

**QUARTERLY REPORT
JAN - MAR 2022**

Raising the bar



LOTTE CHEMICAL 
PAKISTAN LTD

Contents

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

Company Information

As at 22 April 2022

Board of Directors

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

Audit Committee

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

HR & Remuneration Committee

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

Shares Sub Committee

Young Dae Kim	Chairman
Sang Hyeon Lee	Member
Mohammad Zubair	Member

Executive Management Team

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

Chief Financial Officer

Ashiq Ali

Company Secretary

Faisal Abid

Bankers

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

Internal Auditors

EY Ford Rhodes
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Legal Advisor

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

Registered Office

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

Shares Registrar

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

Directors' Review

For the first quarter ended 31 March 2022

The Directors are pleased to present their review report for the first quarter ended 31 March 2022 together with the un-audited condensed interim financial information of the Company as at and for the first quarter ended 31 March 2022.

Board Changes

Mr Humair Ijaz, will be stepping down as Chief Executive and Director of the Company with effect from close of business on 22 April 2022 and Mr Young Dae Kim, Executive Director will be taking over as Chief Executive with effect from 23 April 2022 for the remainder of Mr Humair's term which expires on 22 June 2023.

The Company and its Board places on record its appreciation for the valuable contributions made by the outgoing Chief Executive and Director, Mr Humair Ijaz in reshaping the business and steering the Company into profitability and welcomes Mr Young Dae Kim as the new Chief Executive of the Company.

Business Overview

The year 2022, commenced with a bullish trend for Crude Oil (WTI) prices on anticipated tightness in the market as OPEC+ failed to deliver the planned number of additional barrels. Additionally, severe weather in the US led to lower production resulting in consistent inventory draws, driving prices further upward. As the quarter progressed, geopolitical tensions between Russia and Ukraine further exacerbated the market sentiment. Initiation of military operations in Ukraine drove the US and the EU to impose severe sanctions on Russia creating further volatility in the market with a possible threat of disruption of Russian Crude supply. Under these circumstances, Crude Oil (WTI) prices crossed the US\$ 120 per barrel mark, levels last observed in the year 2008. Nevertheless, towards the end of the quarter, news of cease fire talks, extreme lockdowns in China due to the unprecedented spread of the Covid-19 virus, as well as US-Iran negotiations ensued weakness in prices. By the end of the quarter, the prices regained some strength backed by attacks on oil facilities in Saudi Arabia, and disruption of oil exports from Kazakhstan's CPC terminal on Russia's Black Sea. The average price for the quarter was US\$ 94.4 per barrel, up by 22.4% from the previous quarter.

Paraxylene (PX) prices followed the trend of the upstream Crude Oil market throughout the quarter. At the start of the year, the demand in the region remained relatively stable amid the start-up of a new megaton PTA plant in China. However, the demand soon slowed down amid several downstream shutdowns during the Lunar New Year holidays in China. The PX-Naphtha spread remained untenable during the first half of the quarter as the PX prices failed to cope with the pace of Naphtha prices. During the second half of the quarter, PX producers were forced to rationalize operations as well as shift to Gasoline production to ensure profitability. Towards the end of the quarter, PX demand slowed down amid the spike of Covid-19 cases in China; lockdowns in several parts of the country were imposed forcing the downstream producers to curtail operations. The average PX price for the quarter was US\$ 1,084.22 per metric tonne while the PX-Naptha spread averaged at US\$ 206 per tonne.

PTA prices gained strength at the start of the year mainly due to the bullish trend in the upstream markets. Additionally, higher demand was observed due capacity additions in the downstream polyester sector in China. However, as the Lunar New Year approached, several downstream customers planned maintenance shutdowns weakening the demand sentiment in the region. The upward movement of price was further restricted by excess supply concerns as a new 3.3 million metric tonne plant was commissioned in China. Despite the volatility in the upstream market, the upward trend in PTA prices was sluggish as demand struggled to recover post Lunar New Year holidays. Additionally, the Covid related lockdowns in China towards the end of the quarter led to demand destruction, and an overall increase in inventories of the downstream polyester sector that further weighed down on the PTA prices. The average PTA price for the quarter was US\$ 828 per metric tonne, whereas the average PTA margin over PX for the quarter was US\$ 112 per metric tonne.

The domestic polyester market operated at a healthy rate of 86% during the first quarter of 2022 amid strong demand due to the upcoming peak season as well as improved domestic PSF demand on implementation of Anti-Dumping Duty on PSF imports from Taiwan, Indonesia and Thailand.

Directors' Review

For the first quarter ended 31 March 2022

Operations

Production volume during the quarter at 109,781 tonnes was 15% lower than the corresponding period last year due to planned overhaul of the plant in Feb-March 2022.

Sales volume, comprising of domestic sales only, for Q1 2022 at 111,212 tonnes was 13% lower than the corresponding quarter last year due to lower product availability.

Financial Performance

Revenue for the quarter was 39% higher than the corresponding period last year due to higher PTA price. This coupled with higher margin resulted in a gross profit of Rs 4,010 million for the quarter as compared to gross profit of Rs 2,264 million during the same period last year.

The taxation charge for the quarter is based on statutory income tax rate and tax under Final Tax Regime (FTR) as adjusted by the movement in the deferred tax account.

Earnings per share (EPS) for the quarter stood at Rs 1.73 per share as compared to Rs 1.08 per share for Q1 2021.

Future Outlook

Moving forward, Crude Oil (WTI) prices are expected to trend lower on hopes of the easing conflict between Russia and Iran. Furthermore, the market eyes the ease of sanctions on Iranian and Venezuelan Oil exports that could add further barrels to the market. However, the continued post-pandemic demand growth and failure of OPEC+ to deliver promised barrels may restrict any significant dip in prices.

Paraxylene (PX) prices are expected to follow the Crude Oil market and trend downwards in the next quarter. Moreover, the expected capacity addition of a million metric tonne PX plant in China may further add pressure to PX prices. Nevertheless, continued low operating rates amid weak margins in the region may prevent an oversupply in the market.

PTA market is envisioned to trend lower as the peak season approaches its end and the downstream absorbs current high inventories. However, upstream markets may eventually determine the price direction in addition to hopes of improving lockdown situation in China which may enable the downstream polyester industry to recover.

The domestic Polyester market is expected to continue showing strength due to the existing high demand from the textile sector as well as improved consumption in the PET sector owing to the Holy month of Ramadan. However, the uncertain political situation of the country and the resulting dwindling exchange rate poses a threat to domestic industrial operations.



Sang Hyeon Lee
Chairman



Humair Ijaz
Chief Executive

Date: 22 April 2022
Karachi

Condensed Interim Statement of Financial Position

As at 31 March 2022

Amounts in Rs '000

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	4	6,412,918	6,042,602
Intangible assets		3,817	2,615
Right-of-use assets		1,159,550	1,217,305
Long-term loans		121,483	124,336
Long-term prepayments		550	662
Deferred taxation - net		1,003,575	931,370
		8,701,893	8,318,890
Current assets			
Stores and spare parts		1,160,846	1,244,627
Stock-in-trade		8,274,168	5,848,592
Trade debts	5	6,904,442	4,511,528
Loans and advances		43,986	50,616
Trade deposits and short-term prepayments		78,733	80,178
Interest accrued		34,835	45,954
Other receivables	6	137,764	721,706
Short-term investments - at amortised cost	7	15,724,752	15,259,350
Sales tax refunds due from government	8	434,095	330,918
Taxation - net		-	14,490
Cash and bank balances	9	46,328	46,323
		32,839,949	28,154,282
Total assets		41,541,842	36,473,172
Equity and liabilities			
Share capital and reserves			
Issued, subscribed and paid-up capital 1,514,207,208 (31 December 2021: 1,514,207,208) ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserve		2,345	2,345
Revenue reserve - Unappropriated profit		6,447,061	3,832,102
Total equity		21,591,478	18,976,519
Liabilities			
Non-current liabilities			
Retirement benefit obligations		153,418	150,166
Lease liability		1,535,242	1,539,767
		1,688,660	1,689,933
Current liabilities			
Trade and other payables	10	17,084,305	15,276,420
Lease liability		235,092	220,118
Accrued interest		278,886	268,571
Unclaimed dividend		10,994	11,014
Unpaid dividend		29,080	30,597
Taxation - net		623,347	-
		18,261,704	15,806,720
Total liabilities		19,950,364	17,496,653
Contingencies and commitments	11		
Total equity and liabilities		41,541,842	36,473,172

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


Sang Hyeon Lee
Chairman


Humair Ijaz
Chief Executive


Ashiq Ali
Chief Financial Officer

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

	Note	Quarter ended 31 March	
		2022	2021
Revenue - net	12	20,331,599	14,671,880
Cost of sales	13	(16,321,611)	(12,408,169)
Gross profit		4,009,988	2,263,711
Distribution and selling expenses		(38,788)	(28,929)
Administrative and general expenses		(124,945)	(115,704)
Other operating expenses	14	(275,573)	(167,541)
Operating profit		3,570,682	1,951,537
Other income	15	375,682	245,931
Finance (cost) / income	16	(276,934)	98,015
Profit before taxation		3,669,430	2,295,483
Taxation	17	(1,054,471)	(656,482)
Profit after taxation		2,614,959	1,639,001
----- Amount in Rupees -----			
Earnings per share - basic and diluted		1.73	1.08

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


Sang Hyeon Lee
 Chairman


Humair Ijaz
 Chief Executive


Ashiq Ali
 Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the first quarter ended 31 March 2022

Amounts in Rs '000

	Quarter ended 31 March	
	2022	2021
Profit after taxation	2,614,959	1,639,001
Other comprehensive income	-	-
Total comprehensive income for the period	2,614,959	1,639,001

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


Sang Hyeon Lee
Chairman


Humair Ijaz
Chief Executive


Ashiq Ali
Chief Financial Officer

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

	Share capital		Reserves		Total equity
	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit / (accumulated losses)	Sub-total	
Balance as at 1 January 2021	15,142,072	2,345	2,604,574	2,606,919	17,748,991
Total comprehensive income for the three months period ended 31 March 2021					
- Profit for the three months period ended 31 March 2021	-	-	1,639,001	1,639,001	1,639,001
- Other comprehensive income for the three months period ended 31 March 2021	-	-	-	-	-
	-	-	1,639,001	1,639,001	1,639,001
Balance as at 31 March 2021	<u>15,142,072</u>	<u>2,345</u>	<u>4,243,575</u>	<u>4,245,920</u>	<u>19,387,992</u>
Balance as at 1 January 2022	15,142,072	2,345	3,832,102	3,834,447	18,976,519
Total comprehensive income for the three months period ended 31 March 2022					
- Profit for the three months period ended 31 March 2022	-	-	2,614,959	2,614,959	2,614,959
- Other comprehensive income for the three months period ended 31 March 2022	-	-	-	-	-
	-	-	2,614,959	2,614,959	2,614,959
Balance as at 31 March 2022	<u>15,142,072</u>	<u>2,345</u>	<u>6,447,061</u>	<u>6,449,406</u>	<u>21,591,478</u>

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


Sang Hyeon Lee
Chairman


Humair Ijaz
Chief Executive


Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)

For the first quarter ended 31 March 2022

Amounts in Rs '000

	Note	Quarter ended 31 March	
		2022	2021
Cash flows from operating activities			
Cash generated from operations	18	1,340,493	2,455,605
Finance costs paid		(14,846)	(9,451)
Payments to retirement benefit obligations		(603)	(250)
Long-term loans and advances - net		2,853	(1,478)
Long-term deposits and prepayments - net		112	162
Taxes paid		(528,163)	(248,257)
Interest received		375,250	317,651
Net cash generated from operating activities		1,175,096	2,513,982
Cash flows from investing activities			
Payments for capital expenditure		(603,835)	(1,143,677)
Proceeds from disposal of property, plant and equipment		1,365	-
Redemption of short-term investments (net of purchases)		(7,782,802)	661,119
Net cash used in investing activities		(8,385,272)	(482,558)
Cash flows from financing activities			
Dividend paid		(1,537)	(797)
Payment of lease liability		(105,682)	(94,460)
Net cash used in financing activities		(107,219)	(95,257)
Net (decrease) / increase in cash and cash equivalents		(7,317,395)	1,936,167
Cash and cash equivalents at 1 January		15,305,673	14,373,888
Cash and cash equivalents at 31 March	19	<u>7,988,278</u>	<u>16,310,055</u>

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


Sang Hyeon Lee
Chairman


Humair Ijaz
Chief Executive


Ashiq Ali
Chief Financial Officer

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

For the first quarter ended 31 March 2022

1. STATUS AND NATURE OF BUSINESS

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements of the Company for the three months period ended 31 March 2022 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

2.1.1 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of changes in Company's financial position and performance since the last annual financial statements.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

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

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended 31 December 2021.

The preparation of these condensed interim financial statements, in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates. During the preparation of these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and assumptions are consistent with those that were applied to the annual audited financial statements of the Company for the year ended 31 December 2021.

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended 31 December 2021.

These condensed interim financial statements does not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2021.

4. PROPERTY, PLANT AND EQUIPMENT

	31 March 2022	31 December 2021
Note	(Un-audited)	(Audited)
Operating property, plant and equipment	5,831,146	5,608,682
Capital work-in-progress	581,772	433,920
4.1	<u>6,412,918</u>	<u>6,042,602</u>

4.1 The following property, plant and equipment have been added / disposed off during the three months period ended 31 March:

	2022		2021	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
Property, plant and equipment Operating assets - owned				
Plant and machinery	448,767	-	1,128,699	154,088
Furniture and equipment	5,221	-	2,764	-
Motor vehicles	529	-	-	-
Capital work-in-progress - net	<u>147,852</u>		<u>166,302</u>	

5. TRADE DEBTS

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

	31 March 2022	31 December 2021
Note	(Un-audited)	(Audited)
6. OTHER RECEIVABLES - considered good		
Rebates receivable - net	99,318	682,125
Insurance claims - net	36,941	36,485
Others	1,505	3,096
	<u>137,764</u>	<u>721,706</u>

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

	31 March 2022	31 December 2021
Note	(Un-audited)	(Audited)
7. SHORT-TERM INVESTMENTS - at amortised cost		
Term Deposit Receipts (TDRs)	7,941,950	15,259,350
Treasury Bills	7,782,802	-
	<u>15,724,752</u>	<u>15,259,350</u>

7.1 The interest rates on term deposits ranged from 8.75% to 12.50% per annum (31 December 2021: 5.8% to 13.5% per annum) and had original maturities of less than three months.

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
8. SALES TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax refundable	8.1	590,148	486,971
Provision for impairment		(156,053)	(156,053)
		434,095	330,918

8.1 This includes Rs 27.65 million (31 December 2021: Rs 27.65 million) on account of input tax arising from sales tax charged to the Company under the Sindh Sales Tax on Services Act, 2011 which is administered by the Sindh Revenue Board with effect from 01 July 2011. This is being deferred due to procedural issues between Federal and Provincial Tax collecting agencies, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue (FBR). The Company had approached Federal Tax Ombudsman (FTO) for resolution of the matter. The FTO in its order dated 02 May 2013 have directed FBR, with certain recommendations, to resolve the issue. The Company has filed a Suit No. 537 of 2014 before the Sindh High Court (SHC) to resolve this issue as per the prevailing Sales Tax Law. The SHC passed an order dated 14 January 2015 directing the FBR to verify exact amount of refund of sales tax to which plaintiff is entitled and submit their report accordingly.

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
9. CASH AND BANK BALANCES			
Cash in hand		61	61
With banks in local currency:			
Current accounts		40,712	42,123
Saving account	9.1	5,555	4,139
		46,267	46,262
		46,328	46,323

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

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
10. TRADE AND OTHER PAYABLES			
Trade creditors including bills payable		8,826,159	7,594,274
Accrued expenses		976,004	812,682
Contract liabilities - advances from customers		13,929	25,063
Withholding tax payable		2,671	2,536
Infrastructure Cess	10.1	3,551,423	3,364,687
Provision for GIDC	10.2	3,113,744	3,113,744
Workers' Profit Participation Fund (WPPF)		197,214	39,290
Workers' Welfare Fund (WWF)		234,812	156,489
Retention money		21,019	19,817
Others	10.3	147,330	147,838
		17,084,305	15,276,420

10.1 There is no change in the status of the appeal filed by the Company at Sindh High Court in respect of Development and Maintenance of Infrastructure Cess as reported in note 24.1 to the annual financial statements of the Company for the year ended 31 December 2021. As a matter of abundant caution, full amount of provision has been made in this condensed financial information in this respect.

10.2 There is no change in the status of Gas Infrastructure Development Cess as disclosed in note 24.2 to the annual financial statements of the Company for the year ended 31 December 2021.

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

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

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

Tax year 2015 - Lotte Powergen

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

The CIR(A) has maintained the action taken in the order by the officer. The Company has preferred appeal before the ATIR. The consequential liability if any would be around Rs. 515 million.

Sales tax / FED

The Company has received show-cause notices in respect of certain tax periods against certain discrepancies in the sales tax returns filed. Replies to the said show cause notices had been made along with supporting evidences but no order has been received yet. Further, the contingency relating to sales tax has been disclosed in note 8.1 of these condensed interim financial statements.

The Deputy Commissioner Inland Revenue (DCIR) passed an Order, whereby sales tax demand of Rs. 153.7 million along with penalty of Rs. 7.7 million has been raised on account of certain discrepancies in the sales tax return filed for tax period 2019. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) [CIR(A)] which was remanded back by the CIR(A) for reconsideration on 18 October 2021. The department has initiated remand back proceedings and has accepted the major contentions of the Company. The only issue of input tax adjustment on steel products has been rejected against which the Company has filed an appeal before CIR(A). The consequential liability if any would be around Rs 3.4 million.

11.2 Commitments and Guarantees

11.2.1 Commitments for capital expenditure as at 31 March 2022 amounted to Rs 6.90 million (31 December 2021: Rs 34.45 million).

11.2.2 Commitments for rentals under ljarah contracts for vehicles are as follows:

	31 March 2022	31 December 2021
	(Un-audited)	(Audited)
Not later than 1 year	35,286	27,961
Later than 1 year and not later than 5 years	83,144	55,407
	118,430	83,368

11.2.3 Commitments for rentals under service agreements for certain supplies in respect of goods and services are as follows:

	31 March 2022	31 December 2021
	(Un-audited)	(Audited)
Not later than 1 year	515,138	541,184
Later than 1 year and not later than 5 years	-	90,197
	515,138	631,381

11.2.4 Commitments for rentals under service agreements in respect of goods and services are priced in foreign currency and payable in Pakistani Rupees, converted at exchange rates applicable on the date of payment.

11.2.5 Outstanding guarantees of the Company as at 31 March 2022 were Rs 4,164.1 million (31 December 2021: Rs 3,944.1 million).

11.2.6 Letters of credit issued on behalf of the Company as at 31 March 2022 were Rs 3,193.9 million (31 December 2021: Rs 2,366.8 million).

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

	Quarter ended 31 March (Un-audited)	
	2022	2021
12. REVENUE - net		
Manufactured goods		
Local sales	22,890,203	16,573,866
Less: sales tax and excise duty	(3,325,927)	(2,408,168)
price settlements and discounts / rebates	(49,124)	(221,373)
	19,515,152	13,944,325
Trading goods		
Local sales	687,236	581,274
Less: sales tax and excise duty	(99,855)	(84,458)
price settlements and discounts / rebates	(4,085)	(4,658)
	583,296	492,158
Sale of electricity		
Local sales	272,787	275,415
Less: sales tax	(39,636)	(40,018)
	233,151	235,397
	20,331,599	14,671,880
13. COST OF SALES		
Manufactured goods		
Opening stock of raw and packing materials	4,489,456	3,644,232
Purchases	16,883,926	10,032,004
Closing stock of raw and packing materials	(7,105,158)	(3,069,538)
Raw and packing materials consumed	14,268,224	10,606,698
Manufacturing costs	1,355,986	1,408,344
Cost of goods manufactured	15,624,210	12,015,042
Opening stock of finished goods	899,009	506,676
	16,523,219	12,521,718
Closing stock of finished goods	(938,597)	(745,068)
Cost of goods manufactured sold	15,584,622	11,776,650
Trading goods		
Opening stock	460,127	6,461
Purchases	283,509	581,125
Closing stock	(230,413)	(175,238)
Cost of trading goods sold	513,223	412,348
Cost to produce electricity	223,766	219,171
	16,321,611	12,408,169
14. OTHER OPERATING EXPENSES		
Workers' Profit Participation Fund	197,250	123,151
Workers' Welfare Fund	78,323	44,390
	275,573	167,541

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

	Quarter ended	
	31 March (Un-audited)	
	2022	2021
15. OTHER INCOME		
Income from financial assets		
Interest income	364,131	273,175
Income from non-financial assets		
Scrap sales	3,249	-
Unwinding of GIDC provision	-	(31,773)
Gain on disposal of property, plant and equipment	1,365	-
Indenting commission - net	955	1,363
Rental income from tower on leasehold land	932	896
Income from sale of water	5,038	2,270
Others	12	-
	11,551	(27,244)
	375,682	245,931
16. FINANCE COSTS / (INCOME)		
Interest on lease liability	50,416	50,121
Exchange loss / (gain) - net	211,492	(157,703)
Bank, LCs and other charges	14,846	9,451
Interest on Workers' Profit Participation Fund	180	116
	276,934	(98,015)
17. TAXATION		
The taxation charge for the quarter is based on the statutory income tax rate and tax under Final Tax Regime (FTR) as adjusted by the movement in the deferred tax account.		
	Note	Quarter ended
		31 March (Un-audited)
		2022
		2021
18. CASH GENERATED FROM OPERATIONS		
Profit before taxation		3,669,430
		2,295,483
Adjustments for non-cash charges and other items:		
Depreciation and amortisation		290,072
Gain on disposal of property, plant and equipment		355,719
Provision for retirement benefit obligations		(1,365)
Finance cost		-
Interest income	15	3,855
Infrastructure Cess		3,542
Unwinding of GIDC provision		141,291
		(18,279)
		(364,131)
		(273,175)
		186,736
		80,499
		-
		31,773
		256,458
		211,852
		3,925,888
		2,507,335
Effect on cashflows due to working capital changes		
Decrease / (increase) in current assets:		
Stores and spare parts		83,781
Stock-in-trade		(59,430)
Trade debts		(2,425,576)
Loans and advances		308,941
Trade deposits and short-term prepayments		(2,392,914)
Other receivables		(1,020,188)
Sales tax refunds due from government		6,630
		2,757
		1,445
		(33,440)
		583,942
		(196,183)
		(103,177)
		2,712
		(4,245,869)
		(994,831)
Increase in trade and other payables		1,660,474
		943,101
Cash generated from operations		1,340,493
		2,455,605

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

		31 March 2022	31 December 2021
	Note	(Un-audited)	(Audited)
19. CASH AND CASH EQUIVALENTS			
Cash and bank balances	9	46,328	34,002
TDRs with banks having maturity less than three months	7	7,941,950	16,244,280
		<u>7,988,278</u>	<u>16,278,282</u>

20. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions	Quarter ended	
		31 March (Un-audited) 2022	2021
Key management personnel	Salaries and other short-term benefits	19,368	13,183
	Retirement benefits	2,042	1,792
	Loans repaid	1,050	1,050
Others	Payments to retirement benefit funds	23,650	20,569

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

21.1 Accounting classifications and fair values

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

31 March 2022 (Un-audited)									
Note	Carrying amount					Fair value			
	Financial assets 'at fair value through other comprehensive income'	Financial assets 'at fair value through profit or loss'	Financial assets 'at amortised cost'	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets - not measured at fair value									
Loans and advances	21.1.1	-	-	162,537	-	162,537			
Trade deposits	21.1.1	-	-	46,111	-	46,111			
Trade debts	21.1.1	-	-	6,904,442	-	6,904,442			
Other receivables	21.1.1	-	-	137,764	-	137,764			
Short-term investments									
- TDRs	21.1.1	-	-	7,941,950	-	7,941,950			
- T-Bills	21.1.2	-	-	7,782,802	-	7,782,802	7,782,802		7,782,802
Interest accrued	21.1.1	-	-	34,835	-	34,835			
Cash and bank balances	21.1.1	-	-	46,328	-	46,328			
		-	-	23,056,769	-	23,056,769			
Financial liabilities - not measured at fair value									
Trade and other payables	21.1.1	-	-	-	9,970,512	9,970,512			
Accrued interest	21.1.1	-	-	-	278,886	278,886			
Unclaimed dividend	21.1.1	-	-	-	10,994	10,994			
Unpaid dividend	21.1.1	-	-	-	29,080	29,080			
Lease liability	21.1.1	-	-	-	1,770,334	1,770,334			
		-	-	-	12,059,806	12,059,806			
31 December 2021 (Audited)									
Note	Carrying amount					Fair value			
	Financial assets 'at fair value through other comprehensive income'	Financial assets 'at fair value through profit or loss'	Financial assets 'at amortised cost'	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets - not measured at fair value									
Loans and advances	21.1.1	-	-	165,600	-	165,600			
Trade deposits	21.1.1	-	-	47,381	-	47,381			
Trade debts	21.1.1	-	-	4,511,528	-	4,511,528			
Other receivables	21.1.1	-	-	721,706	-	721,706			
Short-term investments									
- TDRs	21.1.1	-	-	15,259,350	-	15,259,350			
- T-Bills	21.1.2	-	-	-	-	-			
Interest accrued	21.1.1	-	-	45,954	-	45,954			
Cash and bank balances	21.1.1	-	-	46,323	-	46,323			
		-	-	20,797,842	-	20,797,842			
Financial liabilities - not measured at fair value									
Trade and other payables	21.1.1	-	-	-	8,574,611	8,574,611			
Accrued interest	21.1.1	-	-	-	268,571	268,571			
Unclaimed dividend	21.1.1	-	-	-	11,014	11,014			
Unpaid dividend	21.1.1	-	-	-	30,597	30,597			
Lease liability	21.1.1	-	-	-	1,759,885	1,759,885			
		-	-	-	10,644,678	10,644,678			

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

For the first quarter ended 31 March 2022

Amounts in Rs '000

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

21.1.2 Valuation techniques used in determination of fair values within level 2:

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

22. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified for the purpose of better presentation and comparison. Significant reclassification made during the period is as follows:

Component	From	Notes to the interim financial statements	To	Rupees
Statement of Profit or Loss	Other operating expenses	-	Administrative and general expenses	614
Statement of Profit or Loss	Other operating expenses	15	Other income	31,773

23. GENERAL

23.1 Segment reporting

The financial information has been prepared on the basis of a single reportable segment. Geographically, all the sales were carried out in Pakistan. All non-current assets of the Company as at 31 March 2022 are located in Pakistan.

24. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 22 April 2022.



Sang Hyeon Lee
Chairman



Humair Ijaz
Chief Executive



Ashiq Ali
Chief Financial Officer

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