

**REPORT FOR THE
NINE MONTHS PERIOD ENDED
30 SEPTEMBER 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 27 October 2022

Board of Directors

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

Audit Committee

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

HR & Remuneration Committee

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

Shares Sub Committee

Young Dae Kim	Chairman
Sang Hyeon Lee	Member
Mohammad Zubair	Member

Executive Management Team

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

Chief Financial Officer

Ashiq Ali

Company Secretary

Faisal Abid

Bankers

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

Internal Auditors

EY Ford Rhodes
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Legal Advisor

Naz Toosy

Registered Office

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

Shares Registrar

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

Directors' Review

For the third quarter ended 30 September 2022

The Directors are pleased to present their review report for the third quarter ended 30 September 2022 together with the un-audited condensed interim financial information of the Company as at and for the third quarter and nine months period ended 30 September 2022.

Business Overview

The Crude Oil (WTI) market witnessed a bearish trend throughout the third quarter as several unpropitious factors plagued the market sentiment. Aggressive interest rate hikes by central banks of major economies to stem inflation, the strengthening US Dollar, and China's adherence to the zero-tolerance Covid-19 policy dented the global demand outlook. However, the potential reduction in energy supplies on account of Russia-Ukraine conflict, the decision by OPEC+ to reduce production despite not being able to meet production quotas, and the limited global refining capacities forced prices to rise intermittently. Crude Oil (WTI) prices averaged at US\$ 92.13 per barrel for the quarter, 15.1% lower than the previous quarter.

PX (Paraxylene) prices tumbled during the third quarter on the back of weak upstream Crude Oil market amid sluggish demand for PX due to recessionary fears elicited by the slowing economic growth and the continued lockdowns in China. Keeping the lackluster demand in view and the availability of options to direct throughput to lucrative products, major producers rationalized operations to fulfill contractual obligations. A shift in global supply chains mainly driven by the Russia-Ukraine conflict resulted in arbitrage from Asia and Middle-East to the West/Europe tightening prompt supply, hence enabling producers to command high premiums. As Gasoline demand tapered towards the end of the driving season in the West, several producers reverted production to PX. The average PX price for the quarter was US\$ 1,095.70 per tonne, 13% lower than the last quarter. The PX - Naphtha spread averaged at US\$ 378 per tonne for the quarter.

The PTA market trended lower tracking the movement in the Paraxylene market amid weak indigenous supply/demand fundamentals. Lack of recovery in PTA operations was mainly due to poor global demand inundated by recession fears, persistent lockdowns in China and the resulting high inventories in the polyester chain. Additionally, power rationing in China during the summer season and the unwillingness of producers to pay steep premiums for spot PX cargoes ensued rate cuts at PTA facilities in China. Despite the slight improvement in Spot PTA-PX spreads during the quarter, manufacturers struggled to cope with rising feedstock costs on account of premiums and higher ocean freights on liquid cargos. The average PTA price for the quarter was US\$ 845 per tonne while the average PTA margin over PX was US\$ 122 per tonne compared to US\$ 119 per tonne for the previous quarter.

The domestic polyester market was forced to reduce operating rates due to curtailed supply of utilities for the industry. Additionally fluctuation in exchange rates as well as inflationary pressures dampened the demand outlook citing lack of or postponement of export orders. Furthermore, floods in southern parts of the country led to disruption of inland logistics, further antagonizing producer woes. The average operating rate for the quarter was 80%.

Operations

Production volume during the quarter at 126,586 tonnes was 4% higher than the corresponding period last year while Sales volume, comprising of domestic sales only, at 126,286 tonnes was 2% lower than the corresponding quarter last year.

Directors' Review

For the third quarter ended 30 September 2022

Financial Performance

Revenue for the quarter was significantly higher than the corresponding period last year due to higher PTA price. This coupled with higher margin resulted in a gross profit of Rs 4,805 million for the quarter as compared to gross profit of Rs 1,394 million during the same period last year.

Distribution and selling expenses were 47% higher while Administrative and general expenses were 43% higher than the corresponding period last year due to overall impact of inflation.

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

Earnings per share (EPS) for the quarter stood at Rs 1.79 per share as compared to Rs 0.41 per share for Q3 2021.

Future Outlook

Going forward, the Crude Oil market is anticipated to trend higher as demand for heating fuels is expected to increase, additionally the European Union sanctions banning imports of Russian energy products may result in aggravating the existing volatility in the market. Despite the efforts being made by OPEC+ to balance the market by reducing production, global recessionary fears and the prolonged lockdowns in the largest oil importing economy, China, might help keeping prices in check.

Paraxylene (PX) prices are forecasted to trend in line with the upstream Crude Oil market going forward. Additionally, the market is expected to gain length as new PX capacities are scheduled to start-up towards the end of the year.

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

Moving ahead, the overall Polymer operations in the domestic market are expected to further come under pressure mainly due to persistent weak demand from downstream Textile and PET sector as inventories of Raw Material and Finished Goods have started to pile up. The reduction in export orders to Europe and the West as well as the ongoing energy crisis in Pakistan is forcing all the stake holders to adopt a cautious approach ahead. PTA demand from the domestic market is expected to remain depressed which may also impact LCPL sales in last quarter.



Sang Hyeon Lee
Chairman



Young Dae Kim
Chief Executive

Date: 27 October 2022
Bangkok, Thailand

Condensed Interim Statement of Financial Position

As at 30 September 2022

Amounts in Rs '000

	Note	30 September 2022 (Un-audited)	31 December 2021 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	4	6,292,006	6,042,602
Intangible assets		2,193	2,615
Right-of-use assets	5	1,172,703	1,217,305
Long-term loans		145,380	124,336
Long-term prepayments		450	662
Deferred taxation - net		1,466,503	931,370
		9,079,235	8,318,890
Current assets			
Stores and spare parts		1,278,004	1,244,627
Stock-in-trade		8,673,045	5,848,592
Trade debts	6	13,515,619	4,295,961
Loans and advances		50,278	50,616
Trade deposits and short-term prepayments		135,781	80,178
Interest accrued		1,690	45,954
Other receivables	7	1,342,271	721,706
Short-term investments - at amortised cost	8	6,388,529	15,259,350
Sales tax refunds due from government	9	460,824	330,918
Taxation - net		-	14,490
Cash and bank balances	10	4,163,136	46,323
		36,009,177	27,938,715
Total assets		45,088,412	36,257,605
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		5,880,999	3,832,102
Total equity		21,025,416	18,976,519
Liabilities			
Non-current liabilities			
Retirement benefit obligations		160,130	150,166
Lease liability		1,750,580	1,539,767
		1,910,710	1,689,933
Current liabilities			
Trade and other payables	11	15,808,873	15,060,853
Lease liability		308,523	220,118
Accrued interest on Mortar Loan	12	346,763	268,571
Unclaimed dividend		10,984	11,014
Unpaid dividend		4,600,732	30,597
Taxation - net		1,076,411	-
		22,152,286	15,591,153
Total liabilities		24,062,996	17,281,086
Contingencies and commitments	13		
Total equity and liabilities		45,088,412	36,257,605

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


Sang Hyeon Lee
Chairman


Young Dae Kim
Chief Executive


Ashiq Ali
Chief Financial Officer

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

	Note	Nine months period ended 30 September		Quarter ended 30 September	
		2022	2021	2022	2021
Revenue - net	14	79,513,368	48,221,116	29,555,065	17,298,872
Cost of sales	15	(64,702,374)	(42,914,825)	(24,749,957)	(15,904,902)
Gross profit		14,810,994	5,306,291	4,805,108	1,393,970
Distribution and selling expenses		(113,624)	(85,591)	(40,500)	(27,559)
Administrative and general expenses		(427,765)	(352,985)	(176,365)	(123,561)
Other operating expenses	16	(983,106)	(345,102)	(315,016)	(69,812)
Operating profit		13,286,499	4,522,613	4,273,227	1,173,038
Other income	17	1,429,348	787,511	595,605	262,323
Finance cost	18	(1,792,345)	(778,244)	(794,696)	(576,803)
Profit before taxation		12,923,502	4,531,880	4,074,136	858,558
Taxation	19	(4,817,776)	(1,302,234)	(1,369,857)	(230,776)
Profit after taxation		8,105,726	3,229,646	2,704,279	627,782
----- Amount in Rupees -----					
Earnings per share - basic and diluted		5.35	2.13	1.79	0.41

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


Sang Hyeon Lee
 Chairman


Young Dae Kim
 Chief Executive


Ashiq Ali
 Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months period ended 30 September 2022

Amounts in Rs '000

	Nine months period ended 30 September		Quarter ended 30 September	
	2022	2021	2022	2021
Profit after taxation	8,105,726	3,229,646	2,704,279	627,782
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	8,105,726	3,229,646	2,704,279	627,782

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


Sang Hyeon Lee
Chairman


Young Dae Kim
Chief Executive


Ashiq Ali
Chief Financial Officer

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

For the nine months period ended 30 September 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 nine months period ended 30 September 2021					
- Profit for the nine months period ended 30 September 2021	-	-	3,229,646	3,229,646	3,229,646
- Other comprehensive income for the nine months period ended 30 September 2021	-	-	-	-	-
	-	-	3,229,646	3,229,646	3,229,646
Final dividend for the year ended 31 December 2020 @ Rs 0.75 per share	-	-	(1,135,655)	(1,135,655)	(1,135,655)
Balance as at 30 September 2021	15,142,072	2,345	4,698,565	4,700,910	19,842,982
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 nine months period ended 30 September 2022					
- Profit for the nine months period ended 30 September 2022	-	-	8,105,726	8,105,726	8,105,726
- Other comprehensive income for the nine months period ended 30 September 2022	-	-	-	-	-
	-	-	8,105,726	8,105,726	8,105,726
Interim dividend for the year ended 31 December 2022 @ Rs 4.00 per share	-	-	(6,056,829)	(6,056,829)	(6,056,829)
Balance as at 30 September 2022	15,142,072	2,345	5,880,999	5,883,344	21,025,416

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


Sang Hyeon Lee
Chairman


Young Dae Kim
Chief Executive


Ashiq Ali
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)

For the nine months period ended 30 September 2022

Amounts in Rs '000

	Note	Nine months period ended 30 September	
		2022	2021
Cash flows from operating activities			
Cash generated from operations	20	1,260,056	4,438,119
Finance costs paid		(34,350)	(27,563)
Payments to retirement benefit obligations		(1,958)	(1,498)
Long-term loans and advances - net		(21,044)	(2,563)
Long-term deposits and prepayments - net		212	447
Taxes paid		(4,441,162)	(1,328,099)
Interest received		1,439,882	952,169
Net cash (used in) / generated from operating activities		(1,798,364)	4,031,012
Cash flows from investing activities			
Payments for capital expenditure		(1,117,191)	(1,723,379)
Proceeds from disposal of property, plant and equipment		3,944	-
Purchase of short-term investments (net of redemption)		(4,321,229)	(3,650,240)
Net cash used in investing activities		(5,434,476)	(5,373,619)
Cash flows from financing activities			
Dividend paid		(1,486,724)	(1,133,940)
Payment of lease liability		(355,673)	(284,230)
Net cash used in financing activities		(1,842,397)	(1,418,170)
Net decrease in cash and cash equivalents		(9,075,237)	(2,760,777)
Cash and cash equivalents at 1 January		15,305,673	14,373,888
Cash and cash equivalents at 30 September	21	6,230,436	11,613,111

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


Sang Hyeon Lee
Chairman


Young Dae Kim
Chief Executive


Ashiq Ali
Chief Financial Officer

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

For the nine months period ended 30 September 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 ("LCC Korea") and its ultimate parent company is South Korean Conglomerate Lotte. The Parent Company holds 75.01% shares of the Company as on 30 September 2022 (31 December 2021: 75.01%). During the period, LCC Korea has notified that it is considering strategic divestment options for the Company, as part of its long-term strategy.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

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

For the nine months period ended 30 September 2022

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

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

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

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

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

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

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

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

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

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

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

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

		30 September 2022	31 December 2021
	Note	(Un-audited)	(Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment		5,565,044	5,608,683
Capital work-in-progress		726,962	433,919
	4.1	6,292,006	6,042,602

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

	2022		2021	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
Property, plant and equipment				
Operating assets - owned				
Plant and machinery	677,384	-	1,221,949	154,088
Furniture and equipment	13,147	-	51,199	-
Motor vehicles	529	-	-	-
Capital work-in-progress - net	293,042		601,519	

5. RIGHT-OF-USE ASSETS

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

		30 September 2022	31 December 2021
	Note	(Un-audited)	(Audited)
6. TRADE DEBTS			
Trade debts - considered good	6.1 & 6.2	13,515,619	4,295,961

6.1 All of the Company's trade debts are secured by letters of credit of 30 to 120 days issued by various banks and receivable from K-Electric against the sale of electricity is secured against post dated cheques. These balances are neither past due nor impaired and are considered good.

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

		30 September 2022	31 December 2021
	Note	(Un-audited)	(Audited)
7. OTHER RECEIVABLES - considered good			
Rebates receivable - net	7.1	1,338,923	682,125
Insurance claims - net		-	36,485
Others		3,348	3,096
		1,342,271	721,706

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

		30 September 2022	31 December 2021
	Note	(Un-audited)	(Audited)
8. SHORT-TERM INVESTMENTS - at amortised cost			
Term Deposit Receipts (TDRs)	8.1	2,067,300	15,259,350
Treasury Bills	8.2	4,321,229	-
		6,388,529	15,259,350

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

8.1 The interest rates on term deposit receipts as of reporting date carry a profit rate ranged from 13.75% to 15.00% per annum (31 December 2021: 5.8% to 13.5% per annum) having original maturities of less than three months.

8.2 This represents the Company's investment in T-Bills having face value of Rs 4,585.11 million (2021: Rs Nil) for the period up to 12 months with maturities ranging from 03 November 2022 to 01 June 2023 having yield ranging from 14.65% to 15.35% (2021: Nil) as of reporting date.

	Note	30 September 2022 (Un-audited)	31 December 2021 (Audited)
9. SALES TAX REFUNDS DUE FROM GOVERNMENT			
Sales tax refundable	9.1	647,417	486,971
Provision for impairment		(186,593)	(156,053)
		460,824	330,918

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

	Note	30 September 2022 (Un-audited)	31 December 2021 (Audited)
10. CASH AND BANK BALANCES			
Cash in hand		125	61
With banks in local currency:			
Current accounts		4,157,951	42,123
Saving account	10.1	5,060	4,139
		4,163,011	46,262
		4,163,136	46,323

10.1 These carry interest at 8.25% to 13.50% per annum (31 December 2021: 5.5% to 7.25% per annum).

	Note	30 September 2022 (Un-audited)	31 December 2021 (Audited)
11. TRADE AND OTHER PAYABLES			
Trade creditors including bills payable		6,243,509	7,378,707
Accrued expenses		1,064,391	812,682
Contract liabilities - advances from customers		26,176	25,063
Withholding tax payable		1,887	2,536
Infrastructure Cess	11.1	4,186,371	3,364,687
Provision for GIDC	11.2	3,113,744	3,113,744
Workers' Profit Participation Fund (WPPF)		695,295	39,290
Workers' Welfare Fund (WWF)		304,436	156,489
Retention money		17,216	19,817
Others	11.3	155,848	147,838
		15,808,873	15,060,853

11.1 The Company (along with a number of other parties) had challenged the levy of infrastructure cess on cost and freight value of goods entering the province of Sindh. According to a decision of the Honourable Sindh High Court (SHC), levy of the fee / cess up to December 2006 was declared to be illegal while amounts charged after that date were decreed to be within the law. Appeals were filed in the Honourable Supreme Court of Pakistan (SCP) both by the companies and the Government of Sindh in respect of the aforesaid judgement of the SHC. During the year 2011, the SCP referred the case back to the SHC.

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

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

In the year 2019, the Company (along with a number of other parties) had challenged the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The cases were taken up for hearing at SHC and the matter adjourned for hearing. The Honorable SHC granted interim arrangement in line with its order dated 02 June 2011 in this case as well.

In the previous year, the appeal filed by the Company at Sindh High Court in respect of Development and Maintenance of Infrastructure Cess was dismissed by the Sindh High Court on 04 June 2021 in favor of the Government of Sindh. An appeal has been filed in the Honorable Supreme Court of Pakistan on 28 July 2021. Leave to appeal and stay order was granted by the Honorable Supreme Court of Pakistan on 01 September 2021. There is no change in the status of the appeal filed by the Company at Sindh High Court in respect of Development and Maintenance of Infrastructure Cess. Therefore, as a matter of abundant caution, full amount of provision has been made in these condensed interim financial statements in this respect.

11.2 As per the Gas Infrastructure and Development Cess Act, 2011 ('the Act'), certain companies as specified in the Act including Sui Southern Gas Company ('SSGC') shall collect Gas Infrastructure and Development Cess ('GIDC') from sectors. As per the second schedule of the Act, GIDC of Rs. 13 per MMBTU was applicable on the Company. Subsequently, through Finance Bill 2012 – 2013, an amendment was made to the Act, whereby the rate of GIDC applicable on the Company was increased to Rs. 100 per MMBTU. On 16 August 2014, the Company filed a suit bearing number 1282 of 2014 wherein it impugned the Act on the ground that the rate of GIDC has been enhanced without any lawful justification and authority. The Honorable High Court of Sindh vide its ad-interim order dated 18 August 2012 has restrained SSGC from charging GIDC beyond Rs. 13 per MMBTU. As a result, SSGC invoiced GIDC to the Company at Rs. 13 per MMBTU till the month of July 2014, which has been recorded and paid.

Further, Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction therefore under the constitution, hence, are declared as such and set at naught. The judgment was referred in the Supreme Court of Pakistan which vide its order dated 22 August 2014 has upheld the decision of the Peshawar High Court stating that the GIDC Act, 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

In order to circumvent the decision of the Supreme Court, the Federal Government promulgated GIDC Ordinance No. VI of 2014, imposing GIDC at Rs.150 per MMBTU. Furthermore, the GIDC Act, 2015, was promulgated and also made applicable with immediate effect superseding the GIDC Act, 2011 and GIDC Ordinance, 2014 whereby cess rate of Rs. 100 per MMBTU and Rs. 200 per MMBTU were fixed for industrial and captive power consumers, respectively. The Company again filed a suit on the plea that the Honorable Supreme Court has already held that GIDC or any fee on gas is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and thus the Federal Government has no powers to impose GIDC. Further, no amount in relation to GIDC was billed by SSGC from the month of August 2014 till July 2020.

In the year 2020, Supreme Court of Pakistan (SCP) vide its judgment dated 13 August 2020 dismissed all the previous appeals filed by various industrial and commercial entities with respect to the legality and validity of levy and demand of GIDC and decided the case against the industry. Further, on 6th November 2020, the SCP dismissed all the review petitions with a relief for payment of GIDC in 48 installments and applicability of section 8(2) of the GIDC Act, 2015. During the previous year SSGC has revised the billing based on 24 monthly installments in line with the notification issued by the Ministry of Energy based on legal grounds.

In view of the above judgment of Supreme Court of Pakistan, the Company again filed a suit in the High Court of Sindh for allowing benefit of provision 8(2) of the GIDC Act, 2015, which is related to the government waiving its right to collect GIDC for the period from 2011 to 2015 from industries where the same was not passed on through supply chain. While the appeal of the Company is pending in the High Court of Sindh, the Company has recognised provision of Rs. 2,866 million till 31 July 2020. During the previous year, the provision has been remeasured over 24 installments. There has been no change in the status of Gas Infrastructure Development Cess.

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

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

12. ACCRUED INTEREST ON MORTAR LOAN

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

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

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

Name of the court, agency or authority	Description of the factual basis of the proceedings and relief sought	Principal parties	Date instituted
Federal Board of Revenue	Tax Year 2015 - Lotte Powergen In respect of Tax year 2015, an Assessment Order was passed whereby an amount of Rs. 1,717 million relating to the unabsorbed brought forward depreciation losses of amalgamated entity Lotte Powergen (Pvt) Limited were disallowed by Commissioner Inland Revenue (Appeals) [CIR(A)]. The Company has preferred an appeal before the Appellate Tribunal Inland Revenue (ATIR). The consequential liability if any would be approximately Rs. 515 million. However, the Company along with its tax advisor are confident that the decision will be in favour of the Company and hence, no provision has been recognized in these financial statements.	Appellate Tribunal Inland Revenue (ATIR) and the Company	27 November, 2020
Federal Board of Revenue	Tax Year 2021 On 31 March 2022, an Assessment Order was passed in respect of Tax year 2021 which created additional tax liability of Rs. 95.8 million and consequently tax refundable of Rs. 33.4 million was substituted by tax liability of Rs. 62.4 million which is mainly on account of disallowance of WPPF/WWF payments of Rs. 181.5 million and disallowance on claim of initial allowance of Rs. 79.6 million. The company has filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on 28 April 2022. The Company along with its tax advisor are confident that decision will be in favour of the Company and hence, no provision has been recognized in these financial statements.	Additional Commissioner Inland Revenue (ACIR) and the Company	31 March, 2022
Federal Board of Revenue	Sales tax - Tax periods from July 2020 to June 2021 The Company has received show-cause notices in respect of certain tax periods against the apportionment of input between taxable and exempt supplies in the sales tax returns filed. Replies to the said show cause notices had been made along with supporting evidences but no order has been received yet. Further, the contingency relating to sales tax has been disclosed in note 9.1 of these financial statements.	Deputy Commissioner Inland Revenue (DCIR) and the Company	15 March, 2022
Federal Board of Revenue	Sales tax - Tax periods from January to December 2019 The Deputy Commissioner Inland Revenue (DCIR) passed an Order, whereby sales tax demand of Rs. 153.7 million along with penalty of Rs. 7.7 million has been raised on account of certain discrepancies in the sales tax return filed for tax period 2019. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) [CIR(A)] which was remanded back by the CIR(A) for reconsideration on 18 October 2021. An Assessment Order was passed on 31 March 2022 whereby a sales tax demand of Rs. 3.4 million along with default surcharge of Rs. 0.87 million and penalty of Rs. 0.17 million on account of input tax adjustment on steel products which has been rejected. The Company has filed an appeal before CIR(A). The Company along with its tax advisor are confident that decision will be in favour of the Company and hence, no provision has been recognized in these financial statements.	Commissioner Inland Revenue Appeals [CIR(A)] and the Company	31 March, 2022

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

13.2 Commitments and Guarantees

13.2.1 Commitments for capital expenditure as at 30 September 2022 amounted to Rs 9.79 million (31 December 2021: Rs 34.45 million).

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

	30 September 2022	31 December 2021
	(Un-audited)	(Audited)
Not later than 1 year	12,397	27,961
Later than 1 year and not later than 5 years	151,315	55,407
	163,712	83,368

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

	30 September 2022	31 December 2021
	(Un-audited)	(Audited)
Not later than 1 year	291,143	541,184
Later than 1 year and not later than 5 years	-	90,197
	291,143	631,381

13.2.4 Outstanding guarantees of the Company as at 30 September 2022 were Rs 4,864.1 million (31 December 2021: Rs 3,944.1 million).

13.2.5 Letters of credit issued on behalf of the Company as at 30 September 2022 were Rs 3,575.5 million (31 December 2021: Rs 2,366.8 million).

Nine months period ended 30 September (Un-audited)		Quarter ended 30 September (Un-audited)	
2022	2021	2022	2021

14. REVENUE - net

Manufactured goods

Local sales	92,546,024	54,409,074	35,622,830	19,900,806
Less: sales tax and excise duty	(13,446,858)	(7,905,592)	(5,175,967)	(2,891,570)
price settlements and discounts / rebates	(2,334,328)	(618,401)	(1,792,121)	(424,337)
	76,764,838	45,885,081	28,654,742	16,584,899

Trading goods

Local sales	1,858,156	1,846,005	499,560	627,183
Less: sales tax and excise duty	(269,989)	(268,223)	(72,586)	(91,129)
price settlements and discounts / rebates	(13,278)	(14,594)	(4,981)	(5,142)
	1,574,889	1,563,188	421,993	530,912

Sale of electricity

Local sales	1,373,160	904,231	559,646	214,181
Less: sales tax	(199,519)	(131,384)	(81,316)	(31,120)
	1,173,641	772,847	478,330	183,061
	79,513,368	48,221,116	29,555,065	17,298,872

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

	Nine months period ended 30 September (Un-audited)		Quarter ended 30 September (Un-audited)	
	2022	2021	2022	2021
15. COST OF SALES				
Manufactured goods				
Opening stock of raw and packing materials	4,489,456	3,644,232	7,505,357	3,334,804
Purchases	61,193,850	37,029,439	22,461,328	13,985,621
Closing stock of raw and packing materials	(7,515,188)	(4,225,652)	(7,515,188)	(4,225,652)
Raw and packing materials consumed	58,168,118	36,448,019	22,451,497	13,094,773
Manufacturing costs	4,266,923	4,114,223	1,552,527	1,422,411
Cost of goods manufactured	62,435,041	40,562,242	24,004,024	14,517,184
Opening stock of finished goods	899,009	506,676	1,024,616	950,413
	63,334,050	41,068,918	25,028,640	15,467,597
Closing stock of finished goods	(1,089,637)	(218,193)	(1,089,637)	(218,193)
Cost of goods manufactured sold	62,244,413	40,850,725	23,939,003	15,249,404
Trading goods				
Opening stock	460,127	6,461	171,151	85,157
Purchases	929,247	1,691,343	243,598	750,631
Closing stock	(68,220)	(353,575)	(68,220)	(353,575)
Cost of trading goods sold	1,321,154	1,344,229	346,529	482,213
Cost to produce electricity	1,136,807	719,871	464,425	173,285
	64,702,374	42,914,825	24,749,957	15,904,902
16. OTHER OPERATING EXPENSES				
Workers' Profit Participation Fund	695,330	242,805	219,457	45,375
Workers' Welfare Fund	287,776	102,297	95,559	24,437
	983,106	345,102	315,016	69,812
17. OTHER INCOME				
Income from financial assets				
Interest income	1,395,618	854,002	587,571	282,968
Income from non-financial assets				
Scrap sales	8,307	6,123	5,058	7
Unwinding of GIDC provision	-	(89,219)	-	(27,694)
Gain on disposal of property, plant and equipment	3,944	-	-	-
Indenting commission - net	10,076	3,753	2,835	2,036
Rental income from tower on leasehold land	932	896	-	-
Income from sale of water	10,459	11,888	141	4,990
Others	12	68	-	16
	33,730	(66,491)	8,034	(20,645)
	1,429,348	787,511	595,605	262,323
18. FINANCE COSTS				
Interest on lease liability	169,676	150,816	63,755	51,899
Exchange loss - net	1,588,139	599,749	720,391	518,377
Bank, LCs and other charges	34,350	27,563	10,550	6,527
Interest on Workers' Profit Participation Fund	180	116	-	-
	1,792,345	778,244	794,696	576,803

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

19. TAXATION

	Note	Nine months period ended 30 September (Un-audited)	
		2022	2021
Current	19.2	4,662,078	1,456,785
Prior	19.1	690,831	7,443
Deferred		(535,133)	(161,994)
	19.3	<u>4,817,776</u>	<u>1,302,234</u>

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

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

19.3 Reconciliation of income tax expense for the period	Note	Nine months period ended 30 September (Un-audited)	
		2022	2021
Profit before taxation		12,923,502	4,531,880
Applicable normal tax rate		29%	29%
Applicable super tax rate		4%	0%
Cumulative applicable tax rate		33%	29%
Tax calculated at the cumulative applicable tax rate		4,264,756	1,314,245
Tax effect of:			
- prior year tax charge		690,831	7,443
- prior year impact on deferred tax due to super tax		(128,464)	-
- others		(9,347)	(19,454)
		<u>4,817,776</u>	<u>1,302,234</u>

20. CASH GENERATED FROM OPERATIONS

Profit before taxation 12,923,502 4,531,880

Adjustments for non-cash charges and other items:

Depreciation and amortisation		912,811	1,067,214
Gain on disposal of property, plant and equipment		(3,944)	-
Provision for retirement benefit obligations		11,922	11,303
Finance cost		767,433	316,437
Interest income	17	(1,395,618)	(854,002)
Infrastructure Cess		821,684	261,458
Unwinding of GIDC provision		-	89,219
		<u>1,114,288</u>	<u>891,629</u>
		14,037,790	5,423,509

Effect on cashflows due to working capital changes

Decrease / (increase) in current assets:			
Stores and spare parts		(33,377)	(252,161)
Stock-in-trade		(2,824,453)	(498,635)
Trade debts		(9,219,658)	(2,231,740)
Loans and advances		338	2,496
Trade deposits and short-term prepayments		(55,603)	(676)
Other receivables		(620,565)	(347,707)
Sales tax refunds due from government		(129,906)	(201,244)
		<u>(12,883,224)</u>	<u>(3,529,667)</u>
Increase in trade and other payables		105,490	2,544,277
Cash generated from operations		<u>1,260,056</u>	<u>4,438,119</u>

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

	Note	30 September 2022 (Un-audited)	30 September 2021 (Audited)
21. CASH AND CASH EQUIVALENTS			
Cash and bank balances	10	4,163,136	38,411
TDRs with banks having maturity less than three months	8	2,067,300	11,574,700
		<u>6,230,436</u>	<u>11,613,111</u>

22. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions	Nine months period ended 30 September (Un-audited)		Quarter ended 30 September (Un-audited)	
		2022	2021	2022	2021
Parent / Associate / Related parties					
Lotte Chemical Corporation	Legal and professional charges	-	2,755	-	835
	Dividend paid	-	851,895	-	-
Lotte Academy	Purchase of services	-	50	-	-
Lotte Kolson Private Limited	Purchase of goods	-	161	-	-
Key management personnel	Salaries and other short-term benefits	53,694	45,677	19,728	15,496
	Retirement benefits	5,560	5,753	1,812	1,981
	Loan repaid	9,800	3,150	-	1,050
Others	Payments to retirement benefit funds	73,830	66,367	24,722	22,863

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

23.1 Accounting classifications and fair values

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

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

For the nine months period ended 30 September 2022

Amounts in Rs '000

		30 September 2022 (Un-audited)					Fair value			
Note	Carrying amount				Total	Level 1	Level 2	Level 3	Total	
	Financial assets 'at fair value through other comprehensive income'	Financial assets 'at fair value through profit or loss'	Financial assets 'at fair value through amortised cost'	Other financial liabilities						
Financial assets - not measured at fair value										
Loans and advances	23.1.1	-	-	191,385	-	191,385				
Trade deposits	23.1.1	-	-	67,744	-	67,744				
Trade debts	23.1.1	-	-	13,515,619	-	13,515,619				
Other receivables	23.1.1	-	-	1,342,271	-	1,342,271				
Short-term investments										
- TDRs	23.1.1	-	-	2,067,300	-	2,067,300				
- T-Bills	23.1.2	-	-	4,321,229	-	4,321,229	4,301,455		4,301,455	
Interest accrued	23.1.1	-	-	1,690	-	1,690				
Cash and bank balances	23.1.1	-	-	4,163,136	-	4,163,136				
		-	-	25,670,374	-	25,670,374				
Financial liabilities - not measured at fair value										
Trade and other payables	23.1.1	-	-	-	7,480,964	7,480,964				
Accrued interest	23.1.1	-	-	-	346,763	346,763				
Unclaimed dividend	23.1.1	-	-	-	10,984	10,984				
Unpaid dividend	23.1.1	-	-	-	4,600,732	4,600,732				
Lease liability	23.1.1	-	-	-	2,059,103	2,059,103				
		-	-	-	14,498,546	14,498,546				
		31 December 2021 (Audited)					Fair value			
Note	Carrying amount				Total	Level 1	Level 2	Level 3	Total	
	Financial assets 'at fair value through other comprehensive income'	Financial assets 'at fair value through profit or loss'	Financial assets 'at fair value through amortised cost'	Other financial liabilities						
Financial assets - not measured at fair value										
Loans and advances	23.1.1	-	-	165,600	-	165,600				
Trade deposits	23.1.1	-	-	47,381	-	47,381				
Trade debts	23.1.1	-	-	4,295,961	-	4,295,961				
Other receivables	23.1.1	-	-	721,706	-	721,706				
Short-term investments										
- TDRs	23.1.1	-	-	15,259,350	-	15,259,350				
- T-Bills	23.1.2	-	-	-	-	-				
Interest accrued	23.1.1	-	-	45,954	-	45,954				
Cash and bank balances	23.1.1	-	-	46,323	-	46,323				
		-	-	20,582,275	-	20,582,275				
Financial liabilities - not measured at fair value										
Trade and other payables	23.1.1	-	-	-	8,359,044	8,359,044				
Accrued interest	23.1.1	-	-	-	268,571	268,571				
Unclaimed dividend	23.1.1	-	-	-	11,014	11,014				
Unpaid dividend	23.1.1	-	-	-	30,597	30,597				
Lease liability	23.1.1	-	-	-	1,759,885	1,759,885				
		-	-	-	10,429,111	10,429,111				

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

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

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

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

For the nine months period ended 30 September 2022

24. GENERAL

24.1 Segment reporting

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

24.2 Date of Authorisation

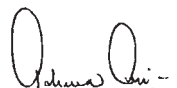
These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 27 October 2022.



Sang Hyeon Lee
Chairman



Young Dae Kim
Chief Executive



Ashiq Ali
Chief Financial Officer

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