنسلٹنگ فرم دی کارپوریٹ لائف سینٹر انٹرنیشنل کے اشتراک سے انجام دیا گیا۔

## کمپنی کے شیئرز میں کاروبار

زیر جائزہ سال کے دوران مس جائے سن پارک کو ایک شیئر منتقل کرنے کے علاوہ کمپنی کے شیئرز میں ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ہیڈ آف انٹرنل آڈٹ اور ان کے شریک حیات اور بچوں نے کوئی لین دین نہیں کی۔

## ہولڈنگ کمپنی

Lotte کیمیکل کارپوریشن، ساؤتھ کوریا، Lotte کیمیکل پاکستان لمیٹڈ میں 75.01 فیصد شیئرز کی مالک ہے۔

## اہم انتظامی و مالیاتی ڈیٹا

انتظام اور مالیات کی تفصیل سے متعلق کمپنی کی گزشتہ 6 سال کی اہم معلومات سالانہ رپورٹ کے صفحہ نمبر 89 پر درج کی گئی ہے۔

## کاروباری سماجی بہبود (CSR) کے اقدامات

- انتظامیہ کی جانب سے تیار کردہ کمپنی کے مالیاتی گوشوارے، کمپنی کے معاملات، آپریشن کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کی شفاف صورتحال پیش کر رہے ہیں۔
- کمپنی کی جانب سے باقاعدہ طور پر اکاؤنٹس کی بکس برقرار رکھی گئی ہیں۔
- مالیاتی گوشواروں اور اکاؤنٹنگ تخمینے کی تیاری مناسب اور محتاط انداز کی بنیاد پر متعلقہ اکاؤنٹنگ پالیسیوں کے تحت کی گئی ہے۔
- مالیاتی گوشواروں کی تیاری پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ کے معیار کے مطابق کی گئی ہے اور اس سے کسی طرح کے انحراف کو باقاعدہ واضح کیا گیا ہے۔
- انٹرنل کنٹرول کا سسٹم بہترین ہے اور اس پر بہترین انداز میں عمل درآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے استحکام اور آگے بڑھنے کی صلاحیت پر کسی بھی شک و شبہ کی کوئی گنجائش نہیں۔
- کارپوریٹ گورننس پر بہترین انداز میں عمل درآمد سے کسی طرح کا بھی انحراف دیکھنے میں نہیں آیا۔

### پرنسپل سرگرمیاں

کمپنی PTA کی پیداوار اور فروخت کے کام میں مصروف ہے۔ مالیاتی سال کے دوران کمپنی کی اصل سرگرمیوں میں کسی طرح کی کوئی تبدیلی واقع نہیں ہوئی۔

### خطرات کا انتظام

بورڈ خطرات کے انتظام اور انٹرنل کنٹرول کے ضوابط کا ذمہ دار ہے۔ آڈٹ کمیٹی کی طرف سے کمپنی کے رسک مینجمنٹ پروسس کا سہ ماہی جائزہ لیا جاتا ہے جبکہ ضرورت کے وقت اس سے قبل بھی اس نظام کی باقاعدہ نگرانی کی جاتی ہے۔ کمپنی کے درج شدہ اور مستقل بنیادوں پر زیر جائزہ رہنے والے ضوابط اس انداز سے مرتب کردہ ہیں کہ ہمارے اثاثہ جات اور کاروبار کو درپیش خطرات پر قابو پایا جاسکے، اور اس طرح وقت پر بورڈ اور اعلیٰ انتظامیہ کو رپورٹ دینا بھی یقینی بنایا جائے۔ ادارے کے ڈھانچے کے متعلق ایک شفاف نظام کے ساتھ حکام کی ذمہ داریاں واضح کردہ ہیں اور اعلیٰ انتظامیہ روزمرہ کی بنیاد پر ان طریقہ کاروں، خطرات سے آگہی کے نظام اور کنٹرول کے اثرات کی روشنی میں عمل درآمد کی ذمہ دار ہے۔

کمپنی کی جانب سے لاحق خطرات کی تفصیلات اور غیر یقینی کے پیش نظر اٹھائے جانے والے اقدامات سے متعلق بنیادی سالانہ رپورٹ کے صفحہ نمبر 45 پر ملاحظہ کریں۔

ایک کاروباری سماجی ادارے کی حیثیت میں، آپ کی کمپنی نے مقامی علاقوں اور سوسائٹی کی بہبود کے لیے اپنے آپ کو مختص کیا ہے۔ ہم نے اپنے معاشرے میں تعلیم اور صحت کے مسائل کو ٹارگٹ کیا ہے اور انہی شعبہ جات میں کام کرنے کے لیے فلاحی اداروں کے شراکت عمل کر رکھا ہے۔

کاروباری سماجی بہبود (CSR) کے اقدامات سے متعلق تفصیلی رپورٹ برائے سال 2018 کے لئے سالانہ رپورٹ کا صفحہ نمبر 81 ملاحظہ کریں۔

### مستقبل پر نظر

دوران سال کروڈ آئل گزشتہ سال کی خراب صورتحال کے سبب اپنی کم ترین پوائنٹس پر رہا، تاہم اوپیک ممالک کی جانب سے زائد سپلائی کے مسائل حل ہونے اور منتخب ممالک پر عائد پابندیوں کے خاتمے سے، مارکیٹ کی صورتحال میں بہتری کے امکانات ہیں۔ اس کے باوجود امریکہ کی جانب سے 12 ملین بیرل روزانہ کی کروڈ آئل پروڈکشن کی صورتحال اور چین اور امریکہ کے درمیان بڑھتے ہوئے تجارتی فاصلے کروڈ آئل مارکیٹ کو دباؤ کا شکار رکھیں گے۔

اپ اسٹیم کروڈ سے PX مارکیٹ پر اثرات مرتب ہونے کا امکان ہے تاہم چین میں 3 ملین میٹرک ٹن کے نئے پیداواری اضافے کے سبب توقع کی جارہی ہے کہ PX مارکیٹ توسعی پذیر ہوگی۔ دوسری جانب PTA مارکیٹ میں بحالی کے امکانات ہیں کیونکہ نئے قمری سال کی چھٹیوں سے قبل طلب میں اضافہ بڑھتا ہوا دیکھا گیا۔ چونکہ سال 2019 میں کسی بھی قابل ذکر اضافے کا امکان نہیں ہے اس لیے توقع ہے کہ مارکیٹ کی پوزیشن دباؤ کا شکار رہے گی۔ تاہم بند پڑے پوائنٹس کے دوبارہ آغاز، خاص طور پر چین میں پیداواری اضافے سے سپلائی بڑھنے کی بدولت خطرہ رہے گا کہ اس مارکیٹ میں تیزی برقرار نہ رکھے۔ یہ توقع کی جاتی ہے کہ PTA انڈسٹری سال 2019 میں 85 فیصد کاروبار کرے گی۔

مقامی پولیمر صنعت کا آپریٹنگ ریٹ پہلی سہ ماہی کے اختتام پر مندی کے رجحان میں بہتری آنے کے سبب بڑھنے کی توقع ہے۔ دوسری جانب حکومت پاکستان کی جانب سے ایکسپورٹ بڑھانے کے لیے ٹیکسٹائل صنعت کو سہارا دینے کے اقدامات سے بھی طلب میں اضافے کا امکان ہے۔

کمپنی کے الیکٹرک کوزائنڈ بجلی کے فروخت کی کوششوں کو جاری رکھے ہوئے ہے، تاہم گیس کی بڑھتی ہوئی قیمتوں کے سبب اور متعلقہ مشکل پالیسیوں کے سبب حکومت سے منظوری لینے کی ضرورت پڑے گی۔

کوڈ آف کارپوریٹ گورننس پر عمل درآمد

کوڈ آف کارپوریٹ گورننس پر عمل درآمد کے تحت مطلوب، ڈائریکٹرز درج ذیل امور بیان کرتے ہوئے ہسرت ہیں:

سال کی آمدنی 57,400 ملین روپے رہی جو گزشتہ سال کے 37,034 ملین روپے کے مقابلے میں 55 فیصد زائد ہے کیونکہ اس سال فی ٹن PTA کی قیمت زبردست رہی۔ سال بھر منافع بخش تجارت کے باعث اس سال کا مجموعی منافع 7,382 ملین روپے رہا جو گزشتہ سال کے اسی عرصہ کے دوران 1,198 ملین روپے تھا۔

ڈسٹری بیوٹن اور فروخت کے اخراجات گزشتہ سال کے مقابلے میں 10 فیصد زائد رہے جس میں خاص طور مارکیٹنگ اخراجات کا بوجھ برداشت کرنا ہے۔ مجموعی طور پر مہنگائی کے سبب انتظامی اخراجات گزشتہ سال کے مقابلے میں 10 فیصد زائد رہے۔ کمپنی کے دیگر اخراجات زائد آپریٹنگ پرافٹ کی بنیاد پر ورکرز پرافٹ پارٹنسی پیشن اور ورکرز ویلفیئر فنڈ کے لیے رقم دینے کی بدولت گزشتہ سال کے مقابلے میں زائد رہے۔ دوران سال دیگر آمدنی بھی گزشتہ سال کے مقابلے میں زائد رہی کیونکہ اوسط سروسز کی سطح بڑھنے سے بینک ڈپازٹ پر آمدنی زائد ہوئی۔

سال کے لیے ہر ایک شیئر پر منافع (EPS) گزشتہ سال کے ہر ایک شیئر کے منافع 0.27 روپے کے مقابلے میں بڑھ کر 2.93 روپے فی شیئر ہو گئی۔

### منافع منقسمہ (ڈیویڈنڈ)

دوران سال بورڈ آف ڈائریکٹرز کی جانب سے منظور شدہ عبوری منافع منقسمہ برائے سال ختم شدہ 31 دسمبر 2018 بحساب 1.50 روپے فی عمومی شیئر (15%) کمپنی کے شیئر ہولڈرز کو ادا کیا گیا ہے۔

### ہیومن ریسورسز

آپ کی کمپنی ملازمین کی ہمت افزائی اور اعتماد کے ماحول کو فروغ دے کر ان کے کاموں کی حوصلہ افزائی کرتی ہے۔ Lotte کییکل کو اس بات کا بھرپور ادراک ہے کہ کمپنی کی مارکیٹ پوزیشن کو برقرار رکھنے کے لیے تمام امور میں صلاحیت یافتہ افراد کو برقرار رکھتے ہوئے ان کی صلاحیتوں میں نکھار لانے کے اقدامات ناگزیر ہیں۔ اپنی ہیومن کیپٹل اسٹریٹیجی کے تحت کمپنی ملازمت کے یکساں مواقع فراہم کرتی ہے۔ جبکہ ہم موجودہ لیبر قوانین پر عمل درآمد کرتے ہیں، ہم انڈسٹریل لیٹن میں بہترین تجربات کی پیروی کرتے ہیں اور صلاحیتوں کی بہتری اور احتسابی عمل پر توجہ دینے کے ساتھ اپنے کسٹمرز کو خدمات کی بہتر فراہمی اور انتظامی امور میں مستقل ترقی کو جاری رکھا ہے۔

ہیومن ریسورسز کی کارکردگی اور بہتری سے متعلق تفصیلی رپورٹ برائے سال 2018 کے لئے سالانہ رپورٹ کا صفحہ نمبر 60 ملاحظہ کریں۔

کمپنی اپنے اور کنٹرکٹسٹاف کی حفاظت سے متعلق تحفظ کی اعلیٰ اقدار پر عمل درآمد جاری رکھے ہوئے ہے۔ کمپنی اس بات کو بھی یقینی بناتی ہے کہ اپنے نظریہ کے تحت تحفظ بھرے کام کا ماحول فراہم کرتی رہے۔ یہی وجہ ہے کہ گزشتہ 20 برسوں پر محیط کمپنی آپریشنز میں کوئی قابل ذکر حادثہ پیش نہیں آیا۔

دوران سال قوانین اور معیار پر عمل درآمد کی تصدیق کے لئے کئی طرح کے اندرونی اور بیرونی آڈٹ ہوئے، جن میں کسی طرح کی بھی قابل ذکر خلاف ورزی سامنے نہیں آئی۔ مزید برآں کمپنی نے گندے پانی کے اخراج کے حوالے سے نیشنل انوائرنمنٹ کوالٹی اسٹینڈرڈز پر عمل جاری رکھا اور کیسوں کا اخراج بھی قوانین کی حدود کے اندر تھا۔

آپ کی کمپنی اپنے ملازمین کی تربیت اور صلاحیتوں میں نکھار لانے کے لیے مناسب ماحول فراہم کرنے پر یقین رکھتی ہے اور ہر وقت تحفظ کو یقینی بنانے کے لیے جدید ساز و سامان اور ٹیکنیک پر بھرپور سرمایہ کاری جاری رکھتی ہے۔

2018 میں HSE کارکردگی اور ڈیویڈنڈ سے متعلق تفصیلی رپورٹ سالانہ رپورٹ کے صفحہ نمبر 74 پر ملاحظہ کریں۔

### کمپنی بزنس کے ماحول پر اثرات

ماحول کی حفاظت ہمارے کاروباری نظریہ کی اساس ہے۔ توانائی، پانی، فضلہ اور وسائل کا استعمال، حیاتیاتی ماحول میں تنوع، اخراج کا نظام اور قانون کی پاسداری ہماری توجہ کا مرکز ہیں۔

ہم اس بات کے لیے پرعزم ہیں کہ ہمارے آپریشنز ماحول دوست رہیں اس کے لیے ہم کاربن کے اثرات کو کم کرنے پر بھرپور توجہ دے رہے ہیں۔ اس عزم کے پیش نظر، ہم پلانٹ سے نکلنے والے گندے پانی کو جدید ڈیپ شافٹ ٹیکنالوجی کے حامل ایفلوینٹ ٹریٹمنٹ پلانٹ (ETP) کے ذریعے صاف کرتے ہیں۔

ایک ماہیہ نامہ ISO سرٹیفائیڈ ادارے کی صورت میں، اور ماحولیاتی تحفظ سے طویل مدتی تجارتی استحکام حاصل کرنے کا یقین رکھنے کے بعد، فضلہ جات کو کم سے کم کرنا ہماری ترجیحات میں شامل ہے۔

ہمارے ماحولیاتی تحفظ سے متعلق تفصیلی رپورٹ سالانہ رپورٹ کے صفحہ نمبر 79 پر ملاحظہ کریں۔

### مالیاتی کارکردگی

| 2017   | 2018   | (روپے لاکھ میں)                              |
|--------|--------|--|
| 37,034 | 57,400 | آمدنی  |
| 1,198  | 7,382  | مجموعی منافع / (نقصان)                       |
| 895    | 6,346  | منافع / (نقصان) قبل از ٹیکس                  |
| 412    | 4,431  | منافع / (نقصان) بعد از ٹیکس                  |
| 0.27   | 2.93   | ہر ایک شیئر پر منافع / (نقصان)<br>(روپے میں) |

دوران سال پاکستان میں PTA کی طلب تقریباً 780,000 میٹرک ٹن تک پہنچنے سے ڈاؤن اسٹریم پولیسٹر انڈسٹری میں 10 فیصد زبردست اضافہ سامنے آیا۔ یہ ترقی ڈاؤن اسٹریم شعبہ جات کو بجلی کی مسلسل فراہمی کے ساتھ درآمداتی فابریوں اور یارن کی قیمتوں میں اضافے کے سبب ہوئی۔ چین میں 2017 سے لاگو ماحولیاتی ضابطوں کے نتیجے میں ورجن PTA کے استعمال میں اضافہ اور مقامی مارکیٹ میں یارن پر ریگولیٹری ڈیوٹی کا نفاذ ایمپورٹس کی قیمتوں میں اضافے کا سبب بنے۔ تاہم سال کے آخر میں مقامی مارکیٹ میں سست روی، روپے کی قدر میں کمی سے مقامی مارکیٹ بہت متاثر ہوئی۔

مقامی پولیمیر انڈسٹری گزشتہ سال کے 83 فیصد کے مقابلے میں 89 فیصد کی اوسط شرح حاصل کرنے میں کامیاب رہی۔ تاہم سال کے آخر میں ملکی کاروباری صورتحال میں انجماد کی صورت کے سبب صنعت کا آپریٹنگ ریٹ گراؤٹ کے ساتھ 84 فیصد رہ گیا۔

### آپریٹنگ

انتظامی طور پر سال 2018 کمپنی کے لیے ایک شاندار سال رہا۔ بورڈ یہ اطلاع دیتے ہوئے خوشی محسوس کرتا ہے دوران سال پروڈکشن اور سیلز کی مقدار بالترتیب 516,688 ٹن اور 499,660 ٹن رہی، جو کہ 1998 میں PTA آپریٹنگ کے آغاز سے لیکر اب تک کی سب سے بڑی مقدار ہے۔

دوران سال کی پروڈکشن گزشتہ سال کے مقابلے میں 11 فیصد زیادہ رہی کیونکہ گزشتہ سال طے شدہ اور ہالنگ انجام دی گئی تاکہ پلانٹ کی مینٹنس سے مستقبل کے لیے اسے تسلی بخش بنایا جائے۔

کمپنی کی سیلز کی مقدار جو صرف مقامی فروخت پر مشتمل ہے، گزشتہ سال کے مقابلے میں طلب میں اضافے کی بدولت 3 فیصد زائد رہی۔

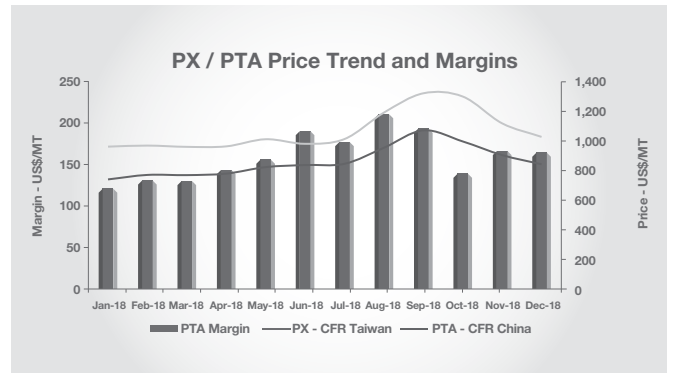
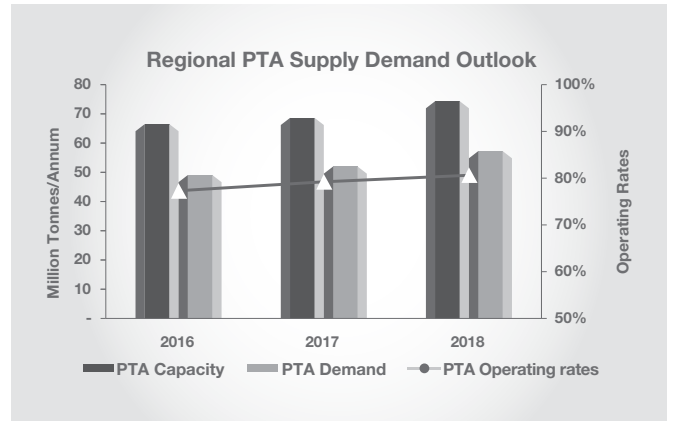
کمپنی نے پلانٹ کی صلاحیت میں اضافے اور مستقل و پائیدار آپریشن کو یقینی بنانے کے لئے اپنی پروڈکشن صلاحیت میں سرمایہ کاریاں جاری رکھیں۔

### ہیلتھ سیفٹی اینڈ انوائرنمنٹ (HSE)

ڈائریکٹریہ بتاتے ہوئے فخر محسوس کر رہے ہیں کہ آپ کی کمپنی نے HSE پر بھرپور توجہ دیتے ہوئے 31 دسمبر 2018 کو 56 ملین مین آؤرز کی تکمیل کا سنگ میل عبور کیا ہے کہ اس دوران کمپنی کا اپنا ملازم یا کنٹریکٹرز کا اسٹاف کسی طرح کے حادثے کا شکار نہیں ہوا۔ یہ بے مثال ریکارڈ کسی بھی عالمی معیار پر پورا اترنے کا واضح ثبوت ہے۔

سال بھر ڈاؤن اسٹریم پولیسٹر کے شعبے میں زبردست طلب کے سبب علاقائی PTA مارکیٹ میں تیزی دیکھی گئی۔ چند بند پڑے یونٹس کے علاوہ 2018 میں PTA کے کسی نئی پیداواری یونٹ کی شمولیت نہ ہونے کے سبب علاقائی مارکیٹ میں مثبت وباؤ رہا۔ سال 2018 تیسری سہ ماہی کے دوران PTA کی مارکیٹ میں ڈاؤن اسٹریم انڈسٹری سے طلب بڑھنے اور علاقے میں نئی پولیسٹر سہولتوں کو فیڈ اسٹاک دینے کے سبب مثبت رجحان دیکھنے میں آیا۔ ستمبر میں زبردست طلب کے سبب PTA کی قیمتیں 1,100 امریکی ڈالر فی ٹن تک پہنچ گئیں۔ تاہم چوتھی سہ ماہی میں پولیسٹر مارکیٹ مہنگی قیمتوں کا بوجھ اٹھانے کے قابل نہ رہی اور نتیجے میں سیلز میں کمی واقع ہوئی۔ نتیجتاً PSF, PFY اور PET میں انویسٹریز کا اضافہ اور PTA کی طلب میں شدید کمی واقع ہوئی۔ اس کے ساتھ موسمی تبدیلیوں کے سبب ریکوری میں مشکلات، چین کے نئے سال کے جشن اور علاقائی مارکیٹ میں عالمی چھٹی کے دن کی تیاری کے سبب پٹی ٹی اے مارکیٹ سست روی کا شکار رہی۔

مجموعی طور پر 2018 کے دوران PTA صنعت کا مجموعی آپریٹنگ ریٹ بڑھ کر 81 فیصد ہو گیا۔ PTA کی اوسط قیمت 1860.55 امریکی ڈالر فی میٹرک ٹن رہی اور کمپنی گزشتہ سال کے 94 امریکی ڈالر فی میٹرک ٹن سے بڑھ کر 160 امریکی ڈالر فی میٹرک ٹن کا واضح منافع حاصل کرنے میں کامیاب رہی۔



کمپنی کے ڈائریکٹر 31 دسمبر 2018 کو ختم شدہ سال کے لئے کمپنی کے آڈٹ شدہ مالیاتی گوشوارے بشمول اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

### بورڈ میں تبدیلی

12 فروری 2019 کو جناب جنگ نیون کمپنی کے چیئرمین اور ڈائریکٹر شپ سے مستعفی ہو گئے اور جناب کوانگ سک ہو کو اسی دن خالی ہونے والی اسامی پر 22 جون 2020 کو ختم ہونے والی باقی مدت کے لیے کمپنی کا چیئرمین اور ڈائریکٹر منتخب کر لیا گیا۔

بورڈ کی جانب سے مستعفی ہونے والے جناب جنگ نیون کم کی طرف سے کمپنی کے لیے انجام دی جانے والی خدمات کو سہا گیا ہے اور جناب کوانگ سک ہو کو کمپنی کے نئے چیئرمین کے طور پر خوش آمدید کہتا ہے۔

### کاروباری جائزہ

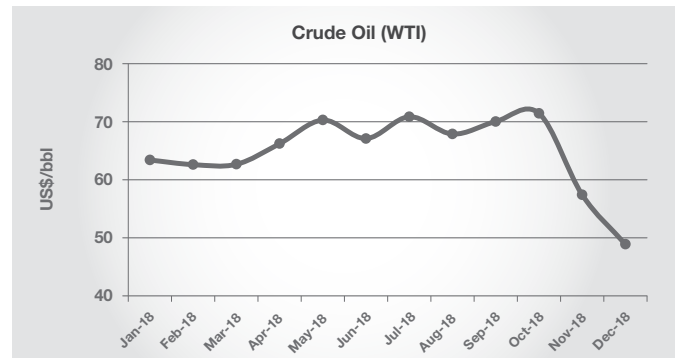
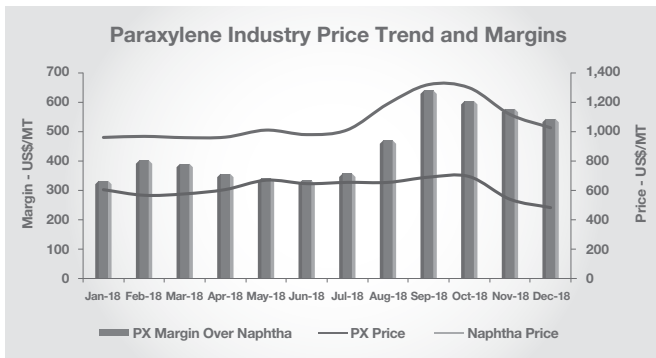
#### پیرازائلین (PX) انڈسٹری

PX کی قیمتوں میں سال کی پہلی ششماہی کے لیے مجموعی طور پر خام تیل کی قیمتوں کی مماثلت کا رجحان برقرار رہا۔ اپ اسٹریم کروڈ آئل میں تیزی کے رجحان اور ڈاؤن اسٹریم PTA کی طلب میں زبردست اضافے نے PX مارکیٹ کو سنبھالے رکھا، تاہم تقریباً 2 ملین میٹرک ٹن PX پیداوار کی نئی صنعتوں کے شامل ہونے سے مارکیٹ زبرد باؤ رہی۔ سال کی تیسری سہ ماہی کے دوران ڈاؤن اسٹریم PTA کی طلب میں اضافہ اور متوقع طور پر نئے پروڈیوسرز کی جانب سے آنے والی پیداوار میں تاخیر سے PX مارکیٹ میں تیزی رہی۔ ستمبر میں PX کی قیمتوں میں 1,371 امریکی ڈالرنی میٹرک ٹن تک اضافہ دیکھنے میں آیا۔ دوسری طرف چوتھی سہ ماہی میں مارکیٹ میں شدید کمی واقع ہوئی کیونکہ اپ اسٹریم کروڈ آئل کی قیمتوں میں کمی کے رجحان کے سبب PX کی قیمتیں تقریباً 350 ڈالرنی ٹن تک کم ہو کر رہ گئیں۔ ڈاؤن اسٹریم PTA مارکیٹ کی طلب موسمی تبدیلیوں اور عالمی طور پر معاشی سست روی کے سبب دباؤ کا شکار رہی۔

دوران سال مجموعی طور پر PX مارکیٹ دباؤ کا شکار رہی کیونکہ علاقائی پروڈیوسرز نے 91 فیصد کی اوسط شرح برقرار رکھی۔ دوران سال Naptha پر اوسط منافع 446 امریکی ڈالرنی ٹن رہا۔

#### کروڈ آئل

کروڈ آئل کی مارکیٹ مشرق وسطیٰ میں عدم استحکام، ایران پر پابندی کے منڈلانے خطرات کے ساتھ ترقی پذیر معیشتوں کو سپلائی میں رکاوٹ کے سبب اتار چڑھاؤ کا شکار رہی۔ تاہم امریکہ کی جانب سے پیداوار میں اضافے کے ساتھ اوپیک + نے 2018 کی آخری سہ ماہی میں پیداوار بڑھانے سے کروڈ آئل کی قیمتوں میں اضافے کو محدود کیا گیا۔ جاری سال میں امریکہ اور چین کی جانب سے ایک دوسرے پر تجارتی پابندیاں لگانے سے مجموعی طور پر عالمی معیشت سست روی کا شکار ہے، تاہم کروڈ آئل مارکیٹ ایران پر متوقع پابندیوں کی مدت قریب آنے سے قیمت ایرانی کروڈ آئل کے سہارے پر رہی۔ سال کی آخری سہ ماہی میں، امریکہ کی جانب سے ایرانی کروڈ آئل امپورٹ کرنے والے منتخب ممالک کو تنہا کرنے کی منظوری کے بعد مارکیٹ مندی کا شکار رہی۔ نتیجے میں قیمتیں اپنی کم ترین سطح پر یعنی 42 امریکی ڈالرنی بیرل تک پہنچیں جو کہ جون 2017 سے اب تک کی کم ترین قیمتیں تھیں۔ اوپیک + ممالک کی جانب سے پروڈکشن میں 1.2 ملین بیرل کی کرنے کے فیصلے کے باوجود امریکہ کی جانب سے کروڈ آئل پیداوار کی سطح برقرار رکھنے سے مارکیٹ کو سہارا نہیں ملا۔ سال کے آخر تک خام تیل کی قیمتیں 45.41 ڈالرنی بیرل کی سطح پر رہیں جبکہ سال کے دوران 64.90 ڈالرنی بیرل کی اوسط قیمت برقرار رہی۔



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# پراکسی فارم

## 21واں سالانہ اجلاس عام

میں / ہم \_\_\_\_\_ ساکن \_\_\_\_\_

بحیثیت ممبر Lotte کیمیکل پاکستان لمیٹڈ کے عمومی شیئرز رکھتا ہوں / رکھتی ہوں، لہذا

بذریعہ ہذا \_\_\_\_\_ ساکن \_\_\_\_\_ یا ان کی عدم موجودگی کی صورت میں

\_\_\_\_\_ ساکن \_\_\_\_\_ جو کہ Lotte کیمیکل پاکستان لمیٹڈ کے

ممبر ہیں، کو بطور پراکسی مقرر کرتا ہوں / کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 21 ویں سالانہ اجلاس عام جو کہ 18 اپریل 2019 بروز جمعرات منعقد ہو رہا ہے میں اور اس کے کسی ملٹوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

میں / ہم بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ کو اپنے دستخط / مہر کے ساتھ اس امر کی تصدیق کرتا / کرتی ہوں / کرتے ہیں۔

مذکورہ بالا کے دستخط:

ان گواہان کی موجودگی میں: 1. \_\_\_\_\_

2. \_\_\_\_\_

مناسب قدر کی ریوینیو ممبر پر دستخط

فولیو / CDC اکاؤنٹ نمبر:

یہ دستخط کمپنی کے پاس رجسٹرڈ نمونہ دستخط کے مطابق ہونے چاہئیں۔

اہم نکات:

1. باضابطہ، مکمل شدہ اور دستخط کردہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس بمقام EZ/1/P-4، ایسٹرن انڈسٹریل زون، پورٹ قاسم کراچی میں اجلاس کے وقت سے 48 گھنٹے قبل پہنچانا چاہیے۔
2. کمپنی کا ممبر نہ ہونے کی صورت میں کسی فرد کو بطور پراکسی مقرر نہیں کیا جاسکتا، ماسوائے کارپوریشن جو ممبر کے علاوہ دوسرے فرد کو پراکسی نامزد کر سکتی ہے۔
3. کسی ممبر کی جانب سے ایک سے زیادہ پراکسی مقرر کئے جانے اور ممبر اگر کمپنی کو ایک سے زائد پراکسی انسٹرکشنس داخل کرائے، تو وہ سب غیر مؤثر تصور کئے جائیں گے۔

برائے CDC اکاؤنٹ ہولڈرز / کارپوریٹ ادارے:

درج بالا کے علاوہ درج ذیل تقاضے بھی لازمی ہیں:-

- الف۔ پراکسی فارم دو افراد کی جانب سے گواہی کے ہمراہ ہونا چاہیے جن کے نام، پتے اور سی این آئی سی نمبر فارم پر درج ہوں۔
- ب۔ بینیفیشل مالکان اور پراکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ نقول پراکسی فارم کے ساتھ پیش کرنا ہوں گی۔
- ج۔ پراکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔
- د۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع نمونہ دستخط، پراکسی فارم کے ساتھ کمپنی کو پیش کئے جائیں (اگر وہ پہلے پیش نہ کئے گئے ہوں)۔

# Form of Proxy

## 21st Annual General Meeting

I / We \_\_\_\_\_

of \_\_\_\_\_

being member(s) of Lotte Chemical Pakistan Limited holding \_\_\_\_\_

ordinary shares hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him / her \_\_\_\_\_

of \_\_\_\_\_ who is / are also member (s) of Lotte Chemical Pakistan Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 21st Annual General Meeting of the Company to be held on Thursday, 18 April 2019 and at any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_

Signed by the said \_\_\_\_\_

in the presence of 1. \_\_\_\_\_

2. \_\_\_\_\_

Folio / CDC Account No.

Signature on  
Revenue Stamp of  
Appropriate Value

This Signature should agree with the specimen registered with the Company

### Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company at EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he / she himself / herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoint more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

### For CDC Account Holders / Corporate Entities:

In addition to the above, the following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



















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**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](http://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  
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